

Czech PMI remains in the contraction zone, while input costs rise

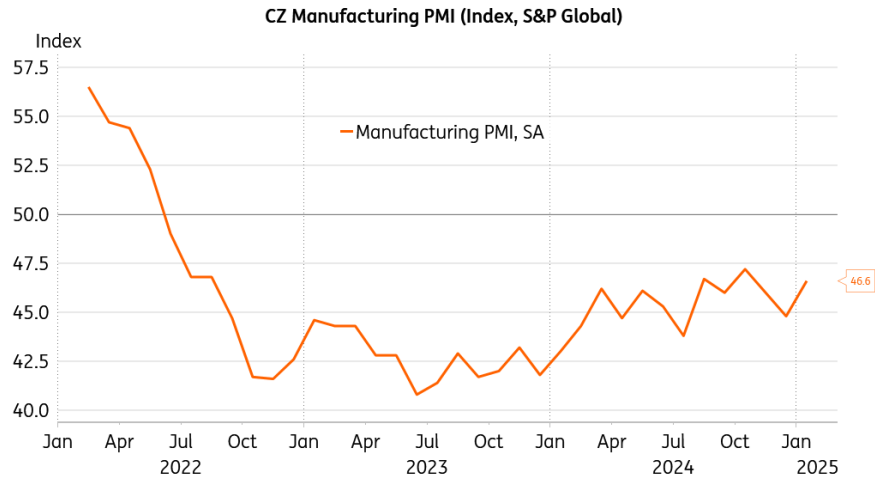
The Czech manufacturing PMI ticked up in January, coming in better than market participants had expected. Input costs continued to rise while producers could not pass them on to selling prices due to tough competition amid lukewarm foreign demand



Staff reduction slowed down

January's manufacturing PMI for Czechia somewhat corrected the previous two months of deterioration yet stayed decisively in contraction territory. Output and new orders continued to fall amid weaker demand from the main European trading partners, yet the decline was the slowest in the last three months.

Czech PMI uptick reflects outlook hopes



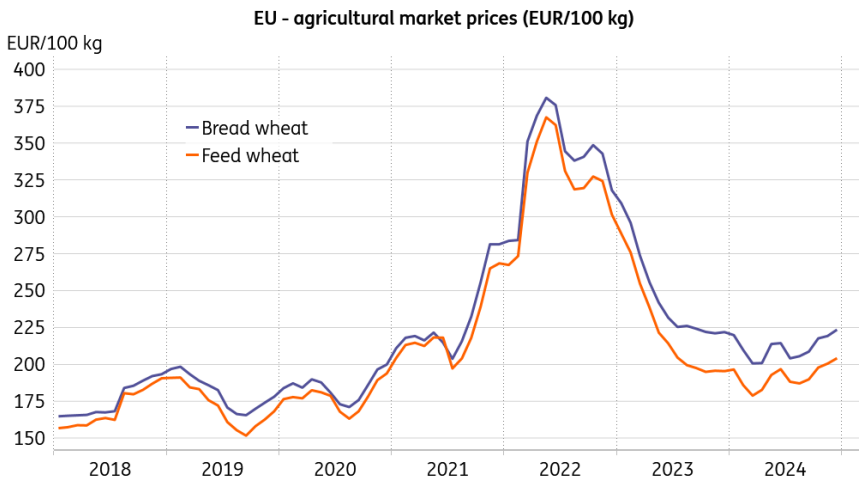
Source: S&P Global, Macrobond

The reduction in staff numbers slowed down to the softest pace since March last year, mainly steered by hopes for a better outlook for the year ahead. That said, new export orders fell faster in January than previously, as limping foreign demand from key export markets such as Germany remains a notable drag.

Input costs continue to gain

Input prices increased for the twelfth consecutive month. The firmer input pricing was mainly linked to material supplies, especially in the wood, metal, and food segments. However, in an attempt to stimulate new sales, Czech manufacturers lowered their end prices for the fourth consecutive month in January. Indeed, pressure from customers to boost price competitiveness resulted in marginally lower selling prices of Czech manufacturers, which increases pressure on profit margins and potentially the ability to boost wages in the future.

EU wheat prices soar



Source: Macrobond

The marginal uptick in the Czech PMI reflects hopes for a better 2025 performance. This may be linked to expectations for a bold reset in the economic direction of Czechia's main trading partner after the general election in Germany. The recent proclamations of a turnaround in the European Commission's approach to competitiveness might also spark some hope regarding the times ahead.

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