

IHS Markit Czech Republic Manufacturing PMI®

April PMI at highest since January 2018, but supply-chain disruptions stymie production capacity

Key findings

Output and new order growth remains strong

Unprecedented supply-chain disruption pushes input costs up

Job creation accelerates to fastest since February 2018

April data were collected 12-22 April 2021.

April PMI® data signalled a steep and stronger improvement in the health of the Czech manufacturing sector. The headline figure was partially boosted by an unprecedented deterioration in vendor performance (ordinarily a signal of improving operating conditions), as output and new order growth eased slightly from those seen in March. Some firms noted that severe raw material shortages and supplier delays hampered production capacity. Concurrently, firms expanded workforce numbers at the sharpest pace since February 2018.

Meanwhile, strong demand for inputs led to the steepest rise in input costs on record, with charge inflation also ticking higher to the fastest since the series began in January 2003.

The headline seasonally adjusted IHS Markit Czech Republic Manufacturing PMI® registered 58.9 in April, up from 58.0 in March, to signal the sharpest improvement in operating conditions across the Czech manufacturing sector since January 2018. The latest upturn was steep overall and the eighth in as many months.

Contributing to the higher headline figure was the greatest deterioration in vendor performance since data collection began in June 2001. Longer average lead times were commonly linked to supply shortages and transportation delays.

At the same time, input delivery delays reportedly hampered manufacturers' capacity to produce output during April, with the rate of output growth slowing slightly compared to that seen in March. Nonetheless, the pace of expansion was among the fastest since June 2018 amid a sustained increase

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 manufacturers signalled a strong expansion in output and new orders during April, amid a sustained upturn in client demand. Encouragingly, employment growth accelerated to the fastest for over three years. The headline figure, however, was partially boosted by an unprecedented deterioration in vendor performance which would ordinarily be a sign of improving operating conditions.

"Supplier delivery delays and component shortages also pushed input prices higher, with rates of both cost and charge inflation accelerating to series highs. A further implication of supply-chain disruptions was greater efforts to rebuild safety stocks among manufacturers, with purchasing activity and pre-production inventories rising.

"Goods producers anticipate further output growth through 2021, as business confidence improved during April. In line with company optimism, our current forecast expects industrial production to rise 7.2% on the year in 2021."

in client demand.

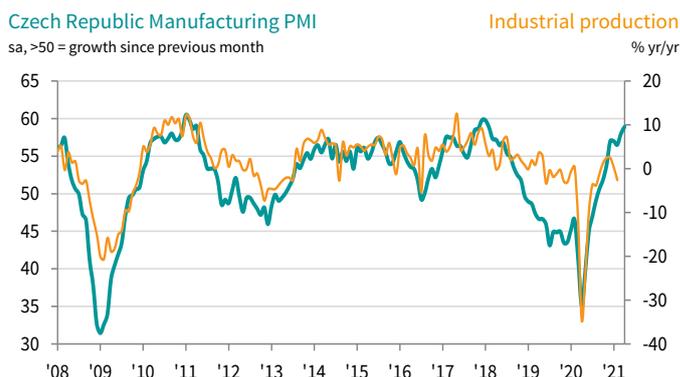
New order growth remained strong overall in April, despite the rate of expansion slipping from that seen in March. Alongside the acquisition of new customers, firms linked the upturn to the reopening of key export markets and a further increase in international sales. The rise in foreign client demand was among the fastest for three years.

In line with a further rise in new orders, manufacturing firms registered a strong increase in workforce numbers. The rate of job creation was the steepest in just over three years, amid greater pressure on capacity. The upturn in employment came alongside the fastest accumulation in backlogs of work since March 2018, as input delays stymied production.

Meanwhile, input costs increased at the sharpest pace on record (since June 2001) in April. Higher input prices were often linked to component shortages and greater transportation costs. As a result, firms raised their selling prices at the quickest rate since the series began in January 2003. Although the pace of cost inflation far outpaced that of charges, firms noted the partial pass-through of higher cost burdens to customers.

In an effort to prevent further material shortages and build safety stocks, manufacturers expanded their input buying during April. Purchasing activity rose sharply, supporting a renewed upturn in pre-production inventories. Stocks of finished goods remained in decline, but the pace of contraction eased to only a marginal rate.

Finally, output expectations among goods producers improved in April. The degree of confidence reached a three-month high amid hopes of an end to the COVID-19 pandemic and a sustained rise in client demand.



Sources: IHS Markit, CSO.

Contact

Sian Jones
Senior Economist
IHS Markit
T: +44-1491-461-017
sian.jones@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

Survey dates and history

April data were collected 12-22 April 2021.

Survey data were first collected June 2001.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please contact joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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. ihsmarkit.com/products/pmi.html