

## IHS Markit Czech Republic Manufacturing PMI®

### Output growth eases amid severe supply chain disruption and supplier price hikes

#### Key findings

Expansions in production and new orders remain marked overall but soften

Inflationary pressures strongest on record amid severe input shortages

Business confidence moderates amid supply and capacity concerns

Data were collected 12-22 July 2021.

July PMI® data signalled a further robust improvement in the health of the Czech manufacturing sector. Overall growth was the second-fastest on record, supported by sustained marked expansions in output and new orders. Reflecting the trend in total sales, new export orders rose at a slightly softer pace, but one that was the second-steepest since January 2018. Meanwhile, the rate of input price inflation accelerated once again and was the quickest since data collection began in June 2001. Supplier price hikes were commonly linked to severe material shortages, which caused the greatest extension in lead times on record. .

Concerns surrounding capacity pressure and supply shortages curbed business optimism regarding the outlook for output over the coming year, with the degree of confidence dipping to a five-month low.

The headline seasonally adjusted IHS Markit Czech Republic Manufacturing PMI® registered 62.0 in July, down slightly from 62.7, but nonetheless signalling the second-quickest improvement in operating conditions across the Czech manufacturing sector since data collection began in June 2001.

Contributing towards the historically-elevated headline figure was another substantial expansion in output at the start of the third quarter. Firms noted that strong demand conditions and a sustained increase in new orders supported production growth. The rate of expansion eased slightly from June's recent high, but was the second-fastest since February 2018.

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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:

"Czech manufacturing firms signalled a slight loss of growth momentum in July, but nonetheless indicated a robust expansion. Although suggesting that output growth may have peaked at the end of the second quarter, the upturn remained substantial despite unprecedented supply-chain disruptions and material shortages.

"Inflationary pressures mounted further as difficulties sourcing materials led to price hikes among suppliers and the fastest rise in cost burdens on record. Nevertheless, firms sought to build greater safety stocks and expanded their input buying once again.

"A record-breaking rise in input prices, supplier delays and capacity pressures, weighed on output expectations, which dropped to the lowest since February. Nonetheless, our latest forecast expects Czech industrial production to rise by 9.4% on the year in 2021."

New orders also continued to rise substantially, albeit at a slightly softer pace. The rate of growth eased amid reports of softer demand from customers in the automotive industry following shutdowns due to global input shortages. That said, greater overall client demand supported new sales. At the same time, new export orders increased sharply as foreign markets continued to reopen.

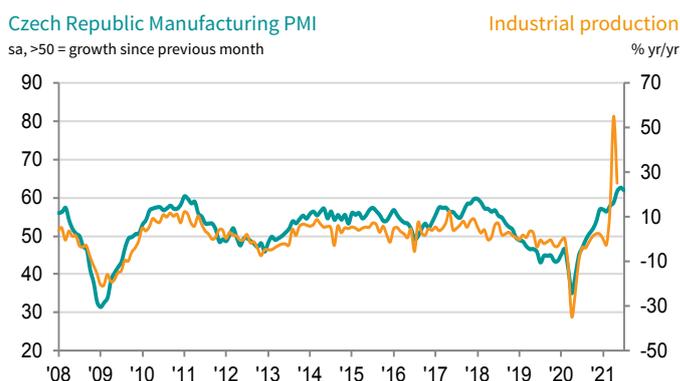
Supply-chain disruptions continued to exacerbate inflationary pressures in July. Vendor performance deteriorated to the greatest extent on record amid significant global demand for inputs and severe material shortages. As a result, suppliers hiked their charges and the rate of input cost inflation ticked up to reach a fresh series high.

Meanwhile, goods producers overwhelmingly stated that higher cost burdens were passed on to clients where possible in July. The pace of charge inflation was the fastest since data collection for the series began in January 2003.

Concerns regarding supply shortages weighed on output expectations at the start of the third quarter. The degree of confidence dropped to a five-month low.

At the same time, manufacturers sought to build safety stocks further. Growth of input buying was sharp overall, with firms registering the steepest expansion in pre-production inventories since August 2007. Stocks of finished goods declined further, however, as companies sold directly from stocks amid strong client demand.

Finally, pressure on capacity remained marked in July, as backlogs of work accumulated further. With the exception of June's recent high, the latest rise in work-in-hand was the fastest since December 2017. Subsequently, firms expanded their workforce numbers amid greater production requirements.



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

July data were collected 12-22 July 2021.

Survey data were first collected June 2001.

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