

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) June 1 2017**

## IHS Markit Czech Republic Manufacturing PMI<sup>®</sup>

### May PMI signals continued strong manufacturing growth

#### Key findings:

- Output growth remains marked
- Input prices rise at weakest pace since January
- Second-fastest expansion in new exports since January 2015

Data collected May 12-22

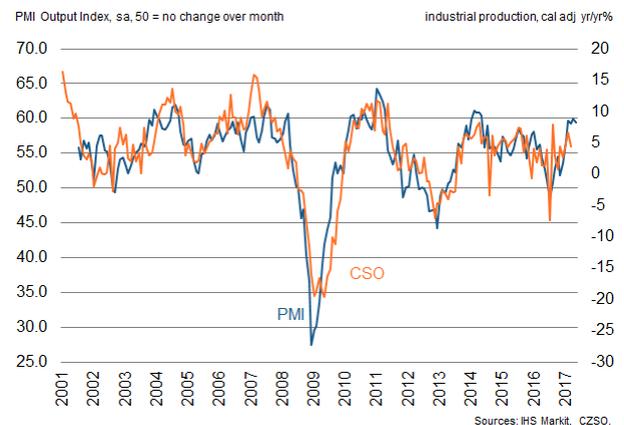
The latest IHS Markit PMI<sup>®</sup> survey data signalled a strong improvement in operating conditions in the Czech manufacturing sector. This extended the current period of expansion to ten months. Input prices rose at the weakest pace since January, with inflation slowing for the second consecutive month. New export business expanded at the second-strongest pace since January 2015, contributing to an overall increase in new orders.

The headline IHS Markit Czech Republic Manufacturing PMI<sup>®</sup> 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, May's PMI reading was lower than April's figure of 57.5. This signalled the weakest overall improvement since January. That said, the rate of growth remained historically strong.

Output expanded for the tenth consecutive month in May. The pace of growth was strong and little-changed from April. Anecdotal evidence linked increased production to higher demand and sharp growth in new orders.

New export orders rose at the second-fastest rate since January 2015. Panellists stated that greater export business was due to higher demand from important trading partners in Europe, such as



Germany.

Overall, the current upturn in new orders was extended to nine months. That said, May data indicated the weakest growth in new business since January.

On the price front, input cost inflation slowed for the second consecutive month to the weakest since January. Even so, the pace of inflation was solid. Panellists largely attributed the rise in cost burdens to increased prices for raw materials, including steel.

Output prices rose for the seventh consecutive month in May. Anecdotal evidence stated that charge inflation was largely caused by higher raw material and wage costs which were passed on to clients. The rate of inflation slowed for the third month running but remained strong.

Suppliers' delivery times deteriorated in May, a trend seen for the last four years. Panellists stated that vendor performance had worsened due to pressure on supplier capacity. That said, the extent to which lead times lengthened was the least marked in three months.

Job creation continued in May, with workforces increasing at a solid rate. Respondents linked higher staffing levels to the upturn in new orders.

Work-in-hand rose at the strongest pace since January 2016 in May. Higher backlogs were largely attributed to pressures on capacity due to labour shortages.

Czech manufacturers reported a solid degree of optimism regarding future output prospects. Panellists linked confidence to new product development and strong demand from domestic and foreign markets.

### 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 indicated a continuation of the solid growth seen so far in 2017. Strong expansion in output and new orders were driven by robust foreign and domestic demand. Job creation was strong; however, not substantial enough to ease the pressure on backlogs. The latest official data from the Czech Statistics Office stated the overall economy grew by 2.9% in Q1 2017. PMI data for April and May signal a continuation of this upturn, with IHS Markit forecasting 2.4% year-on-year growth in Q2.*

*“Both input and output prices increased at the weakest paces since January, but inflation remained strong as wages and raw material prices rose. Labour shortages and supply constraints were highlighted in anecdotal evidence as weighing heavily on growth potential.”*

-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](mailto:economics@ihsmarkit.com).

The Manufacturing *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> (*PMI*<sup>®</sup>) 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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