

Czech manufacturing PMI disappoints again

Conditions in domestic industry markedly deteriorated again, according to the July Purchasing Managers Index (PMI), which fell from 45.9 in June to 43.1 in July, the weakest level in 10 years



Source: iStockphoto

The IHS/Markit survey suggests that July's decline was mainly driven by a significant fall in production, which declined at the fastest rate since May 2009. Some participants blamed the automotive sector. New orders, both domestic and foreign, also fell. Job cuts continued in July and optimism among companies was the lowest since December 2012.

43.1

July Manufacturing PMI

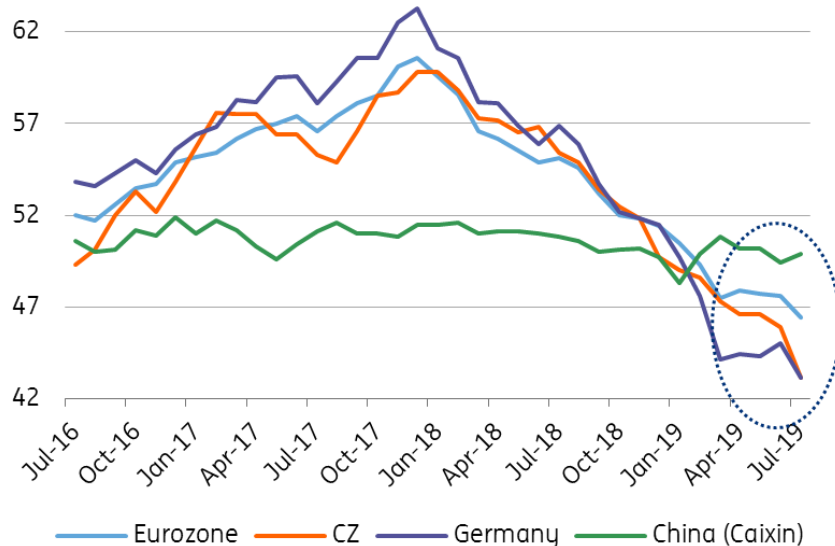
the lowest in last 10 years

Worse than expected

Hard data so far positive, slowdown to come

The manufacturing PMI, together with industrial confidence indicators clearly indicate that the situation in domestic industry remains very fragile this year. That said, the latest hard data from industry surprised rather positively both in May and April, growing above 3% year-on-year. Still, a slowdown in the second half of the year is probably inevitable based on the early-warning indicators, and July's industrial production is likely to fall in YoY terms, according to our estimates.

Manufacturing PMIs



Source: Bloomberg, IHS Markit, ING

Similarly bad mood abroad

Of course, the sour mood in July was not just seen in Czech industry but also in many neighbouring countries as well. Germany's PMI fell further to 43.2 points in July, reaching its lowest level in seven years. Survey participants attributed current problems to a slowdown in the automotive sector and trade wars. In Poland, the manufacturing PMI reached 47.4 points in July, the lowest since April 2013, while Hungary's PMI hit a three-year low, although it remained slightly above the key 50 threshold. The July PMIs from China also remained in contraction territory, although they showed a slight improvement from the previous month. As such, leading PMIs continue to confirm that the industrial situation remains fragile this year and the outlook for industrial production remains highly uncertain, not only for the Czech economy, but globally.