

Short note – Fixed Income Research – July 8, 2009

## Slovakia: May Industrial Production

### Industrial production declined by 24% y/y, slightly more than expected

- Industrial production fell in May by 23.9% y/y, which is almost unchanged level from -24.7% seen in April.
- We expected smaller decline at 21%, while market's median stood at 20% (according to Reuters agency).
- **The structure revealed that manufacturing production (industrial production less mining and energy) indeed slightly improved in May** as was expected, when it declined by 27% y/y after falling by 29% in April. Improvement owed to smaller decline in car production, which helped to reduce negative contribution of car production by 3pp on annual basis (despite the fact that the biggest Slovak car manufacturer VW had a one week break in May). On the other hand, energy production fell by 8% y/y, spoiling slightly the picture.
- **According to our seasonal and working day adjustment, industrial production fell on the month by 1.2%, while manufacturing alone (ex energy and mining) increased by 1.3%.**
- We assume that both June and July could bring increases in industrial production on monthly s.a. and w.d.a. basis. In June, VW had no break anymore and industrial sentiment improved. Since mid-July, car manufacturer KIA is to resume back to standard 8-hour-working shifts. Also in July, US steel Kosice resumes its production back to full 5-day working week. However, annual decline might still stay above 20% despite monthly improvements. Decline in industrial production can narrow to around 15% y/y during autumn in our view, supported by first signs of recovery in Euro zone.

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