

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) August 1 2017

IHS Markit Czech Republic Manufacturing PMI[®]

July PMI indicates continued solid manufacturing expansion

Key findings:

- PMI dips to the lowest in 2017 so far but remains well inside growth territory
- Strong output growth continues
- Price pressures remain robust despite softening in July

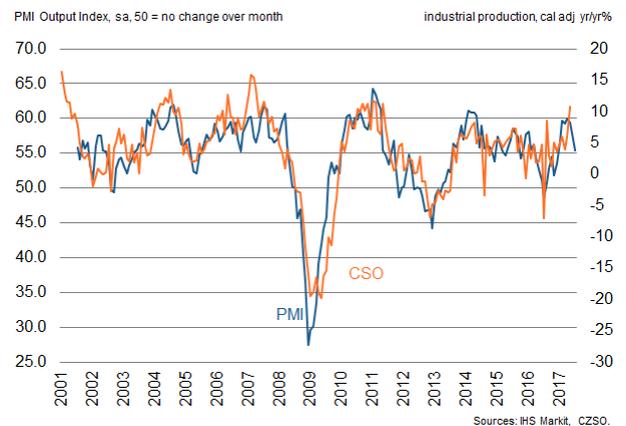
Data collected July 12-21

Operating conditions in the Czech manufacturing sector continued to improve in July, according to the latest IHS Markit PMI[®] survey data. Developments in business conditions were driven by robust, albeit slower, expansions in output, new orders and employment. On the price front, rates of input cost and output charge inflation eased to the weakest in 2017 so far. Meanwhile, business confidence remained robust despite reaching a seven-month low.

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.

At 55.3, July's PMI reading was lower than the 56.4 reported in June. The latest reading signalled an improvement in overall business conditions among Czech manufacturers, albeit the least marked since last December. The weaker expansion was influenced by softer (but still solid) rates of growth in output and new orders.

Output in the Czech manufacturing sector grew at a strong pace in July. Anecdotally, firms noted that higher production levels were due to greater demand from new and existing clients. That said, the growth rate was the weakest in 2017 so far.



New orders received by Czech manufacturers increased for the eleventh consecutive month in July. Panellists linked the rise in new business to stronger demand across a wide range of sectors.

With regards to prices, input costs paid by Czech manufacturers increased in July to extend the current sequence of purchase price inflation to 15 months. A number of respondents stated that larger cost burdens were due to higher raw material prices. Although the rate of input cost inflation was steep, it was the softest in 2017 so far.

Average prices charged by Czech manufacturers rose for the ninth consecutive month in July. Panellists cited that charge inflation was due to higher product demand and increased input costs. That said, the rate of output price inflation eased for the fifth month running.

Employment in the Czech manufacturing sector continued to rise in July, extending the current sequence of job creation which stretches back to May 2013. Anecdotally, firms linked larger workforces to expansion in new orders.

Outstanding business among Czech manufacturers increased at a solid pace in July, despite growth

softening from that seen in June. Panellists linked backlogs to larger order volumes, especially from clients in the automobile industry.

Business confidence among firms in the Czech manufacturing sector remained robust in July, despite optimism slipping to a seven-month low. Monitored firms commonly attributed positive sentiment to expanding client bases and increased demand.

Comment

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

“July survey data indicated a continuation of the solid growth seen in the Czech manufacturing sector throughout 2017 so far. Although down on recent highs, the latest PMI reading signals a strong improvement in overall operating conditions, largely driven by expansions in output and new orders.”

“Meanwhile, employment grew at a strong pace, linked to increased production and new business. However, firms still reported that labour shortages were restricting growth potential.”

“Price pressures remained steep despite input and output price inflation easing to the weakest rates in 2017 so far. Elevated inflationary pressures support predictions by IHS Markit of an interest rate rise by the CNB later in the third quarter.”

“The latest IHS Markit forecast places industrial production growth for 2017 at 3.9%, up from 2.9% in 2016, with the manufacturing sector highlighted as a key contributor to expansion.”

-Ends-

For further information, please contact:**IHS Markit**

Sian Jones, Economist
Telephone +44-1491-461-017
Email sian.jones@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207-260-2234
Email joanna.vickers@ihsmarkit.com

Note to Editors:

The Czech Republic Manufacturing *PMI*® (*Purchasing Managers' Index*®) is produced by IHS 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.

IHS 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 IHS 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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