

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Czech Republic Manufacturing PMI[®]

June PMI signals sharp improvement in manufacturing operating conditions

Key findings:

- Output and new orders grow at accelerated pace
- Input price inflation quickens...
- ...as delivery times lengthen to the second-greatest extent in the series history

Data collected June 12-21

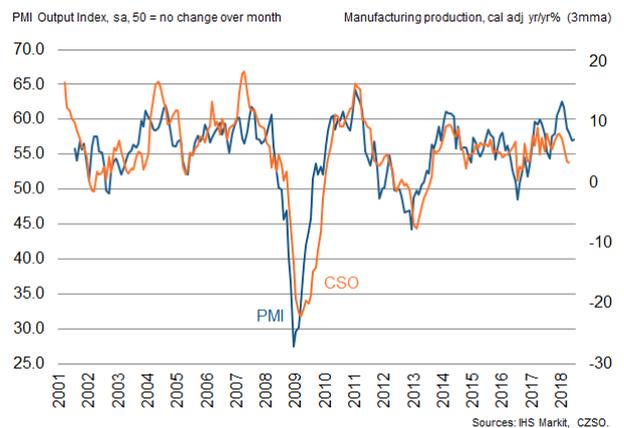
The latest PMI[®] survey data from IHS Markit signalled a sharp improvement in business conditions across the Czech manufacturing sector in June. Output and new orders expanded at faster rates, with employment levels increasing solidly. In line with a further deterioration in supplier delivery times, input prices rose at the quickest pace for three months. Output charges also increased sharply as firms partly passed on higher costs to clients. Meanwhile, business confidence improved, driven by sustained growth in new orders and investment in technology.

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 56.8 in June, up from 56.5 in May, the latest reading signalled a steep and faster improvement across the manufacturing sector. The second quarter saw a sharp expansion overall, albeit one that was the weakest since the third quarter of 2017.

The stronger overall PMI reading was aided by a faster expansion in output in June. Despite being the second-weakest since August 2017, the

Czech Republic Manufacturing PMI



rate of growth was sharp nonetheless. The latest increase in production was largely attributed by panellists to greater demand from domestic and foreign clients, and investment in capacity expansion.

New order growth at goods producers was also steep, accelerating from May's nine-month low. The rise in new business was faster than the long-run average, despite being below the rates seen around the turn of the year. The export component of new orders also increased in June, and at a solid pace.

In line with a marked lengthening in suppliers' delivery times, input cost inflation accelerated in June. The rate of increase was the fastest for three months, with anecdotal evidence highlighting upward pressure from higher prices for steel, aluminium, copper and plastics.

Meanwhile, average charges for goods increased at a sharp rate, as firms passed higher costs onto

clients. The pace of inflation was the quickest since March.

In line with the rate of output growth outstripping that of new orders, backlogs increased at a weaker pace in June. Moreover, the rise in outstanding business was the slowest for ten months. Employment growth was also below the average for 2018 so far, despite accelerating from May's 19-month low.

Business confidence, however, was robust in June. The level of optimism increased and was above the long-run series average. Anecdotal evidence suggested that investment in new technology, a sustained upturn in new orders and access to new export markets were key factors driving strong expectations.

Comment

Commenting on the Czech Republic Manufacturing PMI survey data, Sian Jones, Economist at IHS Markit and author of the report, said:

“June survey data continued to indicate a sharp output expansion across the Czech manufacturing sector. Similarly, new orders rose at a quicker pace, which in turn helped to boost business expectations towards the year ahead.”

“Meanwhile, input costs increased markedly. The rate of inflation accelerated to the quickest in three months on the back of strong pressure on supply chains and delays in the delivery of inputs. In fact, lead times lengthened to the second-greatest extent since the survey began.”

“In turn, output charges for goods increased at a sharper pace, showing that demand conditions remain robust.”

-Ends-

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Note to Editors:

The Czech Republic Manufacturing *PMI*® (*Purchasing Managers' Index*®) is produced by IHS Markit. The report features original survey data collected from a representative panel of around 300 companies based in the Czech manufacturing sector. The panel is stratified by GDP and workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

The Manufacturing *Purchasing Managers' Index*® (*PMI*®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*® (*PMI*®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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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 www.ihsmarkit.com/products/pmi.

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