

S&P Global Czechia Manufacturing PMI[®]

New orders return to contraction in May

Renewed contraction in new sales leads to quicker fall in production

Input price inflation quickens amid supplier shortages

Business confidence ticks up to strongest since February 2022

The Czech manufacturing sector remained in contraction in May, according to the latest PMI[®] data from S&P Global, with the pace of decline quickening.

The overall downturn in the sector worsened midway through the second quarter amid a faster fall in output levels, and a renewed drop in new orders. Weak demand conditions and client uncertainty reportedly drove the solid decrease in new sales, with new export orders declining further. Moreover, firms remained in retrenchment mode, as input buying and employment contracted again. Nonetheless, companies recorded back-to-back expansions in backlogs of work and a renewed deterioration in vendor performance amid supplier shortages. Firms remained upbeat in the year-ahead outlook for output, however, as confidence rose to the highest in over three years.

At the same time, inflationary pressures built as input costs and output charges rose at faster, but still historically soft, rates.

The seasonally adjusted S&P Global Czechia Manufacturing Purchasing Managers' Index™ (PMI) was down in May, dropping from 48.9 in April to 48.0. The latest data signalled a modest deterioration in operating conditions, with monthly declines now recorded for three years. The downturn was the strongest in three months.

Weighing on the headline index reading was a return to contraction in new orders during May. Czech goods producers registered a further drop in new sales, following a brief expansion in April. The fall was solid overall and the fastest since January. Anecdotal evidence suggested that the decrease was due to economic uncertainty, especially for those customers in the automotive sector, alongside weak domestic and external demand.

Concurrently, new export orders fell for the thirty-ninth consecutive month, albeit at a softer pace.

Manufacturing firms in Czechia reported shortages of certain raw materials, including foodstuff, during May. Supplier capacity issues stifled previous improvements in input lead times and led to renewed delays.

S&P Global Czechia Manufacturing PMI
Index, sa, >50 = improvement m/m



Data were collected 12-21 May 2025.

Source: S&P Global PMI. ©2025 S&P Global.

Comment

Siân Jones, Principal Economist at S&P Global Market Intelligence

"May data signalled a step backwards from the febrile signs of improvement across the Czech manufacturing sector seen in April, as new orders returned to contraction territory and output fell at a sharper pace. Economic uncertainty and challenges in the automotive sector dampened the overall performance of the goods-producing economy, according to panellists.

"Although firms remained in retrenchment mode, reining in spending on employment and input buying, renewed delays to supplier delivery times amid shortages put pressure on capacity.

"Shortages also resulted in a faster rise in input costs. Despite a resulting acceleration in selling price inflation as well, rates of increase were historically soft.

"Nonetheless, firms were the most upbeat regarding the outlook since February 2022. Hopes of a rebound in demand from existing markets outweighed concerns surrounding global economic uncertainty."

In part due to material shortages and higher energy bills, companies registered a faster rise in cost burdens midway through the second quarter. Although slower than the series average, the rate of cost inflation was the second-steepest since July 2024.

Despite subdued demand conditions, Czech goods producers raised their selling prices again in May in a bid to pass-through higher cost burdens to customers. In line with the trend for input prices, however, the rate of charge inflation was historically soft.

Higher costs and lower new order inflows led firms to continue their cost management initiatives, as employment, input buying and stocks of purchases fell further. Although rates of decline in purchasing activity and pre-production inventories quickened, companies recorded a slightly softer pace of job shedding.

A reduction in headcounts was recorded despite back-to-back expansions in incomplete business. Supply constraints and complex orders received in previous months reportedly underpinned growth in backlogs, however.

At the same time, post-production inventories expanded in May. The rate of growth was modest, but accelerated to the fastest since September 2022. Panellists stated that growth stemmed from delayed shipments and missed payments from customers amid economic uncertainty.

Finally, output expectations for the year ahead improved at Czech goods producers in May. Business confidence ticked up to the strongest since February 2022 and was historically elevated. According to panellists, optimism was linked to hopes of a rebound in demand conditions bringing larger orders and planned new product development.

Methodology

The S&P Global Czechia Manufacturing PMI® is compiled by S&P Global 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. Data collection began in June 2001.

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.

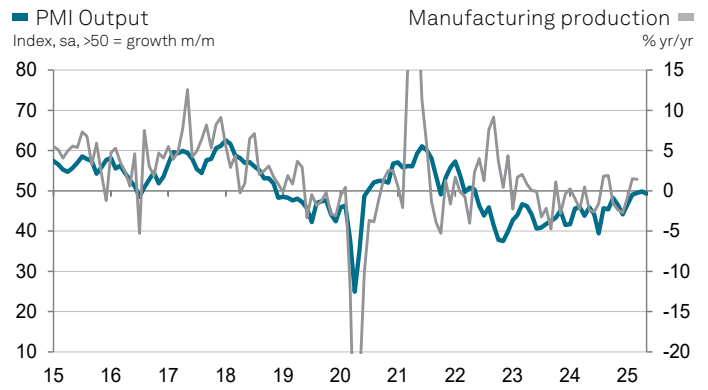
The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted 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.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

PMI by S&P Global

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. www.spglobal.com/marketintelligence/en/mi/products/pmi



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