# News Release

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# IHS MARKIT CZECH REPUBLIC MANUFACTURING PMI®

## Slowest deterioration in operating conditions since last May

### KEY FINDINGS

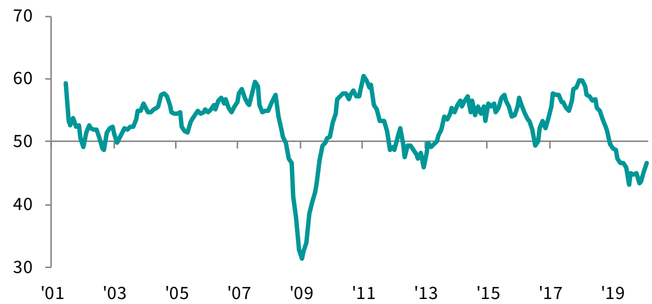
PMI rises to nine-month high

Contractions in output and new orders soften

Business confidence reaches nine-month high

Czech Republic Manufacturing PMI

sa, >50 = improvement since previous month




Source: IHS Markit.

The latest PMI® survey data indicated a further contraction of the Czech manufacturing sector midway through the first quarter. The rate of decline eased, however, with new orders falling at the softest pace since the start of 2019. Although solid, the decrease in production also eased. Meanwhile, firms signalled renewed confidence in a rise in output over the coming year amid hopes of a pick-up in client demand.

On the price front, cost burdens rose for the first time since last October, as energy costs increased and suppliers pushed prices higher due to the shock to global supply chains following the outbreak of coronavirus. Output charges continued to fall though amid efforts by firms attract domestic and foreign clients.

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.

The headline PMI posted 46.5 in February, up from 45.2 at the start of the year, and signalled the slowest deterioration in operating conditions across the Czech manufacturing sector since last May. Although easing for the third month in a row, the decline was still solid overall.

Supporting the uptick in the headline figure were a softer decrease in output and new orders. The latter contracted at the slowest rate since January 2019. Nevertheless, firms remained concerned following hesitancy in placing orders among returning customers, especially those in the machinery and automotive industries. At the same time, new business from abroad fell at a faster pace as a stronger koruna dented competitiveness in external markets.

Business confidence picked up in February, as manufacturers were buoyed by signs of recovery amid hopes of an uptick in new business. Expectations turned positive for the first time since last September and were the strongest for nine months despite being historically muted.

In line with a softer contraction in client demand, firms reduced their workforce numbers at a slower pace in February. That said, the decline was strong overall.

Meanwhile, issues in global supply chains following the outbreak of coronavirus in China pushed supplier costs higher in February, with input prices rising for the first time since October 2019. Firms also reported higher energy prices, but struggled to pass on greater cost burdens to clients as output charges fell amid efforts to stay competitive.

Supplier constraints were also evident in the slowest improvement in input delivery times for 11 months in February, as manufacturing firms reported shortages of a number of key components.

## COMMENT

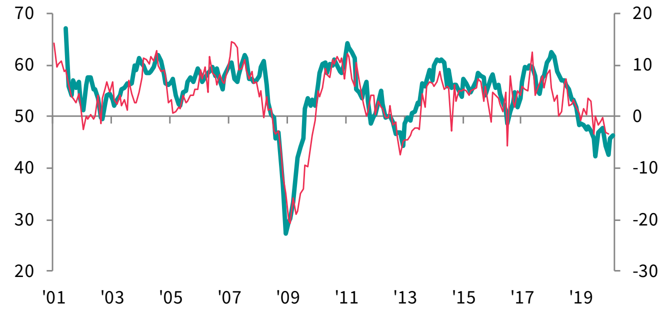
Siân Jones, Economist at IHS Markit, which compiles the Czech Republic Manufacturing PMI survey, commented:

*"The Czech manufacturing sector appears to be slowly turning a corner as 2020 progresses, with declines in output and new orders easing in February, according to the latest PMI data. Foreign demand conditions still appear to be holding total new orders back, however, as export sales fell at a sharper rate.*

*"Nonetheless, firms signalled a return to positive output expectations for the first time in five months midway through the first quarter amid hopes of renewed sales growth. Firms continued to shed workforce numbers though, as sufficient capacity allowed them to work through backlogs of work.*

*"Czech goods producers were not immune to the impact the coronavirus is having on global supply chains, with manufacturers highlighting difficulties sourcing raw materials and the first rise in purchase prices since October 2019.*

*"According to 'flash' GDP estimates, the manufacturing sector had a negative impact on economic growth in the final quarter of 2019. Our current forecast points towards broad stagnation in manufacturing production through the first quarter of 2020 compared to the same period a year ago."*




Source: IHS Markit, CSO.

## CONTACT

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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.

February 2020 data were collected 12-20 February 2020.

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

**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.



**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