

## Czech manufacturing PMI slightly improves in January

Czech manufacturing PMI slightly improved in January as the indicators rose from 43.6 in December to 45.2



According to the IHS/Markit survey, the pace of decline in the Czech industry was still strong in January, but the weakest since June 2019.

Manufacturers complained about the decline in domestic and foreign demand, repeating that uncertainty in the automotive sector is one of the main reason. The situation of lower new orders volume and drop in work-in-hand caused the fastest decline in employment since September 2009.

# 45.2

## Czech January PMI

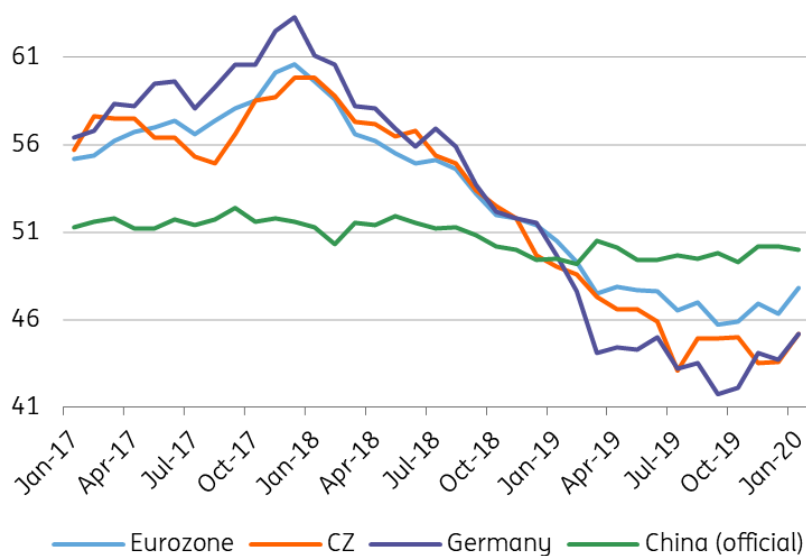
the highest since mid-2019

Better than expected

As indicated by the previously published confidence indicators, the domestic industry remains in the contraction phase. Although some indicators pointed to some turnover at the beginning of the year, which was driven by optimism following the US-China trade deal, but recent data confirms that a path to recovery will not be so straightforward and troubles related to the automotive segment persist in the domestic industry.

January's PMIs from the euro area and Germany have improved, supporting the optimism that the European manufacturing industry is done with the worst but the cuts in Chinese production due to the spread of coronavirus can again undermine the fragile recovery in global manufacturing.

## Manufacturing PMIs



Source: IHS Markit, ING

Asian PMIs in January have not signalled problems yet, as data collection took place between 13-23 January, when there was only preliminary information about coronavirus.

China's manufacturing PMI remained at 50 points in January, while its alternative Caixin index focusing on small and medium-sized companies came in at 51.1. In general, however, production in China is expected to slow down in the first quarter due to coronavirus, as many companies are suspending production.

As some businesses are part of global supply chains, their downtime may disrupt production in other countries. As such, the recovery of manufacturing industry remains fragile and we will need to wait a few more months to get better insight, what to expect from European and Czech industry this year.