

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

January PMI signals marked manufacturing growth

Key findings:

- Joint-strongest PMI reading since January 2011
- Output growth fastest since February 2011
- Business confidence highest since January 2016

Data collected January 12-23

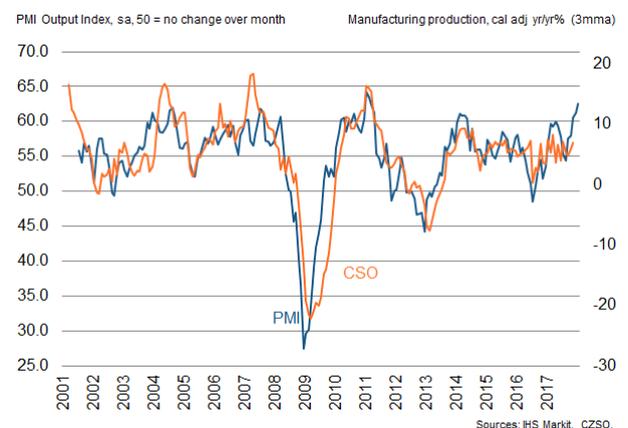
The latest PMI[®] survey data from IHS Markit indicated a marked improvement in operating conditions across the Czech manufacturing sector. Furthermore, January saw a robust increase in output that was the fastest since February 2011. Overall growth was supported by a steep increase in new orders and strong demand from foreign clients. In line with marked production growth, business confidence reached the highest since January 2016. Meanwhile on the price front, output price inflation accelerated to three-month high and input costs increased at a marked and accelerated rate.

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 59.8, the latest PMI reading signalled an improvement in business conditions in the Czech manufacturing sector that matched that seen in December. Moreover, January data indicated the joint-strongest expansion in seven years and signalled a robust start to 2018.

Production levels among Czech manufacturers increased markedly in January. Furthermore, the pace of expansion was the fastest since February 2011. Anecdotal evidence linked the latest rise in output to greater demand from both domestic and foreign clients.

Czech Republic Manufacturing PMI



In line with robust output growth, the latest upturn in new orders was steep and the second-strongest since May 2014, just behind December's recent high. Similarly, expansion in export orders eased but was steep overall. Panellists stated that the rise was supported by stronger client demand across a range of sectors.

Greater new order levels were reflected in further job creation and backlog accumulation. Although the respective rates of expansion softened from December, they were steep nonetheless. A number of survey respondents suggested that labour shortages remained an issue, despite the survey having shown strong employment growth.

In line with a further deterioration in vendor performance, input price inflation accelerated in January. Moreover, the pace of increase was marked overall and well above the historical series trend. Panellists linked greater cost burdens to higher raw material costs and supplier shortages. Meanwhile, output charge inflation was strong and accelerated to a three-month high.

Marked growth in output drove a steep rise in purchasing as well as stockpiling activity during January. Moreover, pre-production inventories increased at the fastest pace since August 2007 as firms sought to sustain production levels in the face of supplier delays.

Business confidence was robust in January, with the degree of optimism rising to the highest in two years, driven by stronger client demand.

Comment

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

“January survey data signalled a continuation of the marked growth seen towards the end of 2017. The overall PMI figure was the joint-strongest in seven years, and was supported by steep expansions in output and new orders. Moreover, production levels grew at the fastest pace since February 2011.

“In line with greater demand for materials in the domestic market and globally, supplier delivery times lengthened further amid continued pressure on capacities. With demand outstripping supply, January saw a marked increase in input costs and a rise in stockpiling. Charge inflation also accelerated and reached a three-month high. As labour costs and raw material prices continue to rise it is expected that the CNB will raise interest rates further in 2018.

“Meanwhile, firms remained optimistic with regards to the year-ahead outlook. Business confidence was the strongest in two years, driven by greater client demand, expansion into new export markets and planned investment in technology.”

-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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