News Release

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S&P Global Czech Republic Manufacturing PMI®

Demand dwindles across the Czech manufacturing sector, while input costs fall at fastest rate in 14 years

Key findings

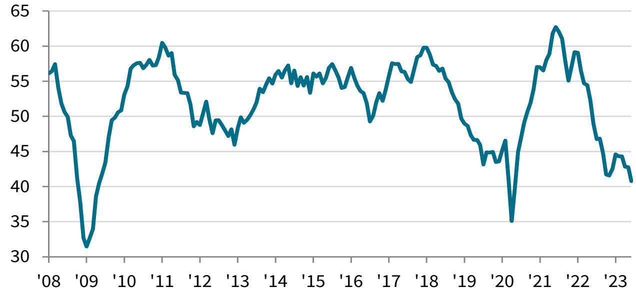
Output and new orders contract at sharpest rates in six months

Input prices decline at substantial pace, as charges also decrease

Fastest drop in employment since July 2020

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 12-22 June 2023.

Operating conditions across the Czech manufacturing sector deteriorated markedly at the end of the second quarter, according to the latest PMI® data from S&P Global. June data signalled the fastest contractions in output and new orders in 2023 so far, as domestic and external demand conditions faltered. Reduced new order inflows were also reflected in a further decline in employment. Workforce numbers were cut at the sharpest pace since July 2020 as backlogs of work were depleted at a steep rate. Efforts to run down stocks and lower input buying led to spare capacity at suppliers, which underpinned another sharp improvement in delivery times.

At the same time, offers from suppliers led to the quickest drop in input prices since June 2009. In an effort to drive sales and remain competitive, firms passed on cost savings to customers, with selling prices falling for a second month running.

The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index® (PMI®) posted 40.8 in June, down from 42.8 in May, to signal a marked decline in the health of the Czech manufacturing sector. The deterioration in operating conditions was the greatest since May 2020.

Driving the downturn was a sharper decrease in new orders at Czech manufacturers in June. The rate of contraction accelerated to the fastest since December 2022 and was among the steepest in just over three years. Lower new order inflows stemmed from weak customer confidence, some reports of order postponements and reduced client investment.

Similarly, new export orders declined at a quicker pace in June. Muted foreign client demand was reportedly behind the latest fall.

Suppressed demand conditions dampened production further, as Czech manufacturers recorded another monthly contraction in output. The latest downturn extended the

Comment

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

"The latest PMI data indicated heightened challenges for Czech manufacturing firms as the first half of 2023 came to an end. Lacklustre demand conditions, which proved challenging to reinvigorate despite price falls, continued to negatively impact production, employment and input purchasing as firms moved deeper into retrenchment.

"Price pressures, meanwhile, dissipated. Input prices fell at the sharpest rate for 14 years, while efforts to boost sales drove output charges down. Weak demand is likely to lead to further cooling of inflation throughout the rest of 2023, as pressure on customers' disposable income remains sizeable."

current sequence of decrease that began a little over a year ago, and was the fastest for six months.

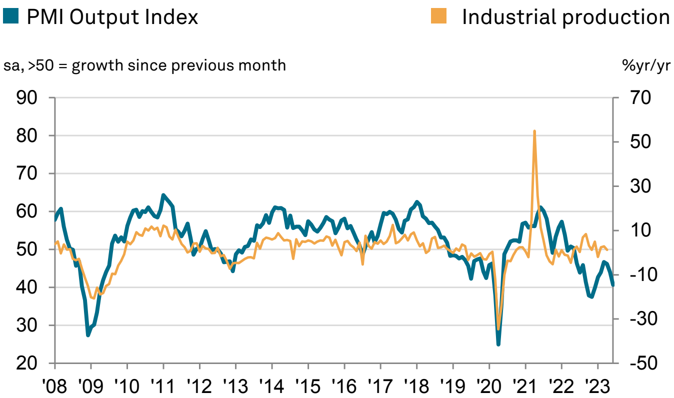
Czech goods producers registered a fourth successive decrease in input costs in June. Lower input prices reportedly reflected muted demand for materials following adverse sales developments, efforts by suppliers to offer discounts and a further substantial improvement in vendor performance. The drop in operating expenses was marked and quickened to the sharpest for 14 years.

In line with greater reports of subdued demand for materials, input buying dwindled in June. With firms seeking to run down their stock levels, pre-production inventories fell sharply. Stocks of finished goods were broadly unchanged, however, as delayed shipments and weaker than expected demand led to accumulation at some plants.

Lower input prices were, in part, passed through to customers in the form of a further decrease in output charges. Efforts to remain competitive and drive sales led to the steepest fall in selling prices since April 2016.

A weak demand environment sparked another round of job shedding at Czech manufacturers in June. Lower new orders, alongside some reports of fixed-term contracts not being renewed, and a further sharp drop in backlogs of work drove the decline. The rate of decrease in employment was the most marked since July 2020.

Finally, Czech manufacturing firms signalled only a marginal degree of confidence in the outlook for output over the coming year in June. The level of optimism was the lowest in the current six-month sequence of positive sentiment, as expectations were dampened by inflation fears and concerns surrounding lower investment.



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@ihsmarkit.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. ihsmarkit.com/products/pmi.html.