

Embargoed until 0930 CET (0830 UTC) 1 November 2018

## IHS MARKIT CZECH REPUBLIC MANUFACTURING PMI®

### PMI falls to 23-month low in October

#### KEY FINDINGS

PMI signals solid, but weaker manufacturing growth

New order expansion softens further

Business expectations dip to lowest since July 2013

October data indicated a solid improvement in business conditions in the Czech manufacturing sector, despite the rate of overall growth easing for the fourth successive month to the lowest in nearly two years. The upturn was supported by a solid increase in output; however, new orders rose only marginally during the month. Similarly, growth in demand from foreign clients softened to a near two-year low. Accordingly, the rate of job creation was the weakest since August 2016. Meanwhile, a slowdown in the automotive sector and concerns surrounding global trade wars dampened firms' expectations towards output growth for the coming 12 months.

The headline IHS Markit Czech Republic Manufacturing PMI® is a composite single-figure measure of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement in the sector.

At 52.5 in October, down from 53.4 in September, the latest PMI reading slipped further from the highs seen at the start of the year. Although indicative of a solid improvement in the health of the sector, it signalled the weakest growth for almost two years.

Output levels rose further in October, with the rate of expansion matching that seen in September. The release of new products and greater new business were cited as factors driving growth. However, amid reports of weaker demand from the automotive sector, the upturn in production was

Czech Republic Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

the joint-lowest since November 2016.

New orders received by manufacturing firms grew only marginally in October, displaying the weakest rise in the current 26-month sequence of expansion. Growth in new business from abroad also eased to the slowest in almost two years. Panellists commonly noted that a slowdown in the automotive sector was behind weaker new order growth.

Subsequently, firms expressed a lower degree of confidence in future output growth. The level of optimism dipped to the weakest in over five years as trade wars and less robust demand in the automotive industry weighed on expectations.

Meanwhile, manufacturing firms' workforce numbers increased at a slower rate. Although panellists stated that greater production requirements and a further rise in backlogs drove job creation, some continued to cite ongoing skilled worker shortages.

On the price front, input costs faced by goods-producing firms rose at a marked rate in October. The increase in input costs was largely attributed to higher raw material and fuel prices. Moreover, supplier delivery times lengthened markedly, reportedly due to capacity shortages. Output prices rose strongly amid greater cost burdens and capacity pressures.

## COMMENT

Siân Jones, Economist at IHS Markit, which compiles the Czech Republic Manufacturing PMI survey, commented:

*"The Czech manufacturing sector started the final quarter of the year on a slightly weaker footing, with the PMI falling to an almost two-year low. The expansion in output remained lacklustre in comparison to earlier in the year and new orders only increased marginally.*

*"A main point of concern centres around business confidence. Goods producers remained relatively forlorn amid heightened trade tensions and automotive sector weakness. Notably, firms expressed their lowest degree of optimism since July 2013.*

*"Despite ongoing reports of capacity shortages and a further rise in backlogs, the rate of job creation was the slowest since August 2016. Some firms continued to highlight a shortage of skilled workers in the labour market and a rise in wages."*

## Output Index

sa, >50 = growth since previous month



Source: IHS Markit, CSO.

## CONTACT

### IHS Markit

Siân Jones  
Economist  
T: +44-1491-461-017  
[sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44-207-260-2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Methodology

The Czech Republic Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 300 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

October 2018 data were collected 12-23 October 2018.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, click [here](#).

### About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).