

Instant Comment Slovakia

Industrial production gathers speed in January as foreign trade dynamics improve

Industrial Production (y/y)

Actual, Jan:	7.2	Previous:	3.1	Erste:	4.5	Consensus:	2.7
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Industrial production rose by 7.2% y/y in January, exceeding our above-consensus forecast. On a seasonally-adjusted monthly basis, IP increased by 1.1%. The overwhelming driver of growth was car production (+38.1% y/y), followed by manufacture of machinery (+22.7% m/m).

Production in construction broke the trend of brisk increases and fell by 0.8% y/y in January (corresponding to a monthly fall of 1.2% m/m).

Foreign trade dynamics picked up in January as exports rose by 13.4% y/y and imports marked an increase of 11.1% y/y. **Trade balance was thus positive, at EUR 175mn, in line with our expectations (EUR 182mn).**

Looking Forward:

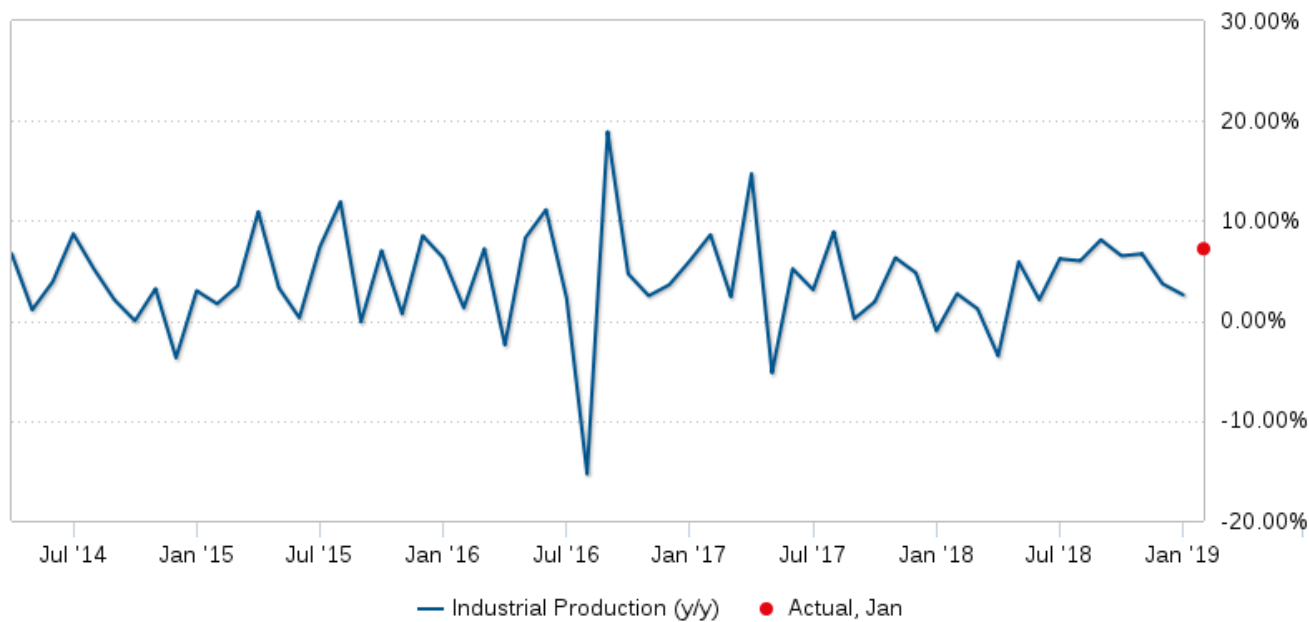
The released figures for the industry are a positive surprise, suggesting that despite the recent somewhat cautious announcements from the car sector, industrial production managed to gather speed at the beginning of the year. **A noticeable boost was added from the fourth car plant**, which is gradually moving up to its full production volume (expected to be reached in 2019-20).

Construction most likely felt the high base effect from last year, when it rose by 22% y/y in January 2018.

Foreign trade data have not been dented much by the mildly disappointing soft indicators (especially for German manufacturing) at the beginning of 2019.

Overall, we expect economic growth to average 3.4% this year, driven predominantly by domestic demand. The external environment is likely to remain overcast (Germany, Euro Area and China slowing down, uncertainty stemming from Brexit and possible inconveniences arising from these issues for the local car sector). The slowdown in GDP growth is attributable to external demand changes and should prove to be temporary. We stick to our 2020 growth forecast of 3.6%.

Zoom 6M 12M 5Y 10Y



Source: Stat. Office Of The Slovak Republic

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