News Release

Embargoed until 0930 CEST (0730 UTC) 3 June 2019

IHS MARKIT CZECH REPUBLIC MANUFACTURING PMI®

May PMI joint-lowest since December 2012

KEY FINDINGS

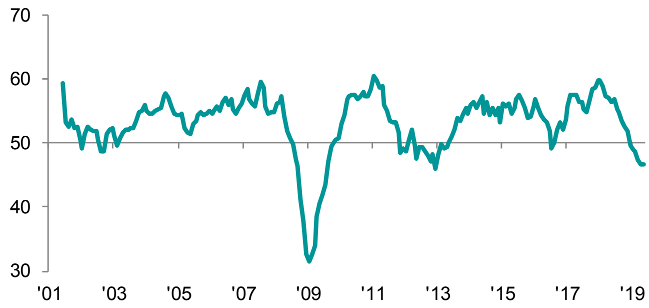
Solid deterioration in operating conditions

Rates of contraction in output and new orders quicken

Further fall in employment

Czech Republic Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

May survey data signalled a further deterioration in operating conditions across the Czech manufacturing sector. The overall contraction was solid, driven by faster declines in output and new orders. Concurrently, foreign demand also decreased strongly. Weaker client demand meanwhile contributed to falls in employment and backlogs, with firms reporting reduced strain on capacity. Subsequently, firms reported muted output expectations for the coming 12 months. Elsewhere, input prices rose at the softest pace since September 2016, but charges continued to increase at a solid rate.

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 46.6, the latest headline PMI reading matched that seen in April and signalled a solid deterioration in the health of the Czech manufacturing sector. The overall decline was the joint-strongest since December 2012 as output and new orders fell at sharper rates.

A key contributing factor behind the latest sub-50 headline PMI reading was a further fall in production. The decrease quickened and was the fastest since December 2012, as firms stated that weaker client demand and difficulties in the automotive industry hampered output.

In line with the trend for production, the contraction in new orders also accelerated in May. Weak demand conditions were seen among domestic and foreign clients, with new export orders falling strongly. A number of survey respondents noted that the impact of higher costs had led to a reduction in competitiveness on the global stage.

Subsequently, manufacturing firms registered a third successive monthly decrease in employment. Although softer than that seen in April, the rate of job shedding was solid, with panellists highlighting difficulties replacing retirees. Goods producers were, however, able to continued to clear backlogs, which declined at the fastest pace since the end of 2012.

Input costs faced by manufacturers rose solidly, but at a rate far slower than the highs seen in the last two years. The pace of inflation was the softest since September 2016. Despite weaker demand conditions, firms continued to raise output charges. The increase was faster than the series average, albeit the slowest for five months.

Meanwhile, the fall in new orders led to decreases in both input buying and inventories.

Finally, output expectations for the year ahead remained historically subdued. Firms expressed the greatest degree of optimism for seven months, but highlighted concerns surrounding further downturns in output and weak client demand.

PMI® By IHS Markit

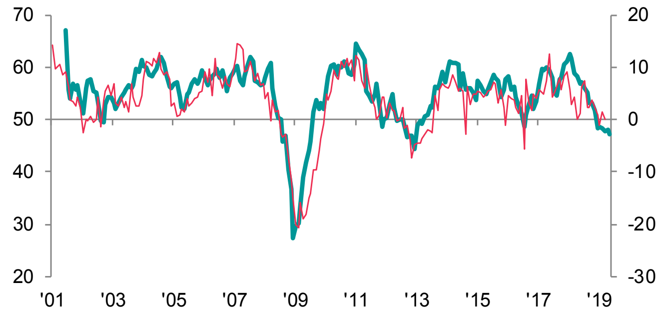
COMMENT

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

"May data seemingly showed no light at the end of the tunnel for Czech manufacturers, with output and new orders falling further. The decline in production was the fastest since the end of 2012 and led to a further decrease in employment. Tight labour market conditions still reportedly hampered efforts to replace retirees.

"On the price front, input cost inflation eased further as demand for raw materials softened and pressure on supplier capacity was reduced.

"On a less positive note, manufacturers suggested that continued increases in cost burdens had reduced the competitiveness of Czech exported goods. Subsequently, new export orders fell at a strong rate."



Source: IHS Markit, CSO.

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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.

May 2019 data were collected 13-22 May 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

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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 ihsmarkit.com/products/pmi.html.