

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

### Output growth strongest since May 2014

#### Key findings:

- Sharp and accelerated rise in production
- New order growth quickens to 35-month high
- Input price inflation remains elevated

Data collected April 11-20

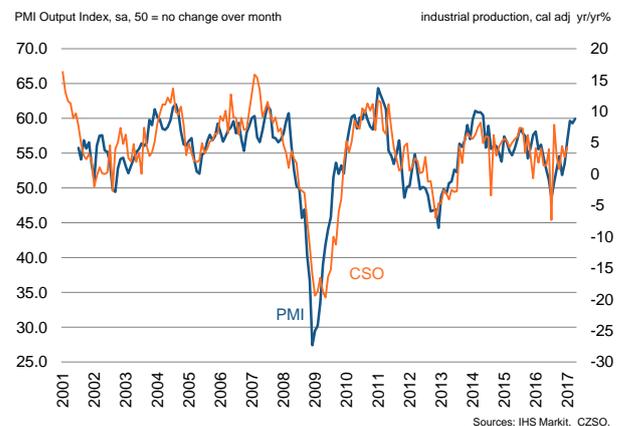
The latest Markit PMI® survey data signalled strong growth within the Czech manufacturing sector in April. The improvement in business conditions reflected accelerated growth in output and new orders. Meanwhile, both input and output price inflation slowed in April, though remained high by historical standards. Employment grew at a marked pace that was above the long-run average, while business confidence reached the second-highest level since January 2016.

The headline 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 57.5, the April index figure matched that seen in March and pointed to another marked improvement in the health of the goods-producing sector.

Output growth accelerated to the strongest in almost three years, with the current growth sequence now extending to nine months. Panellists attributed higher production to increased demand from domestic and foreign clients.

April data signalled an eighth consecutive monthly expansion in new business. New orders grew at the fastest pace since May 2014. In addition to the upturn in total new work, companies recorded further growth of new orders from abroad in April. Furthermore, new export work expanded at the



quickest rate in 27 months. Anecdotal evidence linked the upswing to increased demand from European and US markets.

Meanwhile, backlogs expanded at the fastest pace since January 2016. Data implied that strong growth of new orders exerted pressure on operating capacity.

Cost burdens facing Czech manufacturing firms rose steeply in April. Easing slightly from March's recent peak, input prices increased at the second-fastest pace since April 2011, with higher prices for iron, steel and copper often mentioned by panellists.

Czech manufacturers sought to pass part of the additional cost burden onto their clients by way of raising their selling prices. That said, the rate of charge inflation softened for the second month in a row.

Job creation continued for the forty-eighth month running in April, with extra capacity reportedly required to meet increased production requirements. That said, the pace of expansion in employment slowed to the weakest since last November.

Expectations among manufacturers improved in April, with optimism climbing to the second-strongest since January 2016. Confidence was commonly attributed to increased client demand and new product development.

There were divergences with regards to stocks. Post-production inventories fell, while holdings of purchases increased amid a strong pick-up in buying activity. Higher quantities of purchases were reflected in the most marked increase in supplier lead times since April 2011.

### Comment

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

*“April PMI data signalled a continuation of the strong growth seen in the first quarter of 2017. Further expansions in output and new orders are consistent with IHS Markit forecasts of a 4.4% rise in industrial production during 2017. Export order growth was at its strongest since January 2015 despite a strengthened currency following the koruna cap being lifted. Results for May will give a better idea of how the end of exchange rate adjustments has affected export performance.*

*“Despite slowing in April, the rate of input price inflation was still one of the strongest in six years. Meanwhile, anecdotal evidence stated that labour shortages within the economy were becoming problematic, with growth in employment weakening for the second month in April. This could lead to capacity constraints with wage increases likely to add inflationary pressure. Employment constraints could have a wide-ranging impact on overall performance in 2017.”*

-Ends-

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### Note to Editors:

The Czech Republic Manufacturing *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) 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](mailto:economics@ihsmarkit.com).

The Manufacturing *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> (*PMI*<sup>®</sup>) 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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