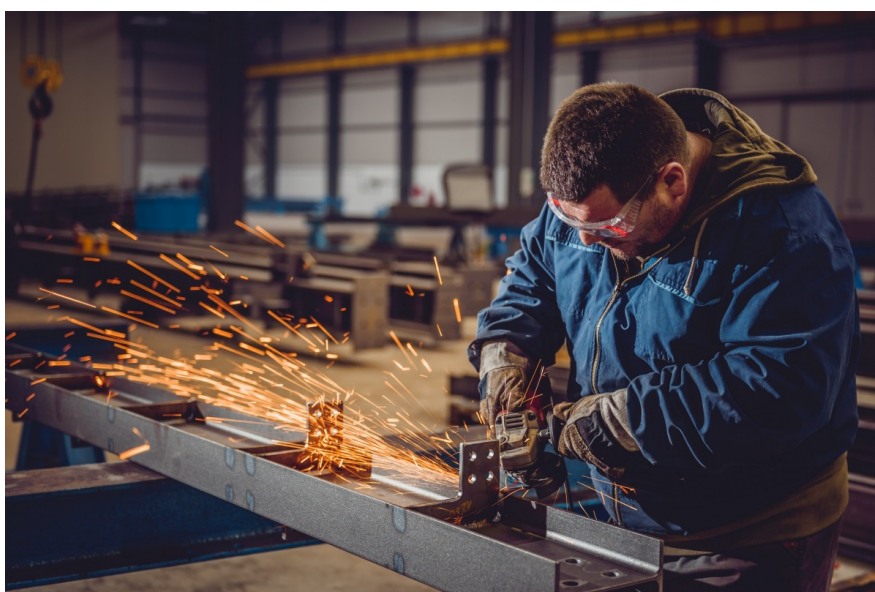


Czech PMI falls to 10-year low

Conditions in Czech industry have continued to deteriorate, according to the June Purchasing Managers' Index (PMI). The PMI indicator dropped from 46.6 in May to 45.9- the lowest level in the last 10 years



Respondents to the IHS/Markit survey suggest that the decline in the indicator was due to lower production, where the rate of contraction was the highest since December 2012, and a significant decline in new orders, where the decline was the steepest since May 2009. The fall in new orders was due to unexpected shutdowns in automakers. Input costs continued to rise, albeit less than in May; some firms managed to pass costs on to customers, but some also had to start lowering their prices due to weaker demand.

45.9

Lower than expected

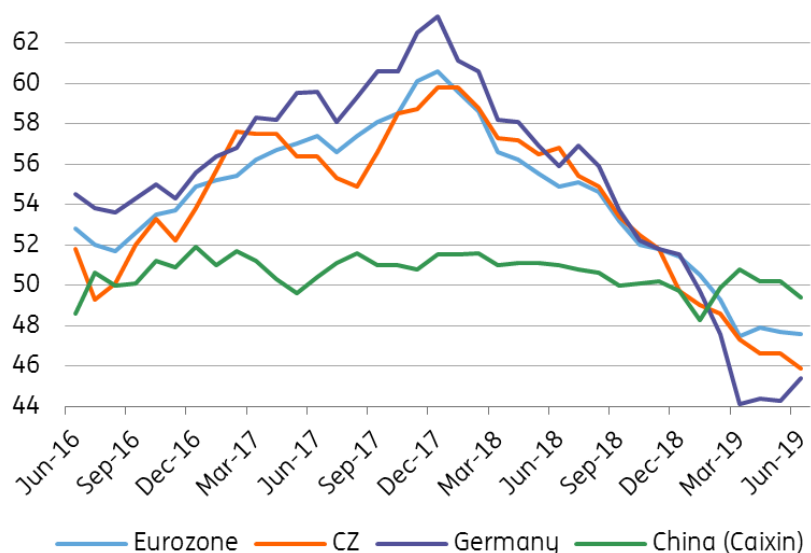
Czech Manufacturing PMI in June

Lowest in 10 years

The Czech PMI suggests that domestic industry remains quite fragile. To a large extent, this follows

developments abroad; Germany's manufacturing PMI fell below the key 50-level in January and has remained there ever since. Respondents cite poor demand from the automotive industry and trade wars.

Manufacturing PMIs



Source: Bloomberg, IHS Markit, ING

Trade wars are the main risk for industry now

The favourable outcome of the G-20 meeting, which has seen a temporary truce in the trade war between the US and China, is a clear positive for industry. China has promised to buy more agricultural products from the US, while the United States will postpone the introduction of additional tariffs for the remaining imports from China. However, the most problematic themes of the agreement, such as intellectual rights protection or enforcement of any deal, remain unresolved. As such, there is still a degree of caution in place, as previous negotiations failed in these areas, see [G20: Many bridges to cross before and US-China deal can be cut](#).

It might get worse before it gets better

Foreign leading indicators continue to confirm that the situation in industry remains challenging, not only in the Czech economy. Germany's PMI remained close to 45 in June, and the Ifo confidence survey has continued to decline. Total confidence in the eurozone fell again in June and reached its lowest level since mid-2016. Chinese industry indicators (and de facto from across Asia) are sending similar signals: the official manufacturing PMI again fell below 50 points in June (as well as the unofficial Caixin tracking smaller companies) and the employment component reached 46.9 points, which is the lowest level since 2009. As such, despite the slightly optimistic G20 negotiations, it may take some time before the situation in European and domestic industry picks up.

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