

News Release

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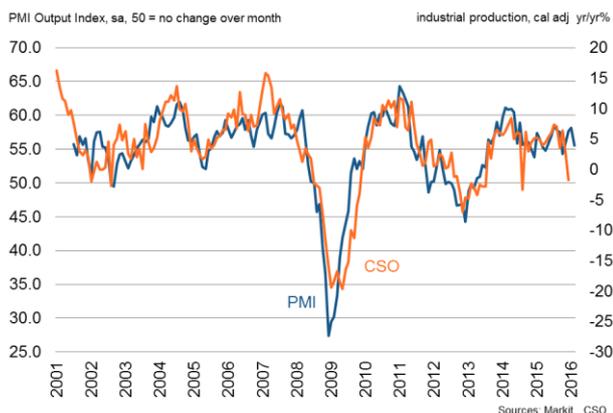
Markit Czech Republic Manufacturing PMI®

Czech manufacturing growth cools in February

Key points:

- Weakest overall improvement in business conditions since November
- New business continues to rise at strong overall pace
- Sharpest decline in input prices since July 2009

Historical overview:



Summary:

The Czech manufacturing economy continued to expand in February, but at a weaker overall rate, according to the latest *PMI*® survey data from Markit. Output, new orders, exports, purchasing and employment all rose more slowly than in the opening month of 2016, but the rates of growth all remained stronger than their respective long-run survey averages. Moreover, the volume of outstanding business continued to increase. On the price front, manufacturers reported the sharpest decline in average purchase prices since July 2009, linked to metals and oil-related inputs.

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 neutrality for the thirty-fourth consecutive month in February, signalling an ongoing upturn in the Czech manufacturing sector. The headline figure declined for the first time since last October to 55.5, from 56.9 in January, but still signalled strong overall growth. The average for the first quarter of 2016 so far, at 56.2, is the second-highest for any quarter since Q2 2014.

Manufacturing output rose in February, extending the current sequence of growth to nearly three years. The rate of expansion eased to a four-month low, but remained historically strong. Moreover, backlogs continued to rise at a solid, albeit slower, pace.

The volume of new work received by goods producers rose for the thirty-third successive month in February. The rate of growth eased from January's six-month high, but remained sharp in the context of historic survey data. New export business increased at the weakest rate since November.

Purchasing continued to rise in February as firms accommodated increased workloads and made preparations for new projects. The volume of inputs held in stock rose at the fastest rate since last July. Suppliers' delivery times continued to lengthen, albeit to a lesser extent than in January.

The underlying strength of manufacturing business conditions was highlighted by a further strong increase in employment. The current sequence of job creation now stretches to 34 months.

Average input prices paid by Czech manufacturers declined for the fifth time in six months in February. Moreover, the rate of decline accelerated to the

sharpest since July 2009. Subsequently, firms cut their own output prices at the strongest rate since May 2013.

Comment:

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

“Although the Czech PMI eased to a three-month low in February, manufacturing growth in the country remains stronger than that seen in the eurozone, based on the earlier flash reading for goods producers in the single currency area (51.0).

New orders posted the second-fastest rise in the past seven months and backlogs continued to grow solidly. The latest survey data therefore suggest that the unexpected weakness in official industry output data for December will prove temporary, although the longer term outlook will be closely linked to developments in the wider European and global economies.”

-Ends-

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Notes to Editors:

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

About Markit

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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/economics.

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