News Release

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IHS MARKIT CZECH REPUBLIC MANUFACTURING PMI®

PMI dips to six-year low in January

KEY FINDINGS

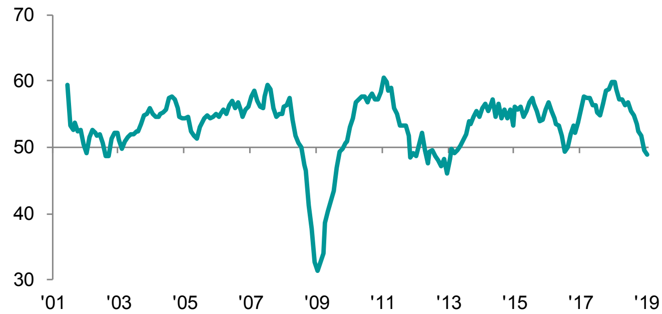
Stronger deterioration in overall operating conditions

Further falls in output and new orders

Employment declines for first time in almost six years

Czech Republic Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

January data indicated a further deterioration in operating conditions across the Czech manufacturing sector. The second monthly decline in the health of the sector was driven by falls in output and new orders, as well as the first decrease in employment since April 2013. Meanwhile, input costs increased at a sharp rate, but one that was the softest since August 2017. Nevertheless, firms increased output charges at a faster and solid pace. Business confidence, however, dipped to the second-weakest in over six years as firms expressed concerns surrounding global trade tensions and weaker client demand.

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 49.0, January's headline PMI reading pointed towards a marginal deterioration in operating conditions and was down from 49.7 in December. The latest reading signalled the fastest decline in overall sector performance in six years.

Output fell for the second successive month in January. Although the rate of contraction softened slightly, it was still the second-fastest fall in production since December 2012. Anecdotal evidence suggested that weaker demand drove the decrease.

New orders received by Czech manufacturing firms continued to fall in January, with panellists stating that muted client demand and a loss of competitiveness had hit new order book volumes. Similarly, new business from abroad contracted for the third month running. Manufacturing firms noted concerns surrounding ongoing trade tensions and subdued demand among key trading partners.

Consequently, manufacturers reduced their staffing numbers for the first time in almost six years. Although only marginal, the drop in employment was attributed to lower production requirements and a fall in the number of foreign workers entering the labour market. Pressure on capacity also eased, with backlogs of work rising only fractionally in January.

In line with weaker demand from domestic and foreign markets and greater global trade tensions, the degree of business confidence was one of the weakest over the past six years.

Meanwhile, input cost inflation softened and was the slowest since August 2017. The pace of increase was sharp, nonetheless, as firms reported higher energy and chemical prices. That said, the increase in cost burdens was partly passed on to clients through greater factory gate charges as output price inflation accelerated to a three-month high.

Finally, goods producers registered the first fall in pre-production inventories since November 2016 amid a further decline in buying activity.

PMI® By IHS Markit

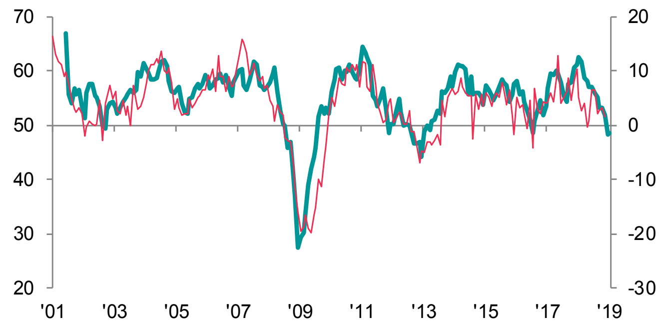
COMMENT

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

"The Czech manufacturing sector had a rocky start to 2019, with further contractions in output and new orders. The health of the sector deteriorated at the fastest rate in six years as demand from foreign clients fell for the third successive month.

"Worryingly, firms noted the first decline in employment since April 2013. Less frequent work and fewer foreign workers entering the labour force resulted in a fractional fall in staffing numbers.

"Reflecting concerns around global trade tensions and further knock-on effects from the slowdown in the automotive industry, manufacturers remained subdued in their optimism towards output over the year ahead."



Source: IHS Markit, CSO.

CONTACT

IHS Markit

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

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

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.

January 2019 data were collected 11-23 January 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.