

# News Release

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## S&P Global Czech Republic Manufacturing PMI®

### PMI drops to lowest since May 2020 in October amid weak client demand

#### Key findings

Output and new orders contract at sharp rates

Cost pressures strengthen but selling prices rise at slower rate

Renewed fall in employment as sentiment deteriorates further

October PMI® data from S&P Global signalled a substantial decline in operating conditions across the Czech manufacturing sector. The downturn stemmed from weaker client demand and a sharp decrease in output, as domestic and global economic conditions became more challenging and customer purchasing power was reduced further. Stronger contractions in production and new orders led to a renewed fall in employment and a quicker decline in input buying, as pressure on capacity waned. At the same time, manufacturers expressed greater pessimism regarding the outlook for output over the coming 12 months amid inflation and demand concerns.

Despite input buying falling substantially, firms registered a faster rise in input costs amid energy price volatility. Nonetheless, demand weakness led to a softer uptick in output charges.

The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index® (PMI®) posted 41.7 in October, down from 44.7 in September, to signal a steep deterioration in operating conditions at Czech manufacturers. The decline in the health of the sector quickened for the second month running and was the fastest since May 2020.

Driving the downturn were further and faster contractions in output and new orders going into the final quarter of the year. Czech manufacturers signalled sharp declines that were the quickest since May and April 2020 respectively. Weaker demand reportedly stemmed from client hesitancy and some postponements or delays in collection due to inflationary pressures.

New export orders also fell substantially, with the pace of decline accelerating for the fourth successive month. The rate of contraction was the quickest in almost two-and-a-half years as economic conditions in key export markets, especially those in Europe, worsened.

Czech Republic Manufacturing PMI  
sa, >50 = growth since previous month



Source: S&P Global.  
Data were collected 12-21 October 2022.

#### Comment

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

"October data signalled a marked deterioration in operating conditions at Czech manufacturers, as demand waned and the outlook worsened. Output and new orders tumbled, as rates of decline gathered pace amid additional strain on customer demand stemming from surging cost burdens.

"In response, firms cut staff numbers and input buying in an effort to rein in spending. Nonetheless, energy price hikes drove costs higher. Such increases will hit energy-intensive industries within the sector hardest.

"With little sign of domestic inflation and price increases in key export markets abating, Czech goods producers noted further pessimism in the year-ahead outlook for output as they entered the final quarter of 2022. Sentiment was the lowest since the initial pandemic lockdown period in April 2020, with our current forecast expecting only a 1.5% increase in industrial production in 2022."

PMI®

by S&P Global

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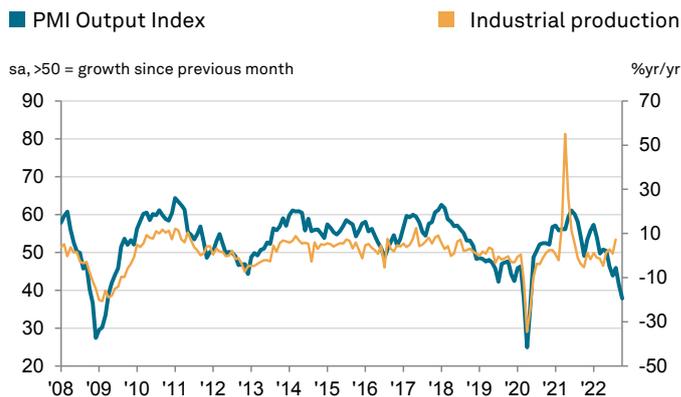
On the price front, input costs rose further and at a faster pace during October. Although among the slowest in almost two years, the pace of increase was well above the series average. Higher cost burdens were linked to greater material and energy prices.

Despite a sharper rise in input prices, output charges rose at the slowest pace since April 2021 in October. Firms noted that although some cost hikes were passed through to customers, efforts to boost sales and remain competitive curbed charge inflation.

Meanwhile, subdued client demand and lower new order inflows led to a sharp fall in backlogs of work at goods producers. The reduction in capacity pressures was the most marked since July 2020, with firms responding accordingly by cutting workforce numbers for the fourth time in the last five months. Employment contracted at the fastest rate since July.

Alongside short-term concerns regarding lower new order inflows, Czech manufacturers were also more downbeat in their expectations for output over the coming 12 months in October. Sentiment fell further into pessimism and was the weakest since April 2020. Rising costs, reduced customer purchasing power and weak demand were all cited as factors weighing on confidence.

Finally, input buying fell at the steepest pace for almost two-and-a-half years amid lower new order inflows and cost hikes. Nonetheless, supplier performance deteriorated to a greater extent. Firms chose to utilise their pre-production inventories in production, leading to a quicker decline. Stocks of finished goods rose marginally, however.



Sources: S&P Global, CZSO.

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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](mailto:economics@ihsmarkit.com).

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