

# IHS Markit Czech Republic Manufacturing PMI®

## Output growth eases to ten-month low amid capacity shortages

### Key findings

Softer increases in production and new orders amid supply-chain disruption

Employment growth quickens

Price pressures remain substantial

Data were collected 13-22 September 2021.

September PMI® data signalled a sharp improvement in operating conditions across the Czech manufacturing sector. The overall upturn was supported by solid expansions in output and new orders, although rates of growth softened. As a result, business confidence dropped to a ten-month low amid concerns of a future fall in demand due to material shortages in client industries. A sustained rise in new sales and greater production requirements led to a further need for increased employment. The rise in workforce numbers relieved some pressure on capacity, as backlogs of work rose at the slowest pace for six months.

On the price front, firms registered marked increases in input costs and output charges. That said, rates of inflation eased from the highs seen earlier in the year.

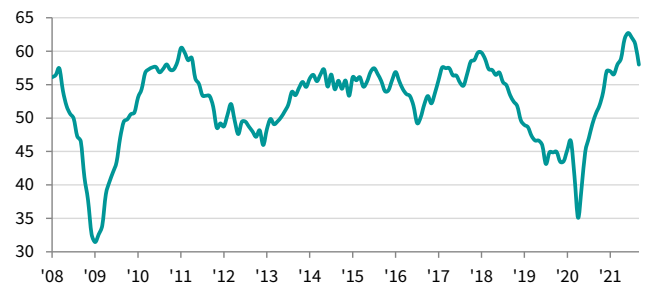
The headline seasonally adjusted IHS Markit Czech Republic Manufacturing PMI® registered 58.0 in September, down from 61.0 in August. The improvement in the health of the Czech manufacturing sector was sharp overall, despite softening to the slowest for six months. Although the pace of overall growth eased for the third month running, it was quicker than the series trend.

September data indicated a solid rise in production at manufacturers. Firms stated that greater output stemmed from a sustained upturn in demand. However, many noted that material shortages added to capacity constraints and hampered growth. Subsequently, the rate of expansion slowed to a ten-month low.

The softer upturn in output was partially driven by a weaker rise in new orders. The increase in client demand softened

*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 further sharp expansion across the sector in September. Although rates of growth have slowed from the record highs seen earlier in the year, demand conditions reportedly remain solid.

"Supply chain disruptions once again hampered output growth, however, as material shortages continued to blight manufacturing. An emerging concern was also raised regarding the impact on demand from clients as, in some instances, shortages stymie customers' ability to produce goods.

"The resulting rise in input costs remained substantial and severe by historical standards. Supplier price hikes reportedly impacted purchasing activity, as firms wait for softer increases in costs and utilised stocks of purchases to supplement production.

"Encouragingly, firms were able to relieve some pressure on capacity by expanding their workforce numbers sharply. Nonetheless, business confidence was dampened by concerns regarding potential labour shortages in the coming months."

to the slowest for seven months. Some firms attributed this to the knock-on effect of chip shortages in the automotive industry. Nevertheless, new export orders continued to increase in September, and at a solid pace.

Meanwhile, supply-chain disruption remained severe in September, as lead times lengthened to one of the greatest extents on record. Transportation delays, material shortages and marked demand for inputs extended delivery times.

As a result, input costs soared again. The rate of inflation was marked overall and much quicker than the series average, despite easing to a five-month low. Manufacturers were able to partially pass on higher costs to clients, as output charges rose steeply. Much like the trend for input prices, the rate of charge inflation softened slightly but was sharper than the series trend.

At the same time, employment growth quickened at the end of the third quarter amid firms' efforts to alleviate capacity pressures. The steep rise in workforce numbers was also linked to greater production requirements. Although backlogs of work continued to rise strongly, the pace of increase eased to a six-month low.

In line with marked increases in material costs, manufacturers utilised their current holdings of inputs to supplement production. The rate of growth in stocks of purchases slowed to a five-month low amid a softer rise in buying activity. Concurrently, stocks of finished goods declined at the fastest pace since November 2020.

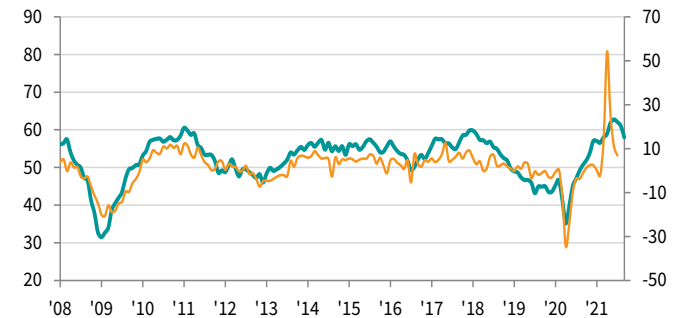
Finally, expectations regarding the outlook for output over the coming year slipped to a ten-month low. Although strong, confidence was dampened by labour shortage concerns.

### Czech Republic Manufacturing PMI

sa, >50 = growth since previous month

### Industrial production

% yr/yr



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

September data were collected 13-22 September 2021.

Survey data were first collected June 2001.

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