

Source: Atradius

## Industry performance

Changes since September 2020 - Sources: Atradius, Oxford Economics

### Agriculture



#### Remains Fair

In 2020 the sector was impacted by the consequences of the first lockdown (e.g. transport and supply chain issues, as well as issues with a shortage of part-time workers due to closed borders and restricted movement). However, according to early estimates, output still increased 3% in 2020.

### Automotive/Transport



#### Remains Poor

Czech automotive production contracted by 19.2% in 2020. Producers and suppliers suffered from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment intended to cope with the shift away from combustion engines towards e-mobility.

While a rebound in automotive production started in H2 of 2020, with October figures even exceeding pre-pandemic levels, production and sales volumes have declined again since November due to the second lockdown. While no substantial increase in payment delays or insolvencies have been recorded so far, sector credit risk has nevertheless increased for H1 of 2021.

Performance of the transport sector has been rather weak over the past couple of years due to low domestic demand. Surplus of supply over demand has had a negative impact mainly on smaller companies, which could not compete in the fierce market and often had to stop doing business. Transport value added is estimated to have shrunk by almost 14% in 2020. Should the coronavirus pandemic not abate in early 2021, problems in the sector will mount as a result of restrictions in the area of transport of goods. Currently transport value added is forecast to rebound by just 1.5% in 2021.

### Chemicals/Pharmaceuticals



#### Remains Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. As many chemical businesses supply the automotive sector, they have suffered from decreased demand, with value added estimated to have contracted by 4.5% in 2020. However, it is forecast to rebound by the same number in 2021, given a recovery of key buyer sectors.

Within the pharmaceuticals industry, some businesses requested longer payment terms in 2020. However, value added is forecast to grow by about 6% in 2021 after a 5% increase in 2020, thanks to higher health care expenses.

### Construction/ Construction Materials



#### Remains Poor

Operating margins are very tight in this industry, with increased credit risk mainly for smaller players. Due to a steep economic recession of almost 7% in 2020, businesses have been additionally affected by postponement of projects and reduced order volumes. Construction value added is estimated to have contracted by 4% in 2020. While no substantial increase in payment delays or insolvencies was recorded in H2 of 2020, both are expected to rise in the coming months.

### Consumer Durables



#### Remains Fair

Private consumption of non-food consumer goods deteriorated in H1 of 2020 due to the coronavirus impact, with many businesses temporarily closed due to the first lockdown. Since June the sector experienced a rebound, with aggregated retail sales growing until September, but the second lockdown imposed in autumn has stopped this recovery for the time being. That said, e-commerce and online sales of consumer durables has been growing dynamically, with an average increase of e-shop sales expected to reach 25% in 2020. The short-term outlook remains stable, with consumer behaviour supported by newly implemented lower income taxation and a still favourable level of employment.

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

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### Electronics/ICT



#### Remains Fair

In H1 of 2020, sales of electronics/ICT products were negatively affected by the temporary closure of businesses. However, in 2020 the sector recorded growth in most segments, especially consumer electronics and information technology (PCs, laptops and smartphones). ICT value added is forecast to grow by about 7% in 2021 after an estimated 3% increase in 2020.

### Financial Services



#### Remains Fair

The sector remains relatively robust and benefits from various government schemes meant to support the economy and the banking industry. Therefore, the increase of loan defaults for banks and implementation of tighter lending conditions have not materialized so far. Value added of the industry is forecast to increase 3% in 2021.

### Food



#### Remains Fair

While many food producers benefited from higher domestic demand in H1 of 2020, exporters were impacted by the consequences of the coronavirus-related lockdown (e.g. transport and supply chain issues, as well as an unfavourable foreign exchange rate). Suppliers to restaurants, schools, cafeterias, etc. (e.g. meat processors, breweries, dairy industry) have to deal with decreased demand. However, some of that has been substituted with increased demand from supermarkets. Food producers are supported with subsidies by an "Agricovid" government fund worth CZK 3 billion. Food value added is forecast to increase by 2.5% in 2021 after levelling off in 2020.

### Machines/Engineering



#### Remains Poor

In 2019 machines demand from manufacturing already started to slow down, leading to lower production and revenues. Rising energy and labour costs had a negative effect on margins. Mainly in H1 of 2020, investments of manufacturers in machines and related items deteriorated, while engineering companies faced issues with coronavirus-related restrictions in cross-border employee traffic. Engineering value added is estimated to have contracted by more than 10% in 2020. In 2021 a 9% rebound is forecast, but downside risks remain. No significant increase in payment delays or insolvencies has been recorded so far.

### Metals



#### Remains Poor

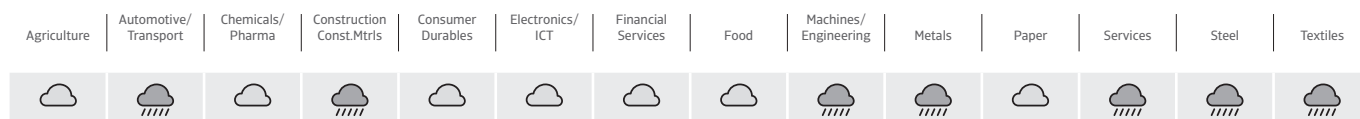
Metals demand from manufacturing already slowed down in 2019, leading to lower production and revenues, while rising energy and labour costs had a negative effect on margins. In Q2 and Q3 of 2020 metal producers suffered from deteriorating demand from key buyer sectors (automotive, construction and machines). The rebound seen since Q4 of 2020 remains modest and prone to downside risks. Metals value added is forecast to increase 5.5% after an estimated 9.5% contraction in 2020. Fiscal support to businesses has so far prevented an increase in insolvencies in this sector.

### Paper



#### Remains Fair

The sector remains impacted by the ongoing digitalization, which has led to decreasing demand over the last couple of years. Value added growth of the industry is forecast to increase by about 1% in 2021 after an estimated 0.5% growth in 2020.



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### Services



#### Remains Poor

Due to lockdown measures and subsequent business closures in H1 of 2020 and since November 2020, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. The outlook for H1 of 2021 remains poor, as restrictions are not expected to be lifted soon. Hotels and catering value added is forecast to rebound by just 4% in 2021, after an estimated 16% contraction in 2020. While the temporary special protection of debtors against creditors (implemented as an amendment to the insolvency law) has been recently extended, it is expected that insolvencies will increase after its expiry in the course of 2021.

### Steel



#### Remains Poor

In 2019 steel demand from manufacturing already slowed down, while steel producers were affected by rising energy and production costs and continued import of cheaper Chinese steel. Environmental regulations put additional pressure on the industry. In 2020 steel producers and traders suffered due to deteriorating demand from key buyer sectors (automotive, construction and machines). After a 4% decrease in 2019, steel value added is estimated to have contracted by 8% in 2020. The performance outlook for H1 of 2021 remains subdued.

### Textiles



#### Remains Poor

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behaviour and increased competition from new online retailers. The performance has further deteriorated due to low sales during the lockdowns. Textiles value added is forecast to shrink by about 0.5% in 2021 after an estimated 6% contraction in 2020. Payment delays and requests for payment moratoriums have increased, and the situation is expected to deteriorate further in H1 of 2020, especially as soon as governmental protective measures are lifted.