

# IHS Markit Czech Republic Manufacturing PMI®

## December PMI reaches highest since April 2018

### Key findings

Faster expansions in output and new orders

Marked extensions to suppliers' delivery times

Rate of cost inflation sharpest since September 2018

December data were collected 04-15 December 2020.

December PMI® data signalled a notably stronger improvement in operating conditions across the Czech manufacturing sector. As well as sharper upturns in output and new orders, the rise in the headline figure was in part driven by marked delays in lead times as supply chain disruptions escalated. Input price inflation accelerated amid supplier shortages and greater demand for raw materials, while charges rose for the first time in 2020. Meanwhile, employment increased at the fastest rate since June 2018 amid greater pressure on capacity.

The headline seasonally adjusted IHS Markit Czech Republic Manufacturing PMI® registered 57.0 in December, up from 53.9 in November, to signal the strongest upturn in the health of the Czech manufacturing sector since April 2018. The headline figure rose for the eighth successive month, indicating a further recovery in the index from April's nadir.

Partly contributing to the rise in the headline figure was a steeper increase in production across the Czech manufacturing sector. The upturn in output was sharp overall and the fastest since June 2018. Companies often noted that growth stemmed from stronger client demand and a notable rise in new orders.

Manufacturers registered a rise in total sales and new export orders once again in December. The rate of expansion in total client demand accelerated and was the sharpest since February 2018. Access to new export markets and greater order placements by existing customers supported growth. Foreign client demand rose at a pace that matched that seen in November and was the joint-steepest since April 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:

"December data signalled a further ray of light for the Czech manufacturing sector, as output and new orders were boosted by stronger client demand. New export order growth also remained strong despite the increased prevalence of lockdowns in Europe.

"A key concern, however, remains supply chain disruptions which seemed to ramp up once again in December. Delivery times lengthened to the greatest extent since April, when the pandemic stifled traditional supply chains.

"Subsequently, cost pressures intensified, with input price rising at the sharpest rate since September 2018. Despite recent efforts to boost sales by offering discounts, December saw the first increase in charges in 2020 so far as firms sought to pass-on some of the hike in costs to clients.

"Encouragingly, employment growth quickened amid greater work-in-hand, and business optimism picked up as firms hoped for the release of pent-up demand through 2021. We currently forecast a contraction in industrial production of 7.9% in 2020, but an expansion of 7.1% in 2021 as demand conditions are anticipated to improve amid widespread vaccine roll-outs."

At the same time, the headline PMI reading was also pushed higher by a severe deterioration in vendor performance in the final month of 2020. Lead times lengthened to the greatest extent since April's record as supplier shortages and transportation delays weighed on delivery times.

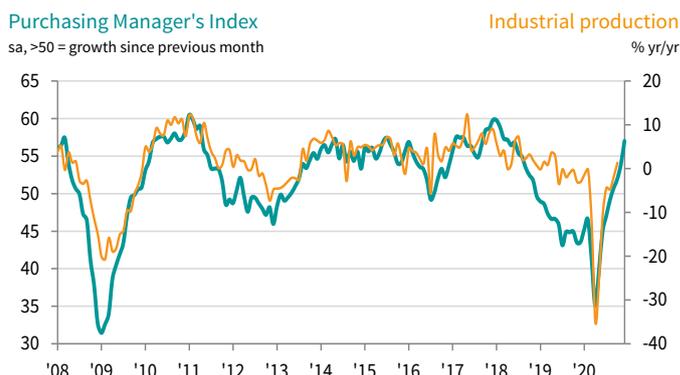
Cost burdens increased at a marked pace in December. The rate of input price inflation was the fastest for over two years, as raw material shortages and greater demand for inputs led to higher costs.

Firms sought to partially pass-on greater input prices to clients through the first rise in charges in 2020 so far. The pace of increase was the quickest since November 2019.

Meanwhile, an accelerated rate of new order growth spurred manufacturers on to hire more workers in December. The rate of job creation was the sharpest since June 2018, as pressure on capacity remained evident through a strong accumulation of backlogs of work.

Output expectations improved at the end of 2020, with manufacturers markedly upbeat regarding the outlook for output over the coming year. The degree of optimism was the strongest since August 2018, as firms were buoyed by hopes of more robust global economic conditions as 2021 progresses.

Finally, supplier shortages and significantly longer lead times encouraged firms to increase their efforts to stockpile inputs and finished goods. Post-production inventories fell further, but at the slowest pace in the current seven-month sequence of decline.



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

December data were collected 04-15 December 2020.

Survey data were first collected June 2001.

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