

Embargoed until 0930 CEST (0730 UTC) 1 October 2018

## IHS MARKIT CZECH REPUBLIC MANUFACTURING PMI®

### Manufacturing new orders rise at slowest rate for nearly two years in September

#### KEY FINDINGS

PMI drops to 22-month low amid slower new order growth

Output and employment rise at weakened rates

Steepest increase in costs for 11 months

The Czech manufacturing sector lost further momentum at the end of the third quarter, as order book growth eased to the weakest for nearly two years, the latest PMI® survey data from IHS Markit showed. September also saw slower rises in both output and employment across the sector, while businesses became less optimistic about the outlook. Cost pressures meanwhile intensified, with the rate of input cost inflation faced by goods producers reaching the highest for 11 months.

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.

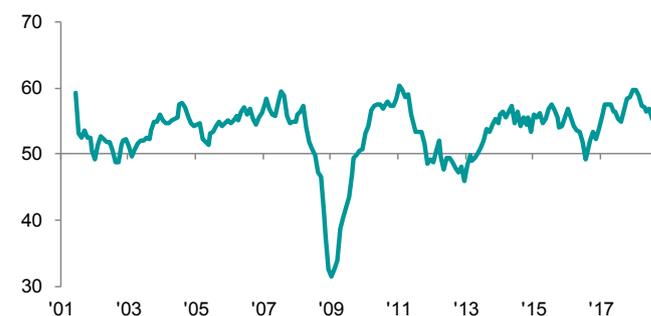
The headline PMI slipped from 54.9 in August to 53.4 in September, signalling a further slowdown in the rate of improvement in overall business conditions across the Czech goods-producing sector. The latest reading was the lowest since November 2016 and well below the highs seen around the turn of the year.

The level of new orders placed with Czech manufacturers increased only modestly in September, with the rate of growth having slowed for the third month running to the weakest since November 2016. The survey data did, however, show stronger demand from abroad, with export sales rising the most for three months (albeit still modestly overall).

Production levels followed a similar pattern to that of overall

Czech Republic Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

order books in September, rising at a reduced rate that was the weakest for 22-months.

Continuing the theme of slower growth, the pace of job creation in the goods-producing sector also waned during the month, to show the smallest gain in employment for just over two years. Some firms reported taking on extra staff to boost capacity, with data showing a further steady build-up of backlogs of work.

Elsewhere, September saw the steepest monthly rise in average input costs faced by Czech manufacturers since last October. The rate of purchase price inflation was among the highest seen over the past seven years. A range of inputs were reported as up in price, including energy, fuel and metals.

Some firms reported suppliers raising prices due to higher demand and shortages. Supply chain pressures contributed to a further marked increase in input lead times. That said, this latest deterioration in vendor performance was the least marked for 12 months.

Higher costs in the manufacturing sector were reflected in a further rise in average factory gate prices. The rate of output charge inflation was slightly quicker than in August and well above the long-run average.

Finally, latest data showed a weakening of manufacturers' optimism towards the year-ahead outlook for output to the lowest in almost two years.

## COMMENT

Phil Smith, Principal Economist at IHS Markit, which compiles the Czech Republic Manufacturing PMI survey, commented:

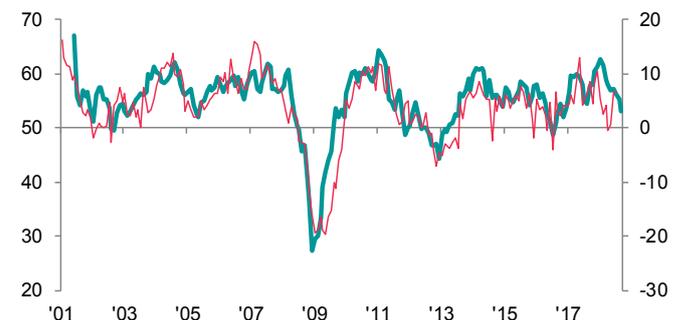
*"The Czech manufacturing sector looks to be entering a more challenging phase, with growth having peaked around the turn of the year and the PMI continuing to show a steady loss of momentum. Output, new orders and employment all rose during September, but these latest increases paled in comparison to those seen earlier in the year."*

*"Manufacturers generally still expect to see output levels rise over the year ahead, though worries about trade wars and a loss of competitiveness due in part to rising costs have dampened confidence and expectations are among the gloomiest over the past five years."*

*"Indeed, cost pressures intensified in the closing stages of the third quarter, amid reports of tightness in supply chains helping drive up purchase prices as well as higher labour costs."*

## Output Index

sa, >50 = growth since previous month



Source: IHS Markit, CSO.

## CONTACT

### IHS Markit

Phil Smith  
Principal Economist  
T: +44-1491-461-009  
[phil.smith@ihsmarkit.com](mailto:phil.smith@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44-207-260-2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Methodology

The Czech Republic Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 300 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

September 2018 data were collected 12-20 September 2018.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, click [here](#).

### 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 [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).