

## Czech manufacturing PMI emerges out of the shadows

The Czech manufacturing PMI came in slightly stronger than expected in May, almost matching the fresh height of March and beating the transitory dip in April

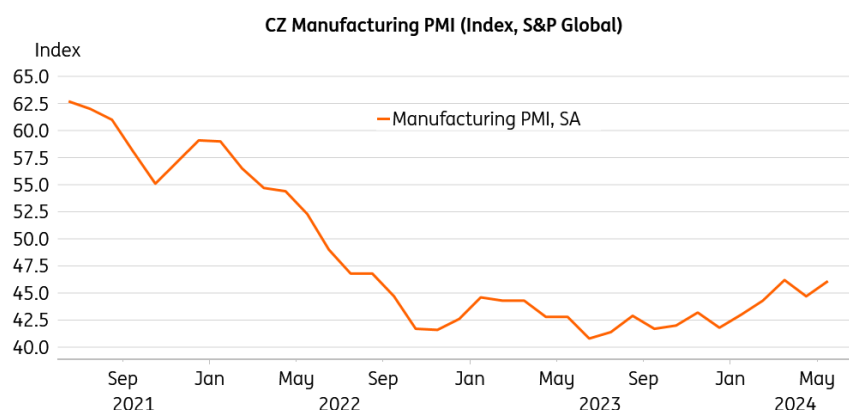


The main driver of the slump in Czech industry was the manufacturing of motor vehicles, especially the production of car parts.

### The index remained below the expansionary threshold but the outlook improves

The PMI coming in below the expansionary threshold has illustrated further weakness in the Czech manufacturing sector. At the same time, the index returned to its upward trend from the beginning of this year, pointing to a gradual path out of the shadows.

## Manufacturing PMI returns to an upward path



S&P Global, Macrobond

Demand conditions were still perceived as challenging, but the panelists glimpsed a ray of light when looking ahead. Overall confidence was at its second highest since April 2022, predominantly driven by hopes of access to new export markets and new product launches. New orders continued in a downturn amid a declining number of employees, but the drop was noticeably softer than in the previous months and quarters.

### Price pass-through to customers remained solid

Overall input price inflation in the industry cooled down. However, the reported pass-through to customers remained strong, with a pick-up in selling prices being the most pronounced since last April. This shows that the medium-term price pressures are not at bay amid the return of consumer spending after a bleak 2023.

All in all, the PMI reading is in line with a gradual cyclical recovery that is supported by an improving export side and vivid domestic consumption, according to the first quarter real GDP data. The renewed real wage growth (exp. 3.7% year-on-year in the first quarter) drives household domestic demand, while the emerging rebound of main eurozone trading partners lends support to exports. In contrast, the extraordinary plunge in fixed capital formation points to some fragility in the recovery for the medium term.

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