

News Release

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S&P Global Czech Republic Manufacturing PMI®

Czech manufacturing downturn softens in May

Key findings

Output and new orders fall at slower paces

Cost pressures soften but selling prices rise at quicker rate

Input buying and employment contract further

The Czech manufacturing sector remained in decline during May, as output and new orders fell further, according to the latest PMI® data from S&P Global. Nonetheless, rates of contraction in production and new sales slowed from April, with softer decreases in employment and purchasing activity also recorded. Meanwhile, a renewed improvement in vendor performance amid greater material availability and subdued input demand led to a slower rise in cost burdens. Input prices increased only marginally, but output charges ticked up at the fastest pace in just over a year.

Despite muted demand conditions, hopes of improved customer interest sparked the second-strongest degree of confidence in the year ahead outlook for output in over two years.

The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index™ (PMI) posted at 46.1 in May, up from 44.7 in April, signalling a solid decline in the health of the Czech manufacturing sector. The rate of deterioration was, however, the second-weakest since August 2022.

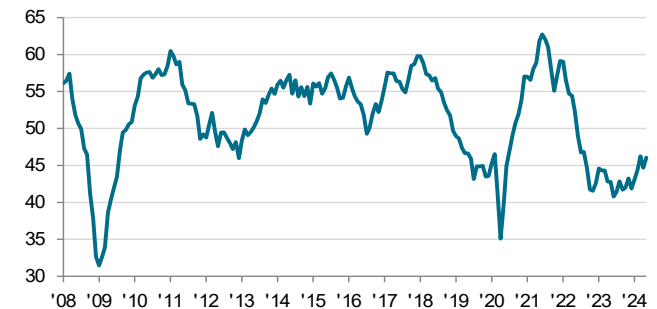
Extending the current sequence of decline seen since June 2022, output levels fell again at Czech manufacturers in May. Weak demand and another drop in new orders reportedly drove the downturn, albeit the pace of decrease in production softened to the second-slowest in just over a year.

In tandem with the trend for production, new sales decreased at a slower pace in May. Panellists continued to highlight subdued domestic and external client demand, especially from key European export markets, including Germany. New export orders fell sharply, but the pace of contraction eased for the second month running to the weakest since April 2022.

Weak demand for goods was reflected in a reduction in input buying at Czech manufacturers. Subsequently, suppliers saw a rise in the availability of raw materials and inputs.

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 10-22 May 2024.

Comment

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

"Czech manufacturers continued to see output and new orders decline, as demand conditions remained a challenge. Difficulties in the manufacturing sectors of key export destinations, including Germany, and strain on customer spending weighed on new sales intakes. That said, rates of contraction softened, with new orders falling at the weakest pace in over two years."

"Cost pressures softened from April's 14-month high, with input prices rising only marginally. Dampening pressure on price increases was a renewed improvement in supplier delivery times, as vendors offered discounts in some instances. Nonetheless, the rate of charge inflation picked up to the fastest since April 2023, as upside inflationary risks remain a challenge for the Czech National Bank (CNB)."

"Although employment dropped further amid lower new orders, the pace of decline eased and output expectations improved. Manufacturers were hopeful that new product launches and diversifying export markets would support production growth."

PMI®

by S&P Global

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Lead times for materials shortened for the first time in three months and to the greatest extent in 2024 to date.

May data indicated a fourth successive monthly rise in cost burdens at Czech manufacturers. Although firms noted higher energy, raw material and supplier costs, the pace of input price inflation weakened to the slowest since February and was only marginal overall. Some companies mentioned supplier price reductions.

Despite increasing only marginally, output charges rose at a sharper rate during May. Czech goods producers sought to pass-through greater costs to customers, with selling prices ticking up at the quickest pace since last April.

As has been the case since October 2022, employment at Czech manufacturers contracted midway through the second quarter. The pace of job shedding was strong, as companies highlighted redundancies and the non-replacement of voluntary leavers.

Meanwhile, lower new order intakes allowed firms to complete unfinished work in a more timely manner, as backlogs of work fell again in May. The current sequence of depletion spans two years, although the latest decrease in work-in-hand was the slowest since August 2022.

Lower purchasing activity and subdued demand sparked further depletions in stocks of inputs and finished items. Rates of contraction slowed in each case, but remained solid overall.

Although demand conditions remained challenging for Czech manufacturers, they expressed greater optimism regarding the outlook for output during May. The degree of confidence was the second-highest since April 2022 as expectations were spurred by hopes of access to new export markets and new product launches.

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.

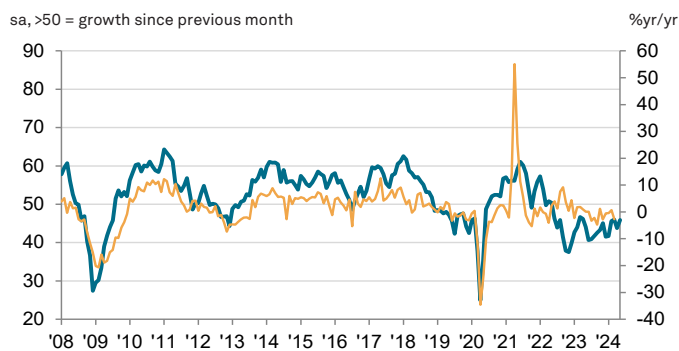
For further information on the PMI survey methodology, please contact economics@spglobal.com.

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■ PMI Output Index ■ Industrial production



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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