

# News Release

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## S&P Global Czech Republic Manufacturing PMI®

### Czech manufacturing sector declines further in October

#### Key findings

Output and new orders contract at softer, but sharp rates

Fastest fall in selling prices since June 2009

Second-sharpest drop in employment since mid-2020

Czech manufacturers signalled another steep monthly deterioration in the health of the sector in October, according to the latest PMI® data from S&P Global. The downturn was led by further decreases in output and new orders, as postponements and cancellations by customers reportedly increased amid challenging demand conditions. The contractions sparked further declines in input buying, stock holdings and employment, with the rate of job shedding the second-fastest since June 2020. At the same time, business confidence dwindled with firms anticipating little change in output over the coming year.

Meanwhile, input prices continued to decrease. Lower demand for inputs and reduced energy costs led to a drop in operating expenses. Firms sought to remain competitive and passed through savings to customers, with selling prices falling at the quickest pace since June 2009.

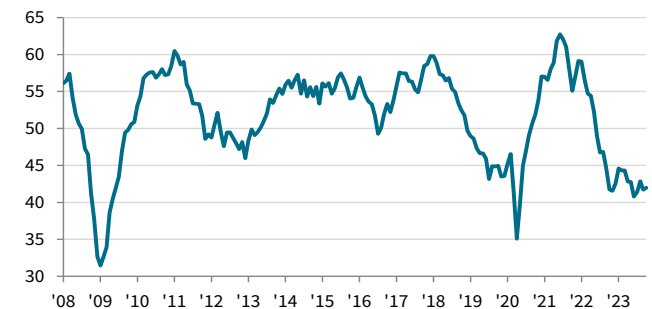
The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index™ (PMI) posted 42.0 in October, up slightly from 41.7 in September to signal a softer but still sharp decline in operating conditions at Czech manufacturers. The downturn was among the steepest in 2023 so far.

Customer demand across the Czech manufacturing sector remained subdued, as new orders contracted further in October. New sales fell markedly and at one of the sharpest rates in three-and-a-half years. Inflation and challenging economic conditions in key industries and export markets weighed on new orders. New business from abroad also decreased substantially, but in line with the trend for total sales, the pace of decline softened slightly.

Subsequently, Czech manufacturers recorded another monthly drop in production. Cancellations and postponements of orders contributed to the decrease. Although the weakest since May, the pace of decline was still steep overall.

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-23 October 2023.

#### Comment

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

"The Czech manufacturing sector saw little change in the landscape during October, as output, new orders and employment contracted further. Job losses mounted, as employment was cut at the second-fastest pace since the initial stages of the pandemic. Weak domestic and foreign client demand, and increasing reports of order cancellations, weighed on expectations as firms downgraded optimism to the lowest in 2023 to date. On balance, manufacturers anticipate a broad stagnation of output over the coming year.

"Lower cost burdens as goods producers cut spending and suppliers vied for orders were reflected in the fastest reduction in selling prices since mid-2009, with firms also fighting for client attention. We expect the CNB (Czech National Bank) to begin cutting interest rates at their November meeting amid downward pressure on prices."

PMI®

by S&P Global

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Czech manufacturing firms registered a further decrease in cost burdens during October, as energy and material prices fell. Operating expenses declined for the eighth month running, albeit at the slowest pace since April.

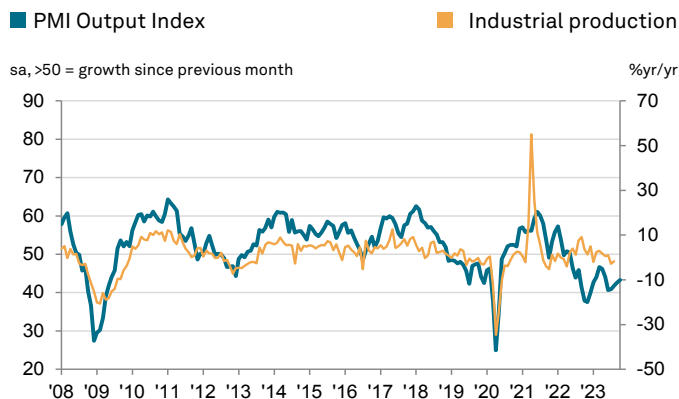
In line with another monthly decrease in costs, and in an effort to drive sales, goods producers reduced their selling prices. Output charges fell at the quickest rate since June 2009, as companies sought to pass-through cost savings to customers amid some reports of calls from clients for discounts and concessions.

Lower new order inflows led firms to trim costs in October. As a result, voluntary leavers were not replaced, with employment falling steeply. Job losses also stemmed from temporary contracts not being renewed, redundancies and cuts to working hours. Workforce numbers declined at the second-fastest pace since June 2020.

Although easing to the slowest in three months, the rate of contraction in backlogs of work remained steep in October. The level of work-in-hand fell amid sufficient capacity to process dwindling new orders.

Firms foresee a broad stagnation in output over the coming year, as the Future Output Index moved closer to the 50.0 neutral mark. Optimism was at its lowest in 2023 so far, as challenging demand conditions and order cancellations exacerbated concerns at manufacturers.

Finally, muted demand for inputs and a further drop in purchasing activity led to a greater improvement in vendor performance. At the same time, firms continued to prioritise the rundown of stocks in an effort to improve cashflow amid reduced new orders.



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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](mailto:economics@spglobal.com).

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