

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

PMI signals strong manufacturing growth, despite dipping to seven-month low in April

Key findings:

- PMI falls slightly to lowest since September 2017
- Output growth remains marked, albeit the weakest in six months
- Rate of job creation softens to slowest since October 2016

Data collected April 12-20

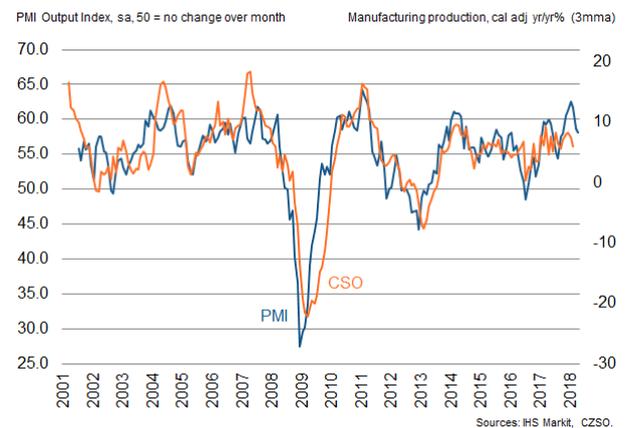
The latest PMI[®] survey data from IHS Markit indicated a strong, albeit slower, improvement in operating conditions across the Czech manufacturing sector. April data signalled the weakest overall growth since September 2017, but it nevertheless showed further steep expansions in output and new orders. Moreover, new export orders increased at the fastest pace for three months. In line with a softer pace of output growth, the rate of job creation eased to the slowest since October 2016. Expectations towards the year-ahead outlook for output meanwhile dipped to a five-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 57.2, down slightly from 57.3 in March, the latest PMI reading signalled a steep expansion across the Czech manufacturing sector. Although April survey data indicated the weakest improvement since September 2017, the rate of growth was still well above the long-run series average.

Production levels at Czech manufacturers rose

Czech Republic Manufacturing PMI



markedly in April, despite the pace of expansion softening to a six-month low. Where growth was reported, panellists linked this to greater demand from existing clients.

New orders received by Czech goods producers increased at an accelerated rate in April, and one that was well above the long-run series average. Anecdotal evidence linked the rise in new business to stronger demand from domestic and foreign clients. Similarly, new export orders grew at the fastest pace since the start of the year.

In line with a slightly slower output expansion and the weakest rise in backlogs since August 2017, employment growth at Czech manufacturing firms eased to the least marked since October 2016. Although the rate of job creation was solid overall, panellists continued to note concerns surrounding labour shortages.

On the price front, cost burdens continued to rise at a marked rate despite the pace of inflation softening

from the previous month. Input price increases were largely attributed to higher raw material costs, especially metals. The rate of charge inflation also eased in April, with the pace of increase softening to a four-month low.

Although marked, growth in buying activity was the weakest for six months in April. The slowdown reflected higher raw material prices and the greatest deterioration in vendor performance since the series began in June 2001.

Finally, business confidence in regard to future output at manufacturing firms remained strong in April, despite dipping to a five-month low. Optimism was linked to planned investment, a sustained rise in new orders and access to new markets.

Comment

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

“The latest PMI survey data signalled a strong expansion in the Czech manufacturing sector. Although April data indicated weaker output growth, the upturn in new business accelerated from March’s seven-month low. Foreign demand also strengthened, with new export orders increasing at the fastest pace since the start of the year.

“Panellists continued to report concerns surrounding ongoing labour shortages and rising wage costs. Many noted that there was growing pressure to raise salaries in order to retain their current workforce. This comes alongside the weakest employment growth since October 2016.

“Although input cost inflation softened slightly from the previous month, price rises remained marked overall. Purchasing decisions were also influenced by supplier delivery times, which lengthened to the greatest extent since the series began in mid-2001.”

-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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