

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

September PMI signals strong manufacturing growth

Key findings:

- PMI rises to five-month high
- Output and new order growth accelerates
- Input prices rise at marked rate

Data collected September 12-21

Czech manufacturing firms signalled a strong improvement in performance in September, according to the latest PMI[®] survey data from IHS Markit. The upturn was driven by strong expansions in output and new orders, with new export sales also increasing at a steep pace. Sustained growth was reflected in accelerated backlog accumulation and further job creation. On the price front, cost burdens rose sharply and output price inflation reached a four-month high.

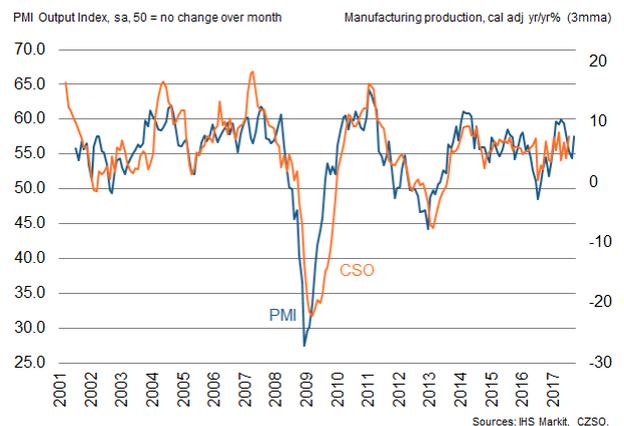
The headline IHS Markit Czech Republic Manufacturing PMI is a composite single-figure measure of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement in the sector.

September's PMI reading was 56.6, up from 54.9 in August. The latest survey data signalled the strongest improvement in business conditions in the manufacturing sector since April. Although the PMI average for the third quarter was the lowest of the year so far, it indicated a solid overall expansion nonetheless.

Production levels in the Czech manufacturing sector rose at a steep pace in September, with the rate of growth accelerating from August's eight-month low. Panellists linked higher output to strong client demand.

New orders received by goods producers continued to increase in September, rising at the fastest pace

Czech Republic Manufacturing PMI



since May. The upturn was commonly attributed to larger order volumes from domestic and foreign clients, with new export growth reaching a five-month high.

In line with the strong expansion in new orders, backlog accumulation accelerated in September. The level of outstanding business rose at a solid rate that was the fastest since June. The pace of job creation meanwhile eased to the weakest since last October, however. Although capacity constraints were cited, vacancies were sometimes left unfilled as firms struggled to find suitable candidates.

Cost burdens faced by Czech manufacturers continued to rise in September, with input price inflation reaching a five-month high. Panellists stated that higher input costs were partly due to input shortages among suppliers. And with supplier capacity constraints becoming more apparent, goods producers increased buying levels in order to build safety stocks. Furthermore, stocks of purchases grew at the strongest rate since July

2015.

Average prices charged by manufacturers also rose, reflecting higher raw material prices. Strong demand conditions allowed firms to increase charges at a solid pace, according to anecdotal evidence.

Business confidence among Czech manufacturers remained robust in September, despite positive sentiment falling slightly. Firms linked optimism to improved market conditions and higher levels of new orders.

Comment

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

“September survey data indicated a strong improvement in the Czech manufacturing sector, with accelerated expansions in output and new orders. The pick-up in momentum reflected solid demand from domestic and foreign clients and signalled a positive end to the third quarter.”

“Supply constraints continued to place pressure on cost burdens as shortages pushed raw material prices up sharply. Furthermore, firms increased their input buying levels to not only support higher output but also build safety stocks.”

“Despite the level of outstanding business rising sharply, firms faced challenges during the hiring process. Job creation was the weakest since last October as a number of manufacturers struggled to find suitable candidates for skilled vacancies.”

-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.markit.com/product/pmi.

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