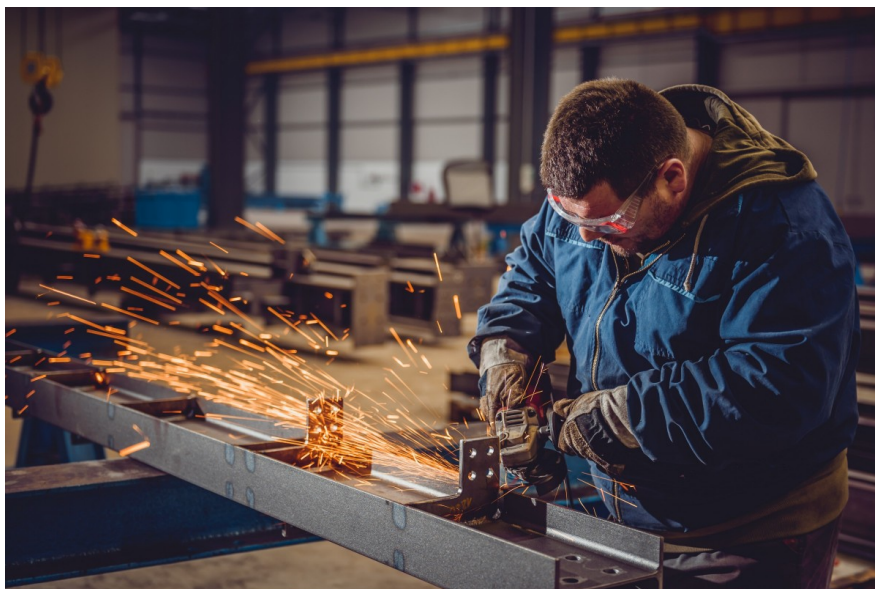


Czech Manufacturing PMI at ten year low

Czech manufacturing PMI declined to 41 points and slumped to the lowest level in a decade, but the survey did not cover the whole of March, the figures still understate recent adverse development in the Czech manufacturing segment.



Manufacturing PMI fell to 41.3 points after 46.5 in February.

According to the IHS / Markit survey, the March data indicates a sharp deterioration in Czech manufacturing sector conditions, largely due to the shutdown of production and a sharp reduction in demand due to the outbreak of Covid-19.

The downturn was the worst in a decade and, according to respondents, it was accompanied by problems with the supply of raw materials and availability of workers. The need for shutdowns has also led to a greater number of redundancies. The fall in employment was the sharpest since September 2009. Despite a slight rise in input prices, firms again lowered their prices to attract customers and remain competitive.

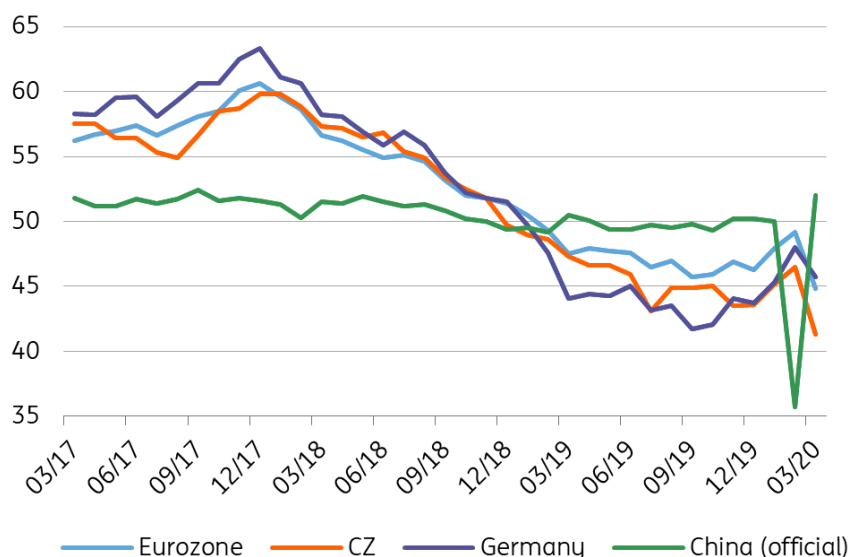
Manufacturing PMI likely to decline further

As in the case of the previously published Czech confidence indicators, the survey data collection from 12-23 March does not cover the whole of March, especially the second half, when the situation deteriorated more especially from the industrial point of view, as the largest car

manufacturers decided to shut down production in the second half of the month.

Therefore, despite the rapid decline in March, the Czech manufacturing PMI does not yet give a fully realistic picture of the current adverse situation and will thus deteriorate further next month. The same is likely for the Eurozone/Germany PMI, where manufacturing PMI fell much less than services PMI in March.

Manufacturing PMIs



Source: IHS Markit, ING

Sharp increase in PMI doesn't mean return to normality

By contrast, the official PMI from China rose sharply in March above 50 points after a fall to 35 points in February. However, this does not mean that the situation in China has already reached pre-Covid-19 levels. The methodology and logic of this indicator is to compare the relative situation between months.

In March, the majority of respondents just reported that the situation had improved compared to February – which is not so surprising given February was substantially affected by the broad shutdowns.