

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

December PMI signals strongest manufacturing growth since February 2011

Key findings:

- PMI rises to indicate marked manufacturing upturn
- Output growth quickest in over six-and-a-half years
- New order expansion fastest since January 2011

Data collected December 5-13

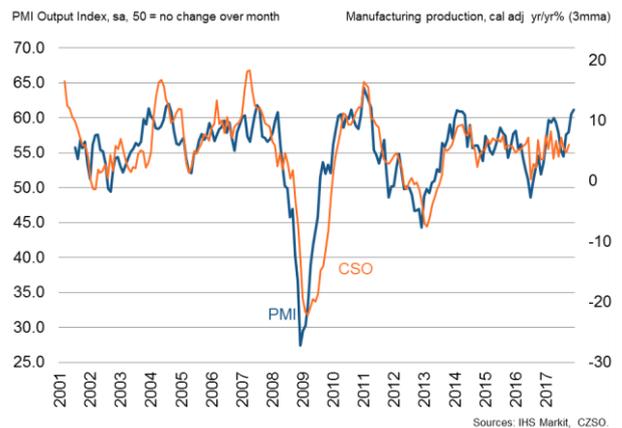
December survey data indicated a marked improvement in operating conditions in the Czech manufacturing sector that was the greatest seen since February 2011. Growth was supported by robust upturns in production and new orders, which showed the strongest increases since April and January 2011 respectively. Greater foreign client demand was also reflected in a steep and accelerated rise in export sales. In line with higher order volumes, capacity requirements increased with backlog accumulation accelerating. Meanwhile, inflationary pressures softened for the second month running. Overall business confidence rose and reached an eight-month high.

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, up from 58.7 in November, the latest PMI reading signalled the most robust growth in the Czech manufacturing sector in over six-and-a-half years. This signalled a strong end to the fourth quarter of 2017.

Output levels continued to grow at a marked pace in December, with the latest expansion the

Czech Republic Manufacturing PMI



fastest since April 2011. Anecdotal evidence linked the rise to stronger domestic and foreign client demand.

In line with the acquisition of clients, new business received by manufacturers expanded steeply in December. Moreover, the rate of growth quickened to the fastest in almost seven years. Panellists also linked the latest increase to stronger foreign client demand, with new orders from abroad rising at a steep and accelerated rate.

Greater new order volumes also led to a rise in the level of outstanding business. Backlogs accumulated at the fastest pace since January 2011, as firms struggled to adapt to increased production requirements. That said, job creation accelerated in December and was steep overall as firms made efforts to expand capacity.

Despite suppliers' delivery times lengthening markedly in December, manufacturers reported softer input price inflation. Although the rate of increase in costs was sharp, it eased to a four-month low. Similarly, charge inflation slowed to a

three-month low. Nonetheless, panellists noted that price rises were due to higher raw material costs being passed on to clients.

Purchasing activity increased in December, rising at a marked rate overall. Meanwhile, goods producers stockpiled raw materials at the second-strongest pace since July 2014.

Business confidence among Czech manufacturers was robust in December, having reached an eight-month high. Stronger expectations were linked to planned investment in technology and greater client demand.

Comment

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

“December survey data signalled marked growth in the Czech manufacturing sector, with the PMI rising to the highest since February 2011. Steep upturns in output and new orders, the fastest in over six-and-a-half years, supported overall growth and indicated a strong finish to 2017.

“The latest sharp expansion in new orders increased production requirements further and heightened capacity pressures, with backlogs accumulating at the quickest pace in almost seven years. The level of outstanding business rose despite job creation accelerating to a steep rate.

“In line with a positive end to the fourth quarter, business confidence remained robust and optimism increased to reach an eight-month high. Anecdotal evidence partly linked greater positive sentiment to planned investment in new technology.”

-Ends-

For further information, please contact:**IHS Markit**

Sian Jones, Economist
Telephone +44-1491-461-017
Email sian.jones@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207-260-2234
Email joanna.vickers@ihsmarkit.com

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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