

News Release

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S&P Global Czech Republic Manufacturing PMI®

Manufacturing performance declines at slowest pace since August 2022

Key findings

Output and new orders fall at weaker rates

Employment declines at slowest pace in 18 months

Input costs increase at quickest rate in over a year

Czech goods producers recorded a further but softer decline in manufacturing performance in March, according to the latest PMI® data from S&P Global. Slower contractions in output and new orders contributed to a weaker overall worsening of operating conditions, albeit with firms continuing to highlight subdued domestic and foreign customer demand, especially from key export partner Germany. A slower reduction in new sales led to a moderation in the pace of job cuts, with employment down at the weakest rate in 18 months. Meanwhile, business confidence improved notably to the strongest in just over two years despite ongoing destocking efforts and worsening supplier performance, amid hopes of a rebound in demand.

At the same time, input costs increased for the second month running and at the fastest pace since February 2023. Nonetheless, selling prices continued to fall as firms sought to stay competitive and drive new sales.

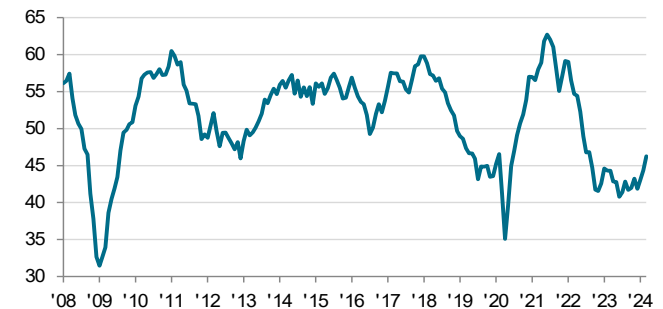
The seasonally adjusted S&P Global Czech Republic Manufacturing Purchasing Managers' Index™ (PMI) posted at 46.2 in March, up from 44.3 in February, to signal the slowest decline in the health of the manufacturing sector since August 2022. Although still solid, the pace of deterioration eased for the third month running and was notably softer than that seen at the end of 2023.

Although still sharp, new orders at Czech manufacturers contracted at the softest pace since June 2022. Firms continued to note weak client demand, however, with a downturn in the construction sector especially weighing on new sales, according to panellists. Some companies also highlighted that muted demand in key export markets such as Germany weighed on total customer demand.

Moreover, new export orders fell further, thereby extending the current run of decline that began over two years ago. The pace of the downturn in new sales from abroad quickened from February.

Czech Republic Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-20 March 2024.

Comment

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

"March PMI data signalled a further deterioration across the Czech manufacturing sector, but the pace of decline eased notably to the least marked since August 2022. Demand conditions remained subdued, however, as panellists continued to report declines in domestic and foreign sales, with many mentioning that challenging economic conditions in Germany weighed further on manufacturing orders and output.

"Underlying data suggested that challenges remained in supply chains as firms had to re-route shipments of inputs from Asia to avoid disruption in the Red Sea. Longer lead times pushed input costs up for a second month running, despite a steep drop in purchasing activity, with costs rising at the sharpest pace in just over a year. Weak demand weighed on pricing power, as firms were resolved to pursue greater sales rather than pass-through increased costs to clients.

"Nonetheless, firms were strongly upbeat in their expectations for future output, with confidence the highest in over two years. Hopes of a rebound in new orders drove optimism. Our current forecast for industrial production expects a rise of 2.8% in 2024."

PMI®

by S&P Global

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In line with a slower fall in new orders, Czech goods producers registered a softer decrease in output during March. The decline was solid overall, but the weakest in just under a year.

Following a further drop in production requirements and client demand, Czech manufacturers cut employment numbers again in March. The pace of job shedding slowed notably, however, to the slowest in the current 18-month sequence of decline amid reports of a greater ability to hire skilled workers for open vacancies.

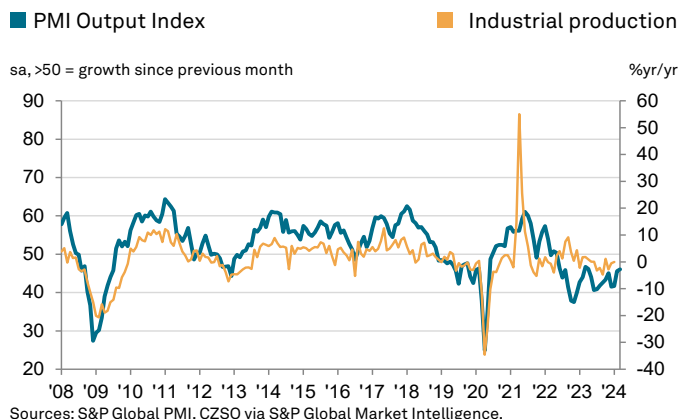
Meanwhile, backlogs of work fell further amid a sustained drop in new orders, but at the slowest pace since August 2022.

A slower decrease in employment was supported by more upbeat expectations regarding the outlook for output over the coming year, which reached the strongest since February 2022. Hopes of a rebound in customer demand supported greater confidence, according to panellists.

At the same time, a renewed lengthening of delivery times for inputs, in part due to the re-routing of shipments following disruption to channels going through the Red Sea, led to a second successive monthly increase in cost burdens during March. Although only marginal, the pace of cost inflation was the quickest in just over a year.

A few firms sought to pass through higher costs to customers, but efforts elsewhere to remain competitive and boost sales led to a further reduction in overall selling prices at the end of the first quarter. The rate of decline softened to the slowest since December, however.

Finally, Czech manufacturers cut input buying at a sharper pace as companies sought to further run down stocks. Although at softer rates, both pre- and post-production inventories fell.



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

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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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