

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

PMI signals steep expansion, despite dipping to nine-month low

Key findings:

- May PMI indicates weakest manufacturing growth since August 2017
- Output expansion softens to nine-month low
- Rate of job creation eases to slowest since October 2016

Data collected May 11-22

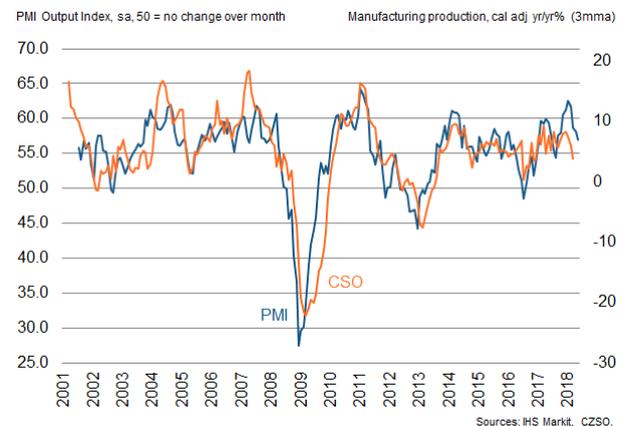
The latest PMI[®] survey data from IHS Markit indicated steep, albeit softer growth across the Czech manufacturing sector in May. The overall expansion was supported by strong, but weaker upturns in output and new orders. The rate of increase in new export business also eased and was the weakest since December 2016. In line with a slight reduction in pressure on capacities, employment levels expanded at the slowest pace since October 2016. On the price front, rates of both input cost and output charge inflation softened but remained marked and solid respectively.

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 56.5 in May, down from 57.2 in April, the latest PMI figure signalled a sharp expansion across the Czech goods-producing sector. That said, the rate of increase was the softest since last August, indicating a further loss of growth momentum as seen throughout 2018 so far.

Output levels at Czech manufacturers continued to rise sharply, albeit at a softer pace. Panellists suggested that rises in production were due to greater client demand, especially among domestic

Czech Republic Manufacturing PMI



customers. Even so, the rate of expansion was the slowest since last August.

Similarly, new orders received by manufacturers increased further in May, but at a slightly weaker pace. Although the rate of growth dipped to a nine-month low, the upturn remained robust by historical standards. New export orders expanded solidly, albeit at the softest pace since December 2016.

In line with slightly weaker pressure on operating capacity, the rate of job creation eased to the slowest since October 2016. That said, the latest expansion in staff numbers was still solid overall. Backlogs continued to accumulate at a strong rate, but one that was much slower than seen at the end of 2017.

Meanwhile, input costs rose markedly, despite the rate of inflation softening to a nine-month low. Output charge inflation also slowed to the weakest since August 2017. That said, panellists continued to note supplier constraints and input shortages as key factors behind price rises.

Vendor performance deteriorated further in May,

and to a greater extent than the series average. Longer supplier delivery times were commonly cited as a key factor behind the creation of safety stocks, with May seeing the fastest rise in pre-production inventories since August 2007.

Finally, business expectations towards the year-ahead outlook for output remained robust in May, despite the degree of confidence dipping to a 17-month low. Panellists linked optimism to more favourable market conditions.

Comment

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

“May PMI data signalled a steep, but softer expansion across the Czech manufacturing sector. The overall growth performance was the weakest for nine months reflecting slower increases in output and new orders.

“Although employment growth was solid overall, panellists continued to note that labour shortages were holding back hiring, and the rate of job creation eased to a 19-month low. A number of survey respondents also noted that higher wage costs were adding strain to profit margins.

“Meanwhile, vendor performance continued to deteriorate amid reports of supplier shortages. Greater demand for inputs placed pressure on supplier capacities and pushed up prices paid for purchases during the month. Although rates of input cost and output charge inflation softened to nine-month lows, they remained above their respective long-run trend levels.”

-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 40 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.ihsmarkit.com/products/pmi.

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