

News Release

Embargoed until 0930 CET (0830 UTC) 1 February 2024

S&P Global Czech Republic Manufacturing PMI®

Czech manufacturing sector starts 2024 in steep decline

Key findings

Substantial falls in output and new orders

Cost burdens and selling prices decline at faster rate

Supply chain improvement dampened by maritime disruption

The Czech manufacturing sector remained firmly in contraction at the start of 2024, as output and new sales declined markedly, according to the latest PMI® data from S&P Global. Although rates of decrease eased, they remained sharp amid muted domestic and external demand conditions. Companies cut their staffing numbers as backlogs dwindled further, and in a bid to reduce costs. Moreover, savings initiatives led to declines in input buying and stock holdings. Despite weak demand for inputs, vendor performance improved to a lesser extent amid disruption to trade routes. Nonetheless, optimism among firms was boosted by hopes of stronger demand conditions going through the year.

Suppliers and firms offered further discounts as a means to drive new sales, with input costs and selling prices falling sharply. In fact, output charges declined at the second-fastest pace since April 2010.

At 43.0, the seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index™ (PMI) was up from 41.8 in December, and signalled a steep decline in the health of the sector in January. The pace of the downturn was the second-slowest since March 2023 but contrasted markedly with the long-run series average which points to a modest improvement in operating conditions.

Driving the overall decline was a further marked drop in new orders at the start of the year. Manufacturers signalled one of the sharpest contractions in new business in a year, despite a slight softening in the pace of decrease. Lower new sales were attributed to sustained weakness in domestic and external demand, with new export orders falling at a substantial rate amid order cancellations from clients in key export markets.

Subsequently, Czech goods producers downwardly adjusted their production levels. Output fell for the twentieth month running and at a marked pace that was little changed from December.

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 11-23 January 2024.

Comment

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

"January PMI data indicated a troublesome start to 2024, as demand conditions remained markedly subdued and firms continued to adjust production levels down to account for this. Companies also cut employment numbers further in reaction to dissipating backlogs of work, with some mentioning permanent staff redundancies.

"Meanwhile, costs and selling prices were reduced further, with output charges falling at one of the sharpest rates in almost 14 years. Disinflationary pressures in the manufacturing sector will likely add to support for more interest rate cuts in 2024, following on from the reduction made in the CNB's final meeting of 2023.

"Despite challenging operating conditions, firms foresee a rise in production through 2024, with some expecting demand to have improved by the middle of the year. Output expectations were the strongest for five months, as a result."

PMI®

by S&P Global

Muted global demand for inputs led suppliers to once again reduce prices for raw materials, as manufacturers recorded a steeper drop in input costs in January. Although the second-slowest since April 2023, the pace of decline was sharp overall.

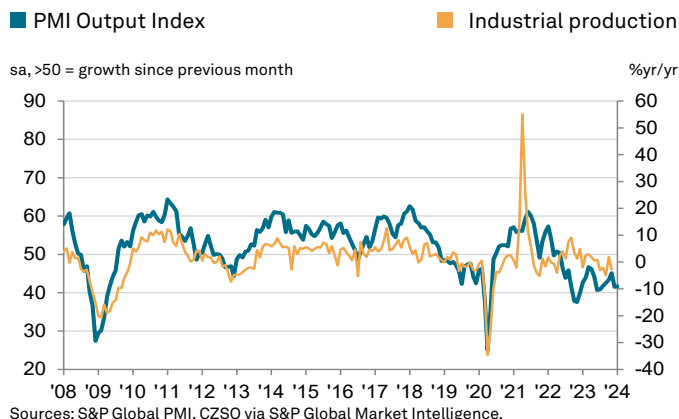
Vendors were not alone in seeking to motivate sales, however, as goods producers also reduced their selling prices at the start of the year. The rate of decrease in output charges quickened to the second-fastest since April 2010, as firms sought to price competitively and pass-through lower costs to customers.

Supply-chain improvements remained evident, as lead times for items shortened for the eleventh successive month in January. Nonetheless, the extent to which vendor performance improved weakened and was only marginal, amid reports of shipping delays in the Red Sea and disruption to normal transport routes.

Lower new order inflows led firms to cut their workforce numbers again, as backlogs of work were depleted at a steeper pace. Dwindling strain on capacity resulted in redundancies, with companies reducing the number of permanent staff in a bid to lower costs.

Meanwhile, a fall in production led manufacturers to scale back their pre- and post-production holdings again at the start of the year. Lower new orders also drove a further marked drop in input buying.

Nonetheless, Czech manufacturers were more upbeat in their expectations for output over the coming year. The degree of confidence remained below the series average, but picked up to a five-month high amid hopes of stronger domestic and external demand in 2024.



Contact

Siân Jones
Principal 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@spglobal.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.