

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

Czech manufacturing ends 2016 on high note

Key findings:

- PMI rises to nine-month high
- Faster growth of output, new orders and employment
- Input price inflation strongest in a year-and-a-half

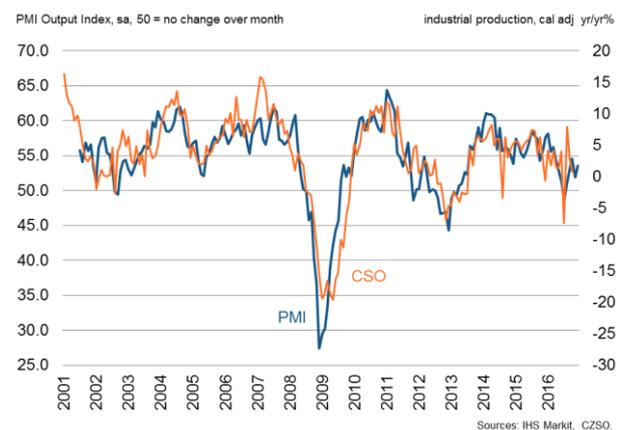
Data collected December 6-14

The Czech manufacturing sector ended 2016 with a solid performance, according to December *PMI*® survey data. The overall rate of expansion accelerated from November, reflecting stronger growth of output, new orders and jobs. That said, the rate of expansion in new orders was weighed down to some extent by subdued growth of exports. The latest survey results also signalled the sharpest inflationary pressures in the goods-producing sector since mid-2015.

The headline Markit Czech Republic Manufacturing PMI is a composite single-figure indicator 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 of the sector.

The PMI remained above the no-change mark of 50.0 in December, indicating an overall improvement in Czech manufacturing business conditions. The current upturn now extends to five months. Moreover, the PMI rose to 53.8, from 52.2, indicating the strongest upturn since March. The upward movement in the headline figure was influenced by all five components – output, new orders, employment, suppliers' delivery times and stocks of purchases, and took the PMI above both its average for 2016 (53.0) and its long-run trend level of 52.9.

Markit Czech Republic Manufacturing PMI



The rate of growth of manufacturing production rebounded in December, having slowed to a modest pace in November. Firms mainly linked growth to new orders, although the latest rise in output remained weaker than the long-run survey average.

New business growth strengthened in December, and was sufficiently strong to generate a rise in the level of outstanding work. That said, the pace of expansion in new orders remained subdued in the context of historic survey data, partly reflecting only a moderate rise in new export contracts.

Purchasing activity by Czech manufacturers also rose at a stronger pace in December, extending the current growth phase to four months. This imparted pressure on suppliers, whose delivery times lengthened to the greatest extent since May 2011. Manufacturers' input stocks rose for the second time in three months, with firms commenting on both 2017 pipeline work and expectations of higher input prices.

December data indicated an intensification of cost

pressures at Czech manufacturers. The rate of input price inflation accelerated to the highest since June 2015, and was above the long-run survey average. Similarly, prices charged by manufacturers rose at the fastest rate for a year-and-a-half.

Manufacturing employment in the Czech Republic rose for a survey-record forty-fourth consecutive month in December. Moreover, the rate of job creation hit the highest since February.

Comment

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

“Czech manufacturers ended 2016 with a solid overall performance, rounding off the best quarter since the opening three months of the year. December saw faster increases in output, new orders and employment, although growth of new export orders remained subdued. IHS Markit forecasts overall economic growth to accelerate in Q4 following the slowdown observed in Q3, and the latest PMI data support this outlook.

“December data also revealed a strengthening of inflationary pressures to the highest for a year-and-a-half, linked to metals, oil and the strong dollar. That said, IHS Markit does not expect an exit from the weak koruna policy until mid-2017.”

-Ends-

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Note to Editors:

The Czech Republic Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by 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.

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 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 30 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.markit.com/product/pmi.

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