

S&P Global Czechia Manufacturing PMI[®]

Decline in Czech manufacturing sector regains pace in November

Sharper falls in output and new orders

Selling prices decline again

Business confidence sinks to ten-month low, but drop in employment eases

The deterioration in operating conditions at Czech manufacturers continued midway through the fourth quarter, according to the latest PMI[®] data from S&P Global, with the rate of decline quickening as contractions in output and new orders gathered pace.

Weak domestic and external demand conditions weighed on both total sales and international orders. Meanwhile, backlogs of work were depleted further, with companies cutting input buying and reducing their stock levels in response to lower new orders. That said, the pace of job shedding slowed to the weakest since March despite business confidence slipping to the lowest level since the start of the year.

At the same time, manufacturers registered greater cost burdens. The uptick in input prices was slightly softer than in October and did not translate to increased output charges. Selling prices were cut again amid efforts to boost new sales.

At 46.0 in November, the seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index[™] (PMI) fell from 47.2 in October, to signal a solid contraction in operating conditions. The latest decline extended the current downturn to two-and-a-half years.

Contributing to the deterioration in the health of the sector was a sharper decrease in new orders during November. Czech manufacturers reported weakness among customers in key markets and industries, with ongoing challenges in the automotive sector and the German manufacturing economy dampening demand. The rate of decline was the steepest in four months and marked overall.

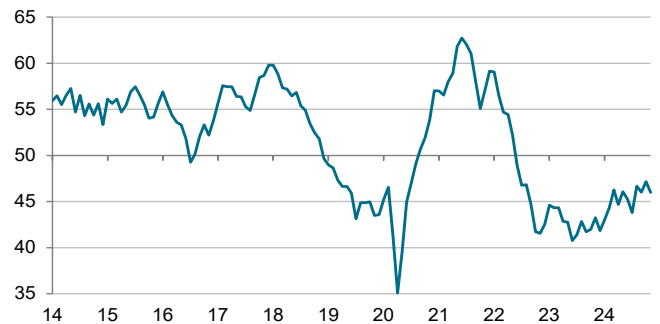
New export orders also fell at the quickest pace since July, as muted demand from key export markets in Europe hampered new sales.

Subsequently, Czech goods producers adjusted their production levels down again. Although solid overall and faster than seen in the previous survey period, the rate of contraction was the second-slowest since March 2023.

On the price front, input costs increased for the tenth successive month in November. The rise was linked to greater supplier prices, alongside higher transportation fees. That said, the pace of cost inflation slowed from October and was

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Index, sa, >50 = improvement m/m



Data compiled 12-21 November 2024.

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Comment

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

"The Czech manufacturing sector hit another obstacle in November, as contractions in output and new orders regained momentum following weak demand domestically and in key export markets. Structural issues in the automotive sector and challenges to the German manufacturing economy were highlighted again by panellists as weighing on overall performance.

"Companies remained firmly in retrenchment mode, as employment and input buying was adjusted lower again. Moreover, worsening lead times for materials and muted demand led to a marked drop in purchasing.

"One bright spot was the easing of cost pressures. Although the pace of increase was greater than the average through 2024 so far, it eased and was soft in the context of the series history. Nonetheless, firms felt it necessary to cut selling prices once more in a bid to boost new sales. Our current forecast for consumer price inflation points to an easing from 2.7% in 2024 to 2.2% in 2025."

well below the long-run series average.

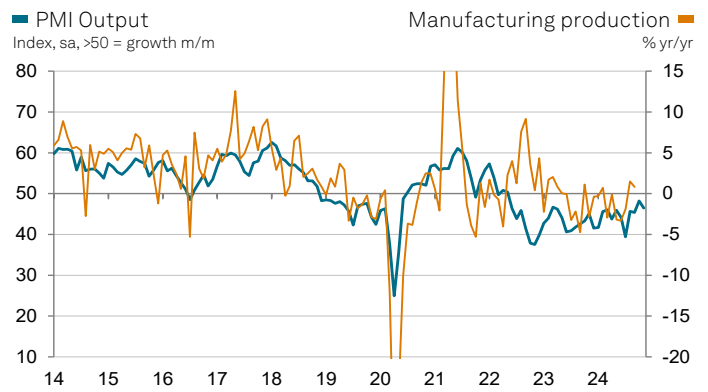
Amid relatively soft input cost inflation and efforts to boost sales, Czech manufacturers lowered their selling prices again midway through the fourth quarter. The pace of decline eased from the previous survey period and was moderate overall.

Meanwhile, manufacturers continued to cut workforce numbers as backlogs of work were depleted further amid a reduction in new orders. A lack of pressure on capacity and efforts to manage costs more closely led to a strong decline in employment. Nonetheless, the pace of decrease in staffing levels was the weakest since March.

Although Czech manufacturers remained upbeat in their expectations regarding output over the coming year, the level of optimism dropped to the lowest since January. Challenging demand conditions in key markets weighed on positive sentiment, despite hopes among some firms of a rebound in the next year.

Reduced production requirements led firms to decrease their input buying in November. The rate of decline was marked and the sharpest since July. At the same time, amid cost saving efforts, firms depleted their pre-production inventories. Concurrently, holdings of finished goods broadly stagnated.

Alongside weak demand, firms noted difficulties receiving inputs as supplier delivery times were extended again midway through the fourth quarter. Strikes at ports and capacity issues at vendors led to delays, with the deterioration in supplier performance among the greatest in almost two years.



Sources: S&P Global PMI, CZSO via S&P Global Market Intelligence. ©2024 S&P Global.

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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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