

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit Czech Republic Manufacturing PMI®

PMI signals further marked improvement in manufacturing business conditions

Key findings:

- PMI little-changed from February at 57.5
- New order growth remains sharp
- Input price inflation hits 71-month high

Data collected March 13-23

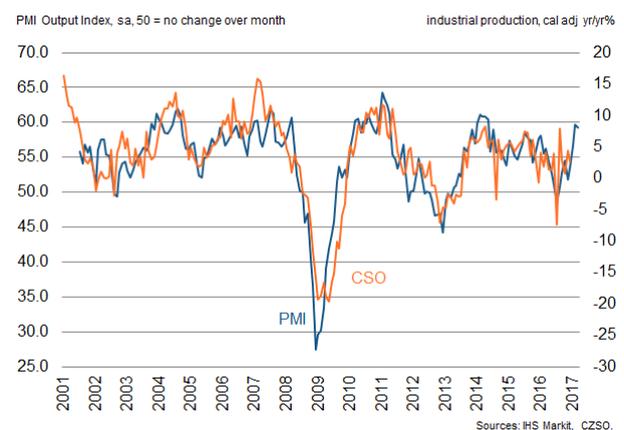
The latest Markit PMI® survey data highlighted a further strong performance by Czech manufacturers at the end of the first quarter of 2017. The overall improvement in operating conditions was among the best registered in the past six years. Output, new orders, employment and purchasing all continued to rise sharply, and backlogs grew at the strongest pace in over a year. The survey data also signalled the sharpest rate of input cost inflation in nearly six years, mainly influenced by metal and chemical prices.

The headline Markit Czech Republic Manufacturing PMI is a composite single-figure indicator 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 of the sector.

The PMI remained well above 50.0 in March at 57.5, little-changed from February's 57.6 and signalling strong overall growth of the Czech manufacturing sector. The latest figure was the joint-second highest since April 2011 and stretched the current sequence of improving conditions to eight months. All five components of the headline figure continued to make positive contributions in March.

The volume of new orders received by Czech manufacturers continued to expand strongly in March. The rate of increase was little-changed from

Czech Republic Manufacturing PMI



February's 19-month high and extended the current growth phase to seven months. New export orders rose strongly, partly linked to German demand.

New work drove output higher, with the rate of growth only marginally weaker than February's 33-month record. Despite this, backlogs of work increased for the fourth successive month, and at the strongest pace since February 2016.

Employment growth in the manufacturing sector remained historically strong in March. The pace of job creation was well above the long-run survey average despite easing since February. The manufacturing workforce has expanded continuously since May 2013, a survey-record sequence of growth.

Input prices rose at the fastest rate since April 2011, with the rate of inflation accelerating for the fourth month in a row. Metals and chemicals were among the raw materials highlighted by survey respondents as being up in price during the month.

Output prices increased at the second-fastest rate since April 2011 as a result.

Purchasing activity by manufacturers rose sharply, placing suppliers under pressure. Delivery times for inputs lengthened to the greatest extent since May 2011.

Output expectations remained strongly positive in March. Firms linked sentiment to new capacity, new products and export growth in markets such as Germany, Russia and Eastern Europe. Confidence was weaker than in January and February, but greater than the trend shown in 2016.

Comment

Commenting on the Czech Republic Manufacturing PMI survey data, Sian Jones, Economist at IHS Markit and author of the report, said:

“PMI data for March signalled a continuation of the upturn seen in the first two months of 2017. The strong start to the year has been reflected in growth in new orders, output and employment. Manufacturing has been forecast as key area of Czech growth for 2017 by IHS Markit with the latest survey data from the first quarter supporting this prediction. Expectations for output in the next 12 months remained optimistic, with both domestic and foreign demand expected to increase further.

“Inflationary pressures in the manufacturing economy rose again in March with input prices growing sharply. This will be welcome news for the CNB, which has been working towards boosting inflation for many years. Significant rises in both input and output prices in the last few months may mean a change in stance on monetary policy will happen sooner rather than later.”

-Ends-

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Note to Editors:

The Czech Republic Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit. The report features original survey data collected from a representative panel of around 300 companies based in the Czech manufacturing sector. The panel is stratified by GDP and workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@ihsmarkit.com.

The Manufacturing *Purchasing Managers' Index*[®] (*PMI*[®]) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*[®] (*PMI*[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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About PMI

Purchasing Managers' Index® (PMI)® surveys are now available for over 30 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 www.markit.com/product/pmi.

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