

Czech PMI stagnates in the negative territory

Czech manufacturing PMI stagnates at 44.9 points in September, making the 3Q average the lowest level since the 2009 financial crisis



Czech manufacturing PMI stagnated at 44.9 points in August, making it the 10-month in a row to be below the 50-points threshold. On average, it reached 44.3 points on average in the third-quarter - the weakest figure in the last ten years, since the 2009 crisis.

Czech industry situation - not improving

Conditions in the Czech manufacturing industry deteriorated further in September. Although the rate of decline in production and new orders has moderated slightly, job cuts have accelerated most since November 2009. Some companies dismissed workers as a result of falling production, while others have ceased to replace voluntarily outgoing workers. Manufacturers continued to emphasise weakening demand, both domestic and from abroad, with export orders falling at a significant pace

44.9

Czech manufacturing PMI

Negative for 10 consecutive months

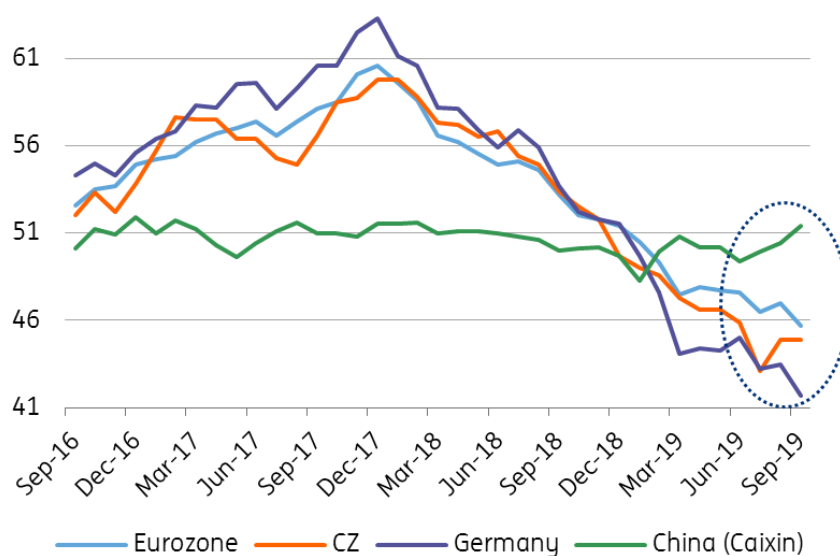
Better than expected

Slowdown is apparent, but not as intense as PMIs suggest

PMI in the Czech industry has been gradually decreasing since the end of 2017. Even though they were almost 60 points at the turn of 2017 and 2018, they fell just below 50 points a year later.

Hard data from the industry doesn't indicate a decline yet, but the slowdown is noticeable. While the Czech industry grew by 6.5% in 2017, 3% in 2018, 2019 year-to-date average growth has reached just 1%. But external conditions indicate the situation isn't really getting any better. German manufacturing PMI fell to 41.7 points in September - the weakest figure in over 10 years. As such, the global manufacturing industry is adversely affected by a combination of factors such as uncertainty about trade wars and Brexit, falling investment, problems in the automotive sector or the slowing demand from China.

Manufacturing PMIs



Source: Bloomberg, IHS Markit, ING

Slowdown to come if global situation doesn't improve

According to the "soft" leading indicators, the situation in the Czech domestic industry remains relatively uncertain this year, despite the fact that statistics from the real economy are still relatively favourable.

The Czech Statistical Office even slightly revised the 2Q19 GDP growth upwards to 2.8% today, though mainly due to higher inventory levels. Still, if the global industry and trade remains under pressure, it will sooner or later become more apparent in the Czech

real economy figures.