

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

PMI signals strongest growth since April 2011

Key findings:

- Sharp expansions of output, new orders and employment
- Optimism remains widespread
- Input costs rise at joint-fastest rate in nearly six years

Data collected February 10-20

Czech manufacturers saw growth accelerate further in February, with business conditions improving to the greatest extent since early 2011. The latest batch of Markit *PMI*® survey data highlighted marked rises in output, new business and employment. Encouragingly, panellists continued to forecast growth for the coming year. The main cautionary note came from prices data – both input prices and output charges rose at steeper rates in February.

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 signalled a strengthening upturn at Czech manufacturers in February. Rising from 55.7 in January to 57.6, the latest reading was the highest since April 2011. All five components helped elevate the headline index in the latest period.

In particular, output was a key driver of stronger business conditions. Growth picked up to a substantial pace that was the quickest since May 2014. Panel reports linked higher production to greater inflows of new work.

Czech Republic Manufacturing PMI



February data reinforced anecdotal evidence of improving demand. The latest expansion in new orders was the steepest in over one-and-a-half years. Monitored firms commented on bulk orders from existing customers and new client wins (notably in Germany). Growth of new export work was unchanged from January's 12-month peak.

Higher employment was another contributor to February's upturn. The rate of job creation accelerated to the most marked since the summer of 2015, with panellists commenting on the need to expand capacity. Despite this, capacity remained insufficient to cope with the rise in demand, as signalled by a third successive increase in backlogs of work.

Czech manufacturers stepped up their input buying in response to incoming new business. The rate of expansion was the sharpest in 19 months. Pre-production inventories also increased at a quicker pace, but stocks of finished goods fell further. A number of panel members mentioned selling from stock to satisfy demand.

Meanwhile, inflationary pressures continued to mount in February. Purchase costs rose at the joint-steepest rate since April 2011, with metals and oil-related products most often cited as having gone up in price. Companies raised their own charges as a result. Similar to the trend seen for costs, the rate of inflation reached a 70-month high.

Price pressures had little impact on manufacturers' expectations, however. The degree of optimism towards future output remained strongly positive. Improving demand, new projects, new technologies and new product lines are among the factors set to boost production.

Comment

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

"February's PMI data cemented the view from January's release that Czech manufacturers have made an impressive start to 2017. The upturn has accelerated in each of the first two months of the year, with the latest improvement in business conditions the steepest since April 2011. Output, new orders and employment are all expanding sharply. With future expectations also remaining elevated, the data suggest that manufacturing will make a solid contribution to first quarter GDP, which is hoped to pick up from the disappointing growth performance seen throughout the second half of 2016."

-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

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