

# News Release

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## S&P Global Czech Republic Manufacturing PMI<sup>®</sup>

### April PMI drops to lowest since November 2020 amid weaker demand

#### Key findings

Renewed rise in output despite further fall in new orders

Selling prices rise at near-record pace

Employment growth slowest since October 2021

April PMI<sup>®</sup> data from S&P Global indicated a solid improvement in the health of the Czech manufacturing sector. That said, the rate of overall growth was the slowest since November 2020 amid a further contraction in new orders and the softest upturn in employment since October 2021. Nonetheless, backlogs of work rose further amid severe supplier delays and material shortages. Meanwhile, inflationary pressures remained substantial. The rate of increase in input prices was marked overall, whilst higher cost burdens pushed output charges up at the second-fastest pace on record (since January 2003). At the same time, firms stepped up their input buying to counteract the use of stocks to supplement production.

The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) posted 54.4 in April, down from 54.7 in March, to signal the slowest improvement in operating conditions for 17 months. The pace of overall growth was solid overall and quicker than the series average, however.

A slower overall improvement in the health of the goods-producing sector in part stemmed from a further fall in new orders during April. The rate of contraction quickened to the fastest since July 2020 but was modest. Where a decline in new sales was noted, firms linked this to weaker client demand following hikes in selling prices and material shortages holding up production further down the supply chain. New export orders fell again, albeit at a softer pace.

Despite a decrease in new orders, manufacturers registered a renewed rise in output at the start of the second quarter. The pace of increase was only marginal, however, as material shortages and weaker client demand stymied the expansion.

Weighing on demand conditions were further hikes in selling prices during April. Firms sought to pass through soaring input costs to clients, with the rate of charge inflation accelerating to a marked pace that was the second-fastest

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-21 April 2022.

#### Comment

Siân Jones, Senior Economist at S&P Global, said:

"Czech manufacturing firms signalled another loss of growth momentum in April, despite output returning to expansion. New orders contracted at a sharper pace as the impact of selling price rises dampened customer demand domestically and abroad.

"Although some companies mentioned fears of further retractions in the placement of new orders from customers due to higher output charges, another substantial hike in cost burdens forced many to continue passing through higher input prices to clients. Factory gate charges rose at the second-fastest pace since January 2003.

"Nevertheless, supply-chain disruption, which was reportedly exacerbated by Russia's invasion of Ukraine, led to greater intentions to stockpile inputs.

"The impact of inflationary pressures and Russia's invasion of Ukraine on customer confidence has led to a further downward revision in our forecast for industrial production during 2022, with only a 0.6% increase now expected over the year."

PMI<sup>®</sup>

by S&P Global

on record (since January 2003).

Increased cost burdens were linked to higher prices for a range of raw materials including steel, plastic and packaging. Some firms also stated that Russia's invasion of Ukraine exacerbated the impact of already high energy and fuel costs. Although the pace of cost inflation eased from March, it was stronger than any seen prior to May 2021.

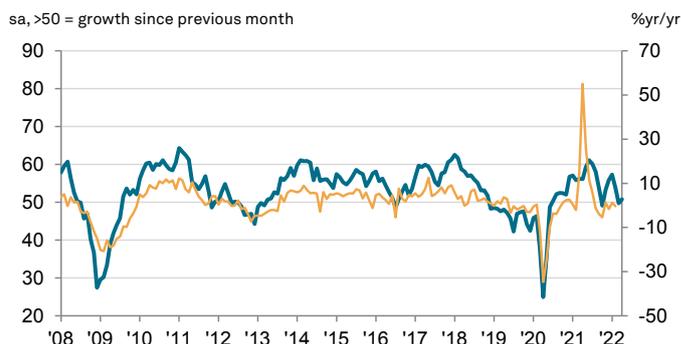
Meanwhile, weaker demand conditions led to a slower rise in employment during April. The rate of job creation eased to the softest since October 2021. Although quicker than the series average, the pace of growth slowed for the fourth month running.

Pressure on capacity remained evident in April, although the rate of expansion in backlogs of work was marginal and the second-slowest in over a year. Companies largely noted that material shortages drove the rise in work-in-hand.

Input delays, transportation and logistics challenges and material shortages were key factors driving a marked deterioration in vendor performance. Nonetheless, firms stepped up their purchasing activity in efforts to stockpile inputs and account for the use of inventories to supplement production. Although stocks of purchases rose strongly, holdings of finished goods fell at the fastest pace since November 2016.

Finally, output expectations picked up in April as more firms anticipated increases in output over the coming year. The degree of confidence was relatively subdued, however, amid concerns regarding the impact of price rises on demand.

■ PMI Output Index      ■ Industrial production



Sources: S&P Global, CZSO.

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### Survey methodology

The S&P Global Czech Republic Manufacturing PMI® is compiled by S&P Global 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. Data collection began in June 2001.

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.

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

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