

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

October PMI signals strongest expansion since April 2011

Key findings:

- Operating conditions improve to greatest extent in six-and-a-half years
- New orders grow at fastest pace since May 2014
- Output prices rise at quickest rate since April 2011

Data collected October 12-23

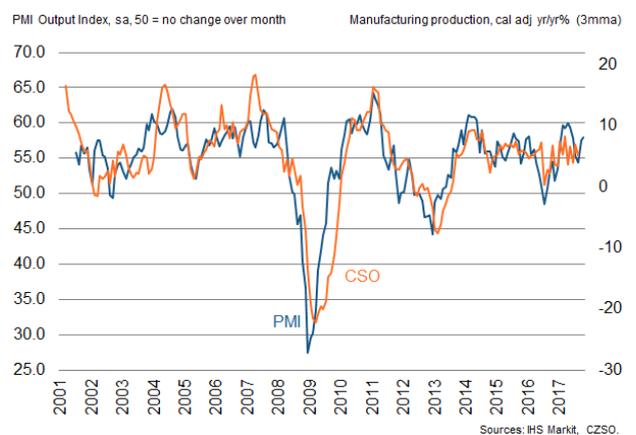
October survey data signalled the strongest improvement in operating conditions in the Czech manufacturing sector since April 2011. Overall growth among goods producers was supported by marked expansions in output and new orders, the latter of which increased at the quickest pace in over three years. The latest upturn in export sales was also steep and the fastest since January 2015. Meanwhile, inflationary pressures continued to rise with charge inflation accelerating to the strongest rate in six-and-a-half years. Furthermore, business confidence reached a five-month high, driven by a sustained rise in client demand.

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 58.5, October's PMI reading was up from September's 56.6 and indicated a marked improvement in operating conditions. The latest figure indicated the most robust manufacturing growth in over six years.

Production levels among Czech goods producers increased further in October, with the pace of expansion accelerating to a four-month high. Anecdotal evidence largely linked the rise in output to greater demand from domestic and foreign

Czech Republic Manufacturing PMI



clients.

In line with the upturn in output levels, new orders and export sales both expanded markedly. Overall new business received by Czech manufacturers grew at the fastest rate since May 2014. Panellists stated that the rise was due to larger order volumes and a sustained increase in demand. Meanwhile, new export orders expanded at the strongest pace since January 2015.

On the price front, average prices charged by manufacturers increased steeply in October. The rate of output price inflation was the quickest since April 2011 and driven by higher raw material costs. Monitored firms reported a marked rise in input costs such as steel. Moreover, suppliers' delivery times deteriorated to the greatest extent in the series history. Higher production requirements and longer lead times pushed firms to further increase their buying activity and stock levels.

Meanwhile, the pace of job creation at Czech goods producers accelerated to an eight-month high in October. Despite widely-reported labour shortages across the sector, firms increased workforce

numbers sharply to ensure production requirements were met. That said, backlogs rose at a marked rate in October, and one that was the fastest since April 2011.

Output expectations were robust in October, with the degree of optimism rising to a five-month high. Confidence was largely driven by strong client demand and increased business opportunities in new markets.

Comment

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

“October survey data indicated the greatest improvement in manufacturing operating conditions since April 2011. IHS Markit currently forecasts industrial production to increase by an annualized 5.9% in the fourth quarter, rounding off a strong year. Furthermore, the upturn in new business was the fastest since May 2014.”

“Although labour shortages are still reportedly commonplace, a sharp rise in outstanding business pushed job creation to an eight-month high.”

“Inflationary pressures remained prominent, with both input price and output charge inflation accelerating to marked paces. The CNB will shortly sit to discuss interest rates, with a rate rise largely expected on the back of greater price pressures and a tight labour market.”

-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

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