

## Czech PMI increased in February but there's a catch

Despite production shortfalls in China, conditions in domestic industry improved slightly in February, according to the manufacturing PMI index. Business confidence increased to a nine-month high. However, the data does not reflect the escalating uncertainty over the outbreak of the coronavirus outside China in the last week of February



### Some improvement reported before February 20

According to the IHS / Markit survey, the decline in production and new orders eased in February, although firms were still experiencing weaker demand from the machinery and automotive sectors. The spread of the coronavirus has led to supply problems and increased supplier prices. However, these costs were not passed on to final customers. Employment continued to decline, albeit at a slower pace than in previous months. However, firms' expectations have increased, as manufacturers have seen signs of recovery. That said, the survey took place between 12-20 February and does not reflect the increase in uncertainty in the last week of February.

# 46.5

## February PMI

highest print over the year

As expected

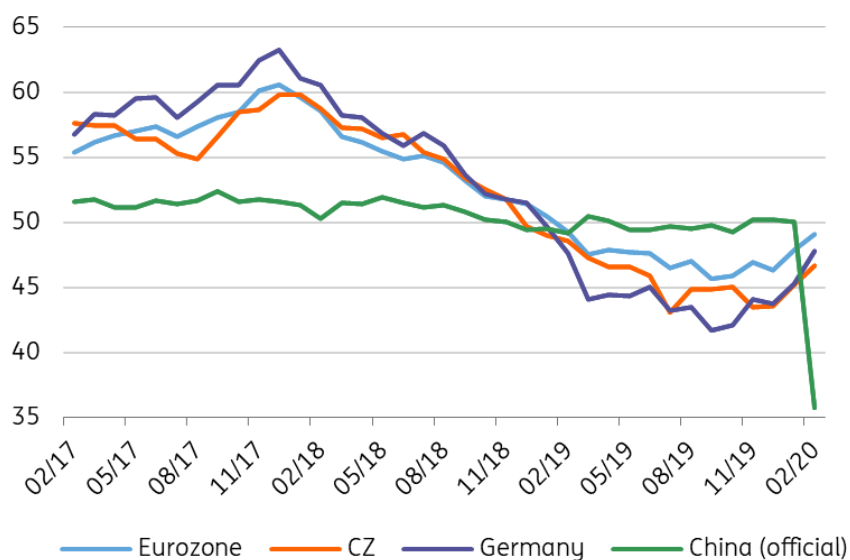
### Methodology pushes PMI higher due to delayed supply deliveries

Given the outages in China due to the spread of the coronavirus, February's PMI growth seems relatively counterintuitive. Similarly, German February manufacturing PMI rose from 45.2 points to 47.8 points, reaching the highest value in the last year. However, half of the month-on-month growth was due to delays in supply amid the impact of the coronavirus in China. Delays in supply delivery are counted as a positive factor in the PMI's methodology and are associated with economic activity growth, which increases the overall PMI indicator. As a result of this, a number of European PMIs increased in February.

### China February PMI fell significantly

By contrast, February's official PMI from China brought a negative surprise over the weekend, dropping from 50 to 35.7 points (Chart 1). This is the lowest level in the whole time series and the decline even slightly exceeded the weakest level seen in November 2008, i.e. from the time of the global financial crisis. [The PMI in services fell slightly below 30 points.](#)

### Manufacturing PMIs



### February PMIs from Europe do not provide full picture

Even without the coronavirus outbreak, European industry is in a difficult situation due to the upcoming changes in the automotive sector and the transition to electromobility. Recent

developments with coronavirus, however, have brought further uncertainty, especially as the virus has spread outside of China and it is not clear what negative measures this will bring in the coming weeks. This uncertainty has not yet been reflected in the European PMIs in February, as a) the PMI has been artificially pushed higher due to delayed deliveries and b) data collection was completed before the last week of February, when uncertainty in the market escalated significantly.