News Release

Embargoed until 0930 CEST (0730 UTC) 1 September 2022

S&P Global Czech Republic Manufacturing PMI®

Operating conditions continue to contract as inflation dampens client demand further

Key findings

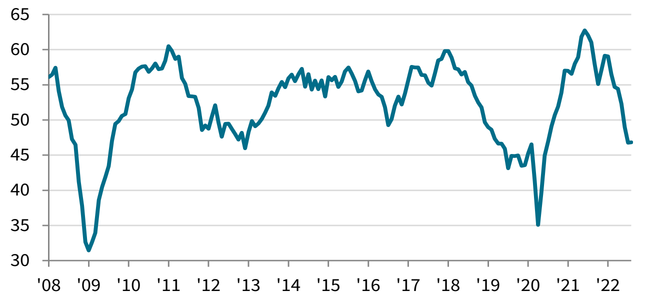
Faster fall in new orders drives another strong decline in output

Inflationary pressures soften

Supplier delays least marked for almost two years

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-22 August 2022.

August PMI® data from S&P Global signalled a solid decline in the health of the Czech manufacturing sector. Operating conditions deteriorated at the joint-fastest pace since June 2020 as output and new orders contracted further. The fall in new sales quickened to the sharpest in over two years, as domestic and foreign client demand weakened. A further reduction in capacity pressures reflecting lower backlogs of work led to another decline in employment.

At the same time, supplier disruption eased as lead time lengthened to the smallest extent since September 2020. Less marked supplier delays were in part behind a slower rise in input prices. Cost burdens and output charges increased at the softest rates since December 2020 and May 2021 respectively.

The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index® (PMI®) posted 46.8 during August, unchanged from the figure seen in July. The latest data indicated a solid deterioration in the health of the Czech manufacturing sector, and the third fall in as many months. The decline in operating conditions was the joint-sharpest in over two years.

New orders fell for the sixth month running in August, with the pace of decline accelerating to the steepest since May 2020. Where a decrease in new sales was noted, firms linked this to weak client demand and the impact of sharp inflation on customer spending. Some companies highlighted greater hesitancy among clients in placing orders, with others cancelling or postponing projects. New export orders also fell markedly and at the fastest rate for over two years.

In line with weak demand conditions, production levels contracted further. A reduction in purchasing power at clients and lower new orders drove output down. Although the pace of decline eased from July, it was the second-fastest since May 2020.

Comment

Siân Jones, Senior Economist at S&P Global Market Intelligence, said:

"August PMI data signalled further subdued operating conditions across the Czech manufacturing sector, as output and new orders tumbled again. Both total and foreign sales sank at faster rates, with firms cutting back on input buying and hiring in an effort to reduce expenses.

"On a more positive note, supply disruptions eased markedly from the severe delays seen earlier in the year. Delivery times lengthened to the smallest extent since September 2020, with the reduction in pressure on supplier capacity translating into softer input price rises. The rate of cost inflation was the slowest since December 2020, and selling prices rose at the weakest pace for over a year.

"Upside risks to inflation and headwinds for growth remain ever-present as manufacturers registered historically muted expectations regarding the outlook for output over the next year."

August data signalled a further slowdown in the rate of input cost inflation at Czech manufacturers. The pace of increase eased to the softest since December 2020. That said, inflation was historically elevated with hikes in a wide range of raw materials including plastics, packaging and food, alongside greater energy costs driving prices higher.

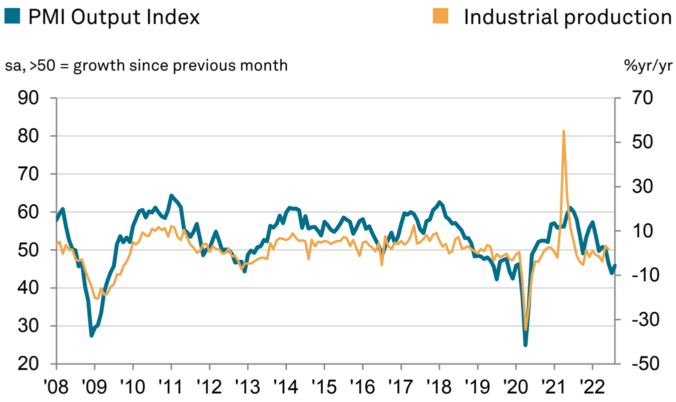
In response, firms raised their selling prices at a softer pace midway through the third quarter. The rate of charge inflation eased to the slowest since May 2021, despite remaining above the series average. Firms continued to note the pass-through of higher costs to customers.

Aiding the softening of inflationary pressures was less marked disruption to supply chains. Vendor performance deteriorated to the least extent since September 2020 amid reports of reduced pressure on supplier capacity.

Nonetheless, weak client demand led firms to scale back their input buying further in August. A fall in output and new orders led to a reduction in the use of stocks to supplement production, as both pre- and post-production inventories rose.

At the same time, lower new order inflows resulted in manufacturing firms cutting back on hiring activity, with employment declining at a solid pace. Companies were able to work through incoming new work, as backlogs fell marginally.

Finally, output expectations remained subdued in August. Although positive overall, the degree of confidence was among the weakest in two-and-a-half years amid concerns regarding the war in Ukraine, inflation and weak demand.



Sources: S&P Global, CZSO.

Contact

Siân Jones
Senior Economist
S&P Global Market Intelligence
T: +44-1491-461-017
sian.jones@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)-7967-447030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click here.

Survey methodology

The S&P Global Czech Republic 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@ihsmarkit.com.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

About PMI

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. ihsmarkit.com/products/pmi.html.