

News Release

Embargoed until 0930 CEST (0730 UTC) 1 October 2024

S&P Global Czech Republic Manufacturing PMI[®]

Industrial downturn continues in September

Key findings

Czech manufacturing output constrained by weak demand

Factory employment falls at quickest pace in almost a year

Prices charged rise at fastest rate since April 2023

The Czech Republic's manufacturing industry remained under pressure in September as a further reduction in demand dented production volumes. According to the latest PMI[®] data from S&P Global, both output and new orders fell at faster rates, leading factory employment to decrease at the sharpest pace in nearly a year. Additionally, purchasing activity and inventories were cut as firms retrenched.

Czech manufacturers were also subjected to longer delivery times, with supply constraints and rising transportation costs driving overall operating expenses higher. In response, the price of goods leaving the factory gate rose to the greatest extent since April 2023.

The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index[™] (PMI) decreased to 46.0 in September, from 46.7 in August, to signal a twenty-eighth consecutive month that factory operating conditions have deteriorated. The headline measure was indicative of a marked worsening since August and was well below the series long-run average (52.0).

Manufacturing production volumes continued to shrink in September. Where output fell, firms often cited weak demand conditions. However, the pace of contraction was softer than seen on average over the current period of decline, which started in mid-2022.

Lower spending appetite among international clients, as well as weak capital goods sales were cited by businesses that reported a downturn in their new orders during September. The rate of contraction quickened but was soft when compared to the general trend over the past two-and-a-half years.

September's relatively soft contraction in total new orders was partly explained by new export orders, which fell at the joint-slowest pace since April 2022 (on a par with that seen in August). Where lower sales to foreign clients were registered (at around 23% of firms), challenging trading conditions with

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-20 September 2024.

Comment

Joe Hayes, Principal Economist at S&P Global Market Intelligence, said:

"Czech manufacturing continues to face multiple headwinds. Weak conditions across Europe more broadly remain a major constraint on domestic factory performance, as does a reluctance from business to invest. Producers of capital goods on our panel reported limited client interest in September.

"In response to the weak demand environment, we're seeing Czech factory employment shrink at an accelerated pace, and firms are also looking to tighten their inventories. Supply-side disruptions are also challenging production lines, with strikes at ports in Germany compounding longer lead times from ocean freight coming from Asia.

"There were however some small positives to take from September's PMI data. Firstly, the pace of decline in new export sales was unchanged from August, and therefore the joint-slowest since April 2022. Secondly, while business confidence eased, the optimists on the survey panel continued to outnumber the pessimists. Some companies were hopeful of a rebound in demand."

PMI[®]

by S&P Global

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other countries in the European Union were reported.

With demand worsening during the month, September survey data signalled a reduction in backlogs of work at Czech goods producers. The depletion was the strongest since January. Firms managed to clear outstanding orders at a faster rate despite a sharp reduction in headcounts. In fact, the rate of job shedding was the most marked in almost a year.

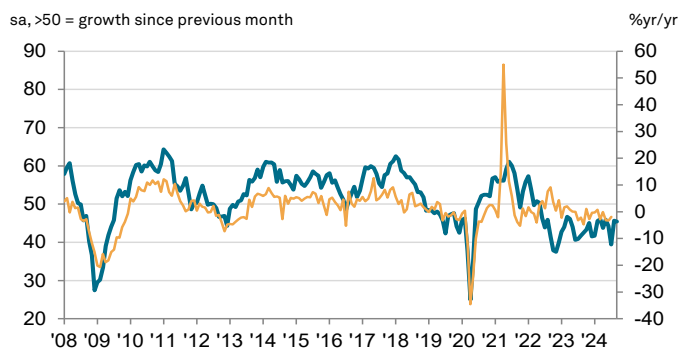
Retrenchment was seen in other parts of the survey data at the end of the third quarter. Purchasing activity contracted as sluggish sales performances drove firms to use up existing supplies. That said, the decrease was the slowest across the current 28-month sequence of decline. Both pre- and post-production inventory levels shrank in September.

There was an intensification of supply-side disruptions during September, with vendor delivery times lengthening for a third straight month and to the greatest extent in just shy of two years. Delays to ocean freight shipments from Asia, as well as strike action by port workers in Germany, were cited by panel members.

Amid reports of increased transportation costs, September survey data signalled a further uptick in input prices. The rate of inflation was muted by historical standards and the softest in four months. Meanwhile, for the first time since June, output prices were raised by Czech manufacturers. The increase was mild but the quickest in close to a year-and-a-half.

Lastly, despite challenging conditions in September, firms were optimistic of growth over the coming 12 months amid hopes of a pick-up in sales. However, the level of positive sentiment slipped to its weakest since February.

■ PMI Output Index ■ Industrial production



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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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