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# IHS Markit Czech Republic Manufacturing PMI®

## Fastest improvement in operating conditions since February 2018, but marked price pressures persist

### Key findings

Output and new orders rise at faster rates

Unprecedented deterioration in vendor performance

Costs rise at steepest pace on record

March data were collected 12-23 March 2021.

March PMI® data signalled a marked upturn in operating conditions across the Czech manufacturing sector, with rates of output and new order growth quickening. The headline index was also buoyed by record-breaking delays to input delivery times. Although ordinarily seen as a signal of stronger demand conditions, this has partly stemmed from coronavirus disease 2019 (COVID-19) restrictions and resulting transportation delays. Raw material shortages also led to the sharpest rise in input prices on record, with many firms partially passing on additional cost burdens to clients by increasing their charges.

Meanwhile, stronger client demand drove business confidence higher, with firms also taking on more workers to support greater production requirements.

The headline seasonally adjusted IHS Markit Czech Republic Manufacturing PMI® registered 58.0 in March, up from 56.5 in February. The latest index reading signalled a steep improvement in the health of the Czech manufacturing sector that was the most marked for over three years.

Contributing to the uptick in the headline index was a stronger increase in production in March. Output expanded at an accelerated pace that was sharp overall, with many firms stating that the upturn was driven by stronger client demand and greater new order inflows. The rate of production growth was above the series trend and among the steepest over the last three years.

At the same time, new business rose sharply amid reports of new client acquisitions and stronger demand, especially from foreign customers. Moreover, the expansion in total

*continued...*

Czech Republic Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Siân Jones, Senior Economist at IHS Markit, said:

"Czech manufacturing firms signalled a strong end to the opening quarter of 2021, with output and new orders expanding at faster rates. Encouragingly, demand picked up among domestic and foreign customers, with exports rising at the sharpest pace since April 2018.

"Nonetheless, the sector was once again plagued by supply chain disruptions. The deterioration in vendor performance was unprecedented, pushing cost inflation to a record high and leading to further depletions in stocks. Stronger client demand did, at least, allow for the pass-through of some cost burdens to clients. Charge inflation accelerated to the fastest since January 2008.

"Firms expect output to increase over the coming year, with business confidence at its second-highest since July 2018. We currently forecast that industrial production will rise 7.6% in 2021, but much remains uncertain amid rising COVID-19 cases in the country."

sales was supported by the quickest increase in new export orders since April 2018. Some companies noted that alongside greater new business from external clients, the size of orders from existing clients had also grown.

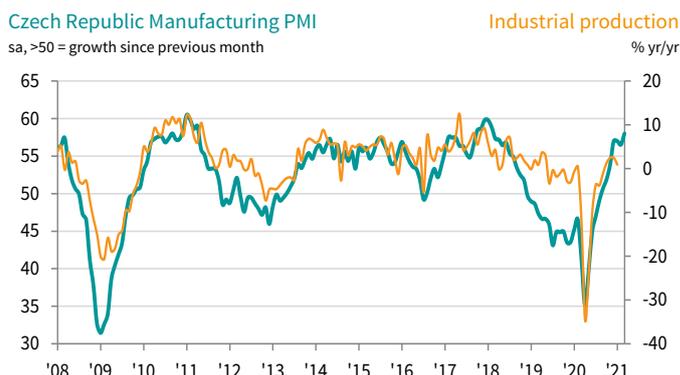
March data signalled a further intensification in supply chain disruptions. Vendor performance deteriorated to the greatest extent on record (since June 2001), with firms stating that transportation delays, COVID-19 restrictions and raw material shortages led to the unprecedented increase in input delivery times.

As a result of supply shortages, the rate of input cost inflation accelerated once again. The increase was the fastest since data collection began in June 2001. Firms were able to partially pass on higher costs to clients, however. The pace of charge inflation was the quickest since January 2008.

In line with material shortages, firms increased their input purchasing in efforts to stockpile, rebuild inventories and accommodate for greater production requirements. Pre- and post-production inventories were depleted in March as firms used stocks to fulfil new orders.

Czech manufacturers expanded workforce numbers at the quickest pace for three years in March. Job creation was reportedly linked to greater new order inflows and rising backlogs. That said, the increase in work-in-hand was only marginal overall.

Finally, goods producers remained upbeat regarding the outlook for output over the coming year. The degree of confidence was the second-highest since July 2018 and linked to hopes of an end to the pandemic and looser restrictions on business operations.



Sources: IHS Markit, CSO.

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#### Survey methodology

The IHS Markit 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.

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

#### Survey dates and history

March data were collected 12-23 March 2021.

Survey data were first collected June 2001.

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