

## Surprisingly weak Czech November PMI

Manufacturing PMI fell to 43.5 in November, indicating that conditions in the Czech manufacturing segment continue to deteriorate, mainly amid decreasing production and new orders



Source: Shutterstock

November PMI fell to 43.5 from 45 in October - the lowest level in the last four months and generally one of the lowest points in the decade. According to the IHS / Markit survey, the deterioration of conditions in the domestic industry was mainly due to a decline in production and new orders. The lower volume of new orders led to a further reduction in the workforce, at the fastest rate since September 2009. The decline in new orders had a negative impact on production expectations next year, making sentiment among producers the weakest in the time series history, i.e. since 2001.

# 43.5

Manufacturing PMI

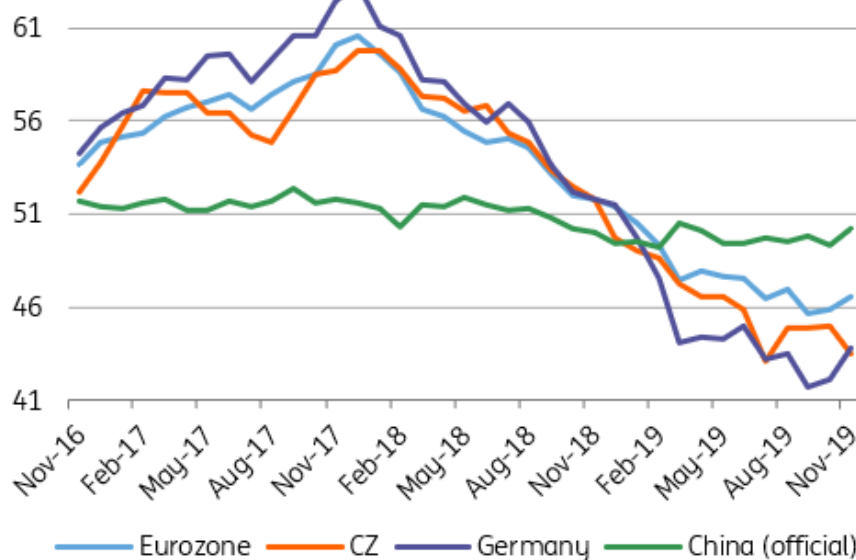
One of the worst in last decade

Lower than expected

## PMI in the contraction zone for a year

The manufacturing PMI in the domestic industry has been in the contraction zone for the last 12 months, underlaying not a very joyful Czech industry environment. According to survey participants, worse market conditions are due to problems in the automotive industry, slowing global industry and trade wars. The PMI has been gradually decreasing in the domestic industry since 2017. While it reached almost 60 points at the turn of 2017 and 2018, the year after that it was just below 50 points, which separates growth from decline.

### Manufacturing PMIs



Source: IHS Markit, ING

### Foreign PMIs improved slightly in November

Today's PMI thus surprised negatively, especially in the context of foreign manufacturing PMIs in November which improved and sounded slightly more optimistic. The German manufacturing PMI rose slightly to 43.8 - the highest figure in the last five months, also Euro area manufacturing PMI improved somewhat and positive surprise came from the official Chinese PMI index, which was slightly above 50 points for the first time since April.

Also, PMI from Poland and Hungary improved slightly compared to October. As such, Czech November PMI disappointed and confirms that the situation in the domestic industry isn't changing, as some indicators abroad would suggest.

Another reason why we think the Czech central bank will keep rates unchanged at the December meeting and probably moderate its recent slightly hawkish tone.