

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

June PMI signals strong manufacturing expansion

Key findings:

- PMI unchanged from May at 56.4
- Output growth softens to five-month low
- Inflationary pressures weakest in 2017 so far

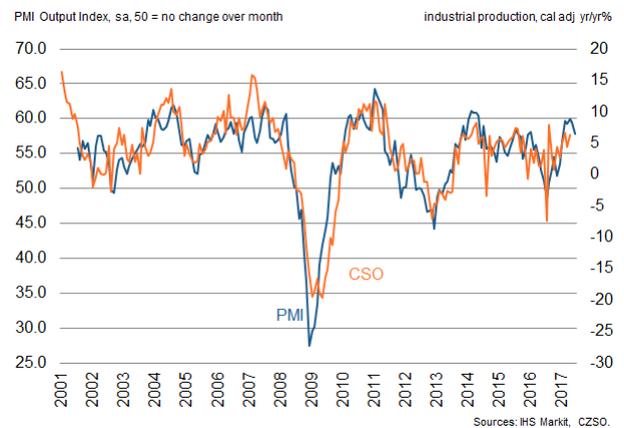
Data collected June 12-22

June saw a strong improvement in operating conditions in the Czech manufacturing sector, according to the latest IHS Markit PMI[®] survey data. Overall growth was supported by solid output and new order expansions, despite rates of increase slipping to five-month lows. Export orders also grew at a robust pace. The rise in production and demand for Czech goods drove employment growth to the strongest since March. Price pressures meanwhile weakened as both input and output price inflation softened to the slowest pace so far in 2017.

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 56.4, June's PMI reading was in line with that seen in May. The latest figure indicated a strong improvement in operating conditions among Czech manufacturers, supported by strong gains in output, new orders and employment.

Production grew for the eleventh straight month in June. Panellists stated that the rise in output was due to higher demand and an associated increase in volumes of new orders. Although the rate of growth softened to the weakest since January, it remained strong.



Growth in new orders continued for the tenth consecutive month in June. Business from new clients in both domestic and foreign markets was a common explanation for expansion. The rate of growth remained strong despite being at a five-month low.

New export orders expanded at a robust pace that was above the long-run series average.

On the price front, input costs increased for the fourteenth month running. Although the rate of input price inflation remained steep, it was the slowest of 2017 so far. Panellists largely linked cost inflation to higher raw material prices.

Prices charged by Czech manufacturers rose for the eighth consecutive month in June. Anecdotal evidence suggested firms raised output prices to account for greater cost burdens. In line with the trend for input prices, charge inflation was the weakest since last December.

Employment among Czech goods producers increased at a robust pace in June, with the rate of growth reaching a three-month high. Many respondents linked job creation to larger volumes of new orders.

Czech manufacturers reported the strongest increase in backlogs since July 2011. Growth in new orders and insufficient capacity were cited as reasons for the rise in work-in-hand.

Confidence among Czech manufacturing firms remained robust in June. Panellists noted that strong underlying demand and increased client bases were contributing factors. Although optimism was prevalent, output expectations were the lowest so far in 2017.

Comment

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

“The June PMI signalled a continuation of the strong growth seen throughout the first half of 2017, although overall expansion was slightly softer than the first quarter. The latest forecast from IHS Markit places growth at an annualized rate of 2.6% in the second quarter of 2017, down from 5.4%.

“Meanwhile, driven by increased production and new business, the rate of job creation rose to a three-month high. That said, firms signalled that capacity constraints were not being fulfilled fast enough by new recruits. This was demonstrated through backlogs which increased at the fastest pace since July 2011. Concerns were raised anecdotally regarding threats to future growth potential as labour shortages become more apparent.

“Elsewhere, inflationary pressures continued to ease as both cost burdens and prices charged rose at the weakest rate in 2017 so far.”

-Ends-

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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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