

IHS Markit Czech Republic Manufacturing PMI®

Output expands at fastest pace since June 2018

Key findings

PMI at joint-highest since April 2018

Cost inflationary pressures accelerate amid significant supply-chain disruptions

Business confidence improves to strongest since June 2018

January data were collected 12-21 January 2021.

January PMI® data signalled a marked improvement in the health of the Czech manufacturing sector, as the headline PMI was unchanged and the joint-highest since April 2018. The overall expansion was supported by a sharper upturn in production and a steep rise in new orders. Supply-chain issues remained evident at the start of 2021, as vendor performance deteriorated to the greatest extent since last April. As a result, input costs rose substantially and at the fastest pace since March 2017. Increases in selling prices were much more subdued, however, as businesses focused on client retention.

Capacity constraints stemming from coronavirus disease 2019 (COVID-19) restrictions drove a further accumulation in backlogs of work, with employment increasing modestly.

The headline seasonally adjusted IHS Markit Czech Republic Manufacturing PMI® registered 57.0 in January, matching the figure seen in December, and the joint-highest reading for almost three years. The latest data signalled a sharp improvement in operating conditions across the Czech manufacturing sector.

Output levels at goods producers rose further in January, with the rate of expansion accelerating to the fastest since June 2018. The sharp upturn reportedly stemmed from strong client demand from new and existing customers.

At the same time, new order inflows increased for the fifth successive month at Czech manufacturing firms. The pace of expansion was broadly in line with that seen in December, and the second-fastest since February 2018. New export orders also rose at the start of 2021. Panellists often linked

continued...

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



Source: IHS Markit.

Comment

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

"The Czech manufacturing sector signalled a bright start to 2021, as output and new order growth remained sharp. Firms commented on strong demand from new and existing clients, with new business from abroad also in expansionary territory.

"Capacity issues remained apparent, however, as backlogs of work increased following ongoing COVID-19 restrictions. Nonetheless, manufacturers continued to take on new hires.

"Of concern, however, was the worsening of supply-chain disruptions during January. Vendor performance deteriorated to the greatest extent since April, during the initial depths of the pandemic, resulting in substantial rises in input costs. To guarantee a steady rise in new orders, firms were reluctant to pass-through to clients the price hikes, leading to only a marginal rise in output charges."

the upturn to access to new markets and solid demand from existing clients. Although the rate of growth slowed, it was solid overall and faster than the series average.

Contributing to the headline figure was another marked deterioration in supplier delivery times in January. Raw material shortages, greater demand for inputs and transportation issues were commonly cited as factors behind the decline in vendor performance. The extent to which lead times lengthened was the greatest since last April's survey record.

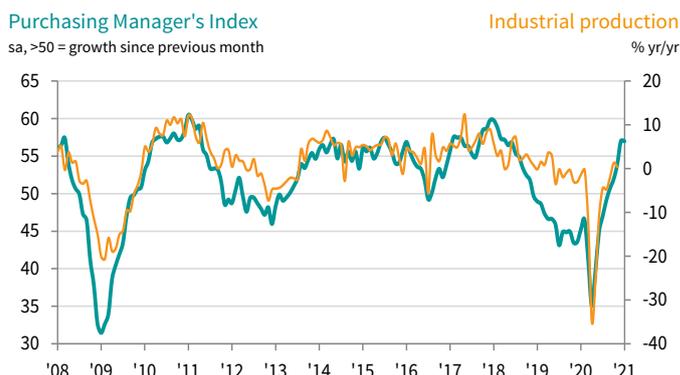
In line with supply shortages, manufacturers registered a substantial rise in input costs at the start of 2021. The rate of input price inflation was the quickest since March 2017.

That said, firms were reluctant to pass-through a large proportion of the increase in costs to clients and selling prices rose only marginally. Although the rate of charge inflation was the second-fastest since November 2019, it was far outpaced by the rise in cost burdens.

Firms expanded their buying activity in January amid stronger output growth and in anticipation of further input price rises. Post-production inventories declined as companies concentrated on meeting order schedules.

Meanwhile, business optimism strengthened in January and reached the highest for two-and-a-half years. Confidence was buoyed by strong client demand and hopes of an end to the pandemic during 2021.

Finally, the rate of accumulation in backlogs of work accelerated to the fastest since April 2018. In turn, firms increased their workforce numbers, albeit at a modest pace.



Sources: IHS Markit, CSO.

Contact

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

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@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

January data were collected 12-21 January 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 katherine.smith@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