

News Release

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S&P Global Czech Republic Manufacturing PMI[®]

Manufacturing performance declines at slowest pace in two years in August

Key findings

Contractions in output and new order soften

Input costs continue to rise, but selling prices fall again

Vendor performance worsens to greatest extent since late-2022

The Czech manufacturing sector remained in decline midway through the third quarter, according to the latest PMI[®] data from S&P Global, but the downturn eased in severity. Rates of contraction in output, new orders, employment and purchasing all softened despite further reports of challenging demand conditions. Business confidence improved to the strongest in three months, but firms continued to pursue cost cutting efforts via reductions in input buying and stock holdings.

Meanwhile, shipping delays led to a sharper deterioration in supplier performance. Vendor prices were a key driver of cost inflation, as input prices rose solidly. Nonetheless, attempts to boost sales resulted in another monthly drop in selling prices.

The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index[™] (PMI) posted 46.7 in August, up from 43.8 in July, to signal a solid but slower deterioration in the health of the Czech manufacturing sector. Operating conditions have declined in successive months since June 2022, though the latest downturn was the slowest in two years.

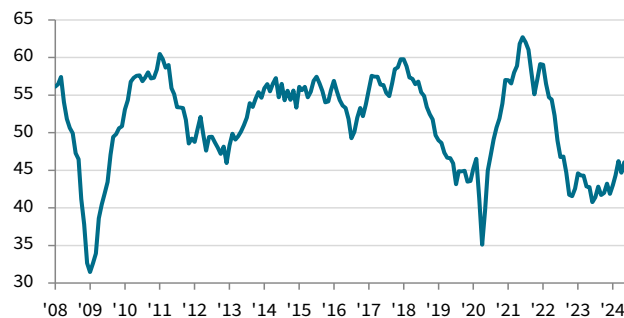
New orders at Czech goods producers declined further in August, as firms noted weak demand conditions in domestic and export markets. Although strong overall, the pace of contraction eased notably and was the slowest since April 2022.

Moreover, new export orders also fell at a softer pace midway through the third quarter. The pace of decrease was the weakest in almost two-and-a-half years, as some companies reported upticks in demand from customers in Asia and Africa despite still muted sales conditions in Europe.

Subsequently, the rate of decline in production also slowed. The contraction in output was the weakest in three months but nevertheless marked, with firms noting that lower new sales led to a further drop in production requirements.

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-21 August 2024.

Comment

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

"Czech manufacturers showed some signs of momentum in August, as declines in output, new orders, employment and input buying softened notably on the month. The overall health of the sector continued to decline, but at the slowest pace in two years.

"Firms continued to highlight weak demand across Europe and in key industries such as construction and heavy machinery, but the rate of contraction in both new sales and export orders slowed.

"Shipping delays continued to blight supply chains and push up input costs, meanwhile. Pressure to boost new orders, resulted in a further fall in selling prices, however.

"Although the fall in employment was often linked to lower production, emerging reports of unsuccessful efforts to recruit skilled workers hint at greater impetus among firms to hire as business confidence in the year-ahead outlook improved in August. Our latest forecast sees industrial production contracting 0.3% in 2024, but pivoting to growth of 3.9% in 2025."

PMI[®]

by S&P Global

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Disruption at ports and other challenges to shipping freight deliveries led to a further deterioration in vendor performance during August, with the decline the greatest since December 2022.

Challenges in sourcing materials resulted in a further solid rise in input costs, largely driven by higher supplier prices. Some companies also noted unfavourable exchange rate movements against the euro. The pace of cost inflation eased slightly from July, but was among the steepest in a year-and-a-half.

Despite a further uptick in operating expenses, Czech manufacturers reduced their selling prices during August. Although only marginal, the decrease was the second in as many months, as firms sought to drive new sales and remain competitive.

Business confidence at Czech manufacturers strengthened to the highest in three months midway through the third quarter. New product launches, rebranding efforts and hopes of a rebound in European demand conditions all underpinned optimism, according to firms.

Nevertheless, reduced new order inflows sparked another round of job cuts. Employment fell at the slowest pace since May, but the decrease was nonetheless strong overall, as firms continued to deplete backlogs of work amid sufficient capacity.

At the same time, efforts to cut costs and streamline inventories resulted in a sharp drop in input buying. The pace of contraction was the slowest since June 2022, however.

Moreover, both pre- and post-production inventories were depleted in August, with paces of decline accelerating in each case. Stocks were often used to supplement production and ensure the swift sending of goods to customers.

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.

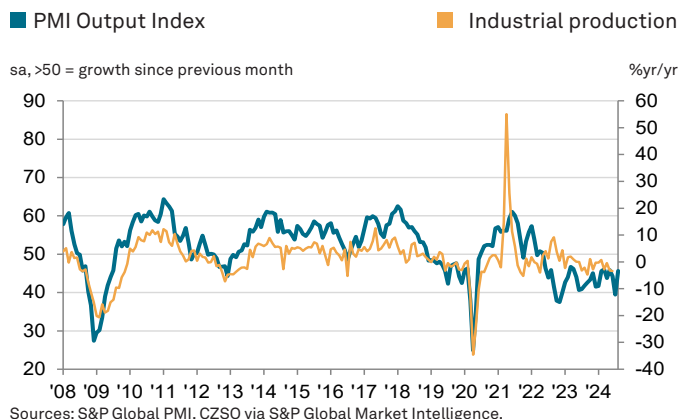
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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