News Release

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S&P Global Czech Republic Manufacturing PMI®

Manufacturing decline slowest in almost a year in February

Key findings

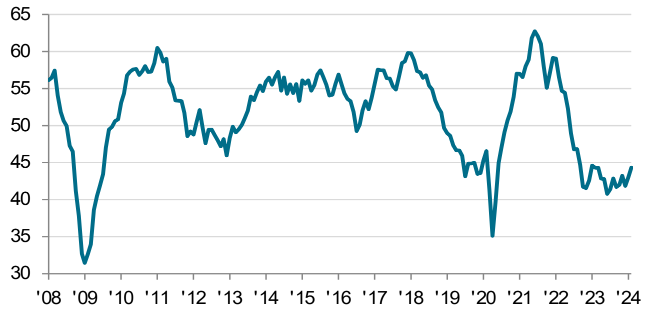
Contractions in output and new orders ease

Input costs rise for first time in a year

Business confidence strongest since March 2023

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-21 February 2024.

The Czech manufacturing sector remained in contraction during February, according to the latest PMI® data from S&P Global. The overall decline softened, however, to the weakest since March 2023 as downturns in output and new orders eased. Nonetheless, domestic and external demand conditions remained historically subdued, with firms continuing to cut employment, purchasing and stock holdings in a bid to reduced outgoings. Manufacturers were upbeat in their expectations for output over the coming year, however, with confidence strengthening to the highest in almost a year.

On the price front, cost burdens rose for the first time in a year, albeit only fractionally. That said, firms sought to remain competitive and drive new sales which resulted in a further reduction in selling prices. The pace of decrease was slower than that seen in January, however.

The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index™ (PMI) posted at 44.3 in February, up from 43.0 in January, to signal a sharp decline in the health of the manufacturing sector. The downturn eased for the second month running, however, with the pace of contraction the slowest in almost a year.

Output at Czech manufacturing firms continued to contract in February, albeit at a much softer pace. Muted demand conditions and a further decline in new orders led to lower production requirements. The rate of decrease was the slowest since April 2023 as some firms worked through backlogged items.

Although slowing to the weakest in three months, the fall in new orders received by Czech goods producers remained sharp in February. Panellists noted subdued demand from domestic and external clients, as economic uncertainty deterred customer purchases. In line with the trend for total new sales, new export orders declined at a sharp but softer pace.

Comment

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

"Czech manufacturing firms signalled signs of optimism across the sector in February, with PMI data indicating a less marked decline. Softer contractions in output and new orders, alongside the strongest degree of confidence in almost a year, provided glimmers of light.

"Firms remained cautious of hiring and expanding purchasing activity, however, as cost cutting initiatives led to reductions in full time workers and further depletions of stocks.

"Moreover, input costs rose for the first time in a year as transportation and wage bills drove inflation. Although only fractional, the increase in cost burdens was not reflected in selling prices as firms sought to remain competitive in a challenging demand environment and lowered charges. Our latest forecast anticipates further cuts to interest rates by the Czech National Bank in the opening half of 2024."

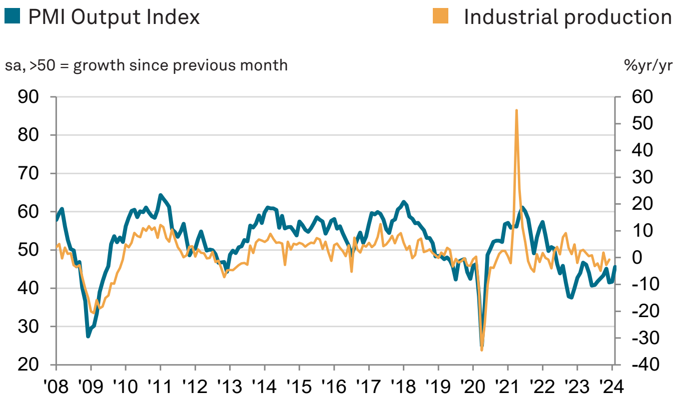
Input prices faced by Czech goods producers increased for the first time in a year midway through the first quarter, albeit only fractionally. Higher operating expenses were linked to greater energy, transportation and wage costs. The rate of cost inflation was well below the long-run series average, however.

Nonetheless, manufacturers sought to remain competitive and boost new sales by lowering their selling prices for the tenth month running. Output charges fell at a modest pace that softened from January.

Despite a sustained drop in new order inflows, Czech manufacturers signalled stronger expectations for the year-ahead outlook for output in February. The degree of confidence reached the highest in almost a year as firms were buoyed by planned investment in new products and facilities, as well as hopes of more favourable demand conditions going forward.

Cost-cutting initiatives continued to be noted by firms as a driving factor behind lower employment midway through the first quarter. The rate of job shedding was sharp overall, with companies also recording a solid decline in backlogs of work. The fall in outstanding business was the slowest since September 2022, however.

Meanwhile, lower new order inflows led to a reduced requirement for goods producers to hold stocks of inputs and finished items in February. Both pre- and post-production inventories contracted, with the rate of decline in stocks of purchases accelerating amid a further sharp fall in input buying.



Sources: S&P Global PMI, CZSO via S&P Global Market Intelligence.

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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@spglobal.com.

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

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