HSBC Purchasing Managers' Index 2009

compiled by markit

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HSBC Czech Republic Manufacturing PMI

PMI rose above 50.0 to signal overall improvement of manufacturing operating conditions.

Key findings:

- PMI registered 50.6, from 49.8 in October.
- Output, new orders and input purchases all grew at quicker rates.
- Slowest fall in employment for fourteen months.

November marked the first overall improvement in operating conditions at Czech manufacturers since June 2008, according to the latest survey findings from HSBC. This was driven by higher output and new orders, and a further lengthening of suppliers' delivery times. Employment continued to fall, but at a weaker rate, while cost pressures remained broadly flat.

The headline HSBC Czech Republic Manufacturing PMI® rose for the tenth month in a row in November. At 50.6, up from 49.8, the latest reading pointed to an overall improvement in business conditions for the first time in almost a year-and-a-half. Output and new order growth gained traction, while employment fell at the slowest rate since September 2008.

Manufacturing production in the Czech Republic rose for the fourth month running in November. Though it remained below the long-run trend of the survey, the rate of expansion accelerated since October. Higher production volumes were reflected in an associated rise in backlogs of work. Outstanding business has increased in each of the past two months, and the latest rise was the strongest since July 2008.

Underpinning rising workloads was a fourth straight monthly increase in new orders. The rate of growth has been stable at a moderate pace since September, although it remained below the long-run trend for the survey in the latest period. Incoming new business increased in both domestic and export markets, with demand slightly stronger in the former.

Purchasing activity by Czech manufacturers rose for the third consecutive month in November. The rate of growth was the fastest since April 2008, but was not sufficiently marked to prevent an overall reduction in input stock levels, as firms continued to pursue efforts to control costs. Correspondingly, post-production stocks fell sharply, as they have throughout 2009 so far.

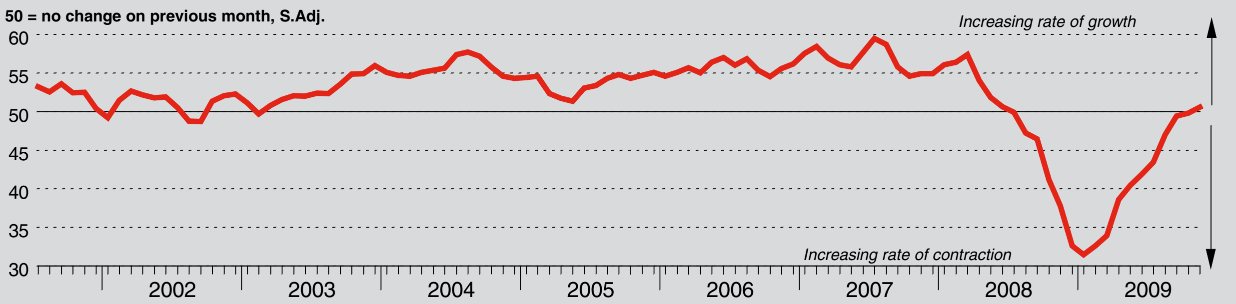
As market conditions strengthened in November, the pace at which inputs were delivered to manufacturers slowed further. Vendor performance has deteriorated for the past three months, and the latest lengthening of times was the most marked since February 2008.

The manufacturing labour market weakened further in November. Though employment declined for the seventeenth month in succession, the rate of job shedding eased further to its slowest since September 2008.

Input prices fell marginally for the second successive survey period in November, further evidence that inflationary pressures in the sector were lacking. While a range of metals were reported to have risen in price during the month, other raw materials such as chemicals, plastics and foodstuffs became cheaper.

Aggressive price discounting amongst manufacturers continued in November. Prices charged have fallen on average for the past fourteen months, and the rate of reduction was the fastest since June.

HSBC Czech Republic Purchasing Managers' Index (PMI™)



The HSBC Czech Republic Purchasing Managers' Index (PMI) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index.

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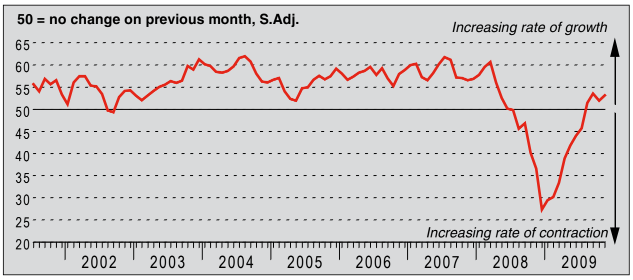
Output Index

Q. Please compare your production/output this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	24.4	46.2	29.4	-5.1
	Jul	25.0	40.2	34.9	-9.9
	Aug	26.7	36.4	36.9	-10.2
	Sep	31.0	57.7	11.3	19.6
	Oct	28.1	54.3	17.6	10.6
	Nov	31.5	50.8	17.6	13.9

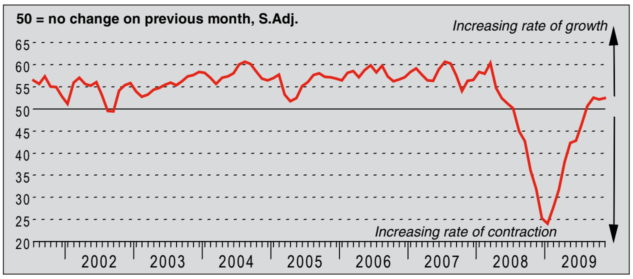


Czech manufacturers increased production for the fourth month running in November. Moreover, the rate of expansion accelerated slightly, as signalled by a rise in the seasonally adjusted Output Index. Firms mainly linked higher production volumes to a revival in new orders. However, the rate of expansion remained below the survey's long-run average.

New Orders Index

Q. Please compare the level of new orders received this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	25.0	39.1	35.9	-10.9
	Jul	26.7	40.1	33.2	-6.4
	Aug	25.3	42.9	31.8	-6.4
	Sep	33.3	47.1	19.6	13.7
	Oct	32.3	47.7	19.9	12.4
	Nov	31.6	44.0	24.4	7.2

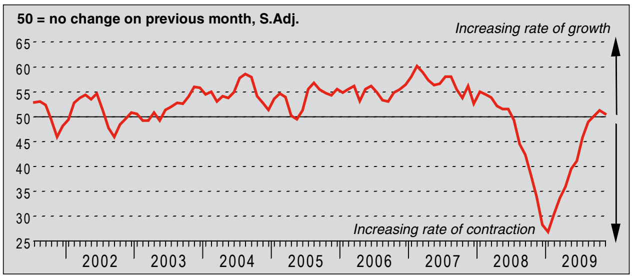


The seasonally adjusted New Orders Index remained above 50.0 for the fourth successive month in November, indicating a further increase in new business in the Czech manufacturing sector. The rate of growth remained moderate and broadly similar to those recorded in September and October. Firms reported higher new work from both domestic and export clients.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	21.5	46.2	32.3	-10.7
	Jul	24.7	46.8	28.4	-3.7
	Aug	21.5	47.2	31.4	-9.9
	Sep	24.2	55.5	20.3	3.9
	Oct	28.8	54.5	16.7	12.2
	Nov	21.8	56.4	21.8	0.0

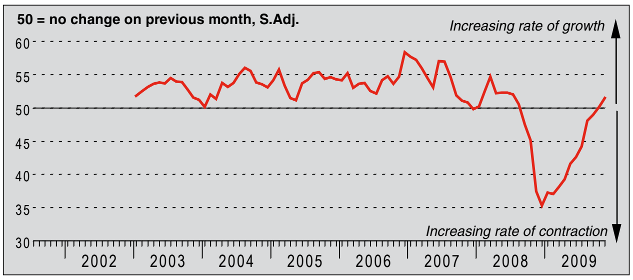


The volume of new work received by Czech manufacturers from export markets continued to increase in November, extending gains recorded the previous two months. Although the overall rate of growth remained weak, firms reported higher new work from a range of markets, including the US, UK, Germany and Russia. The seasonally adjusted New Export Orders Index remained below its long-run average.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	18.7	54.5	26.8	-8.0
	Jul	15.7	56.2	28.1	-12.4
	Aug	20.0	51.7	28.4	-8.4
	Sep	20.9	60.2	18.9	2.0
	Oct	21.8	65.1	13.1	8.7
	Nov	23.5	59.4	17.0	6.5

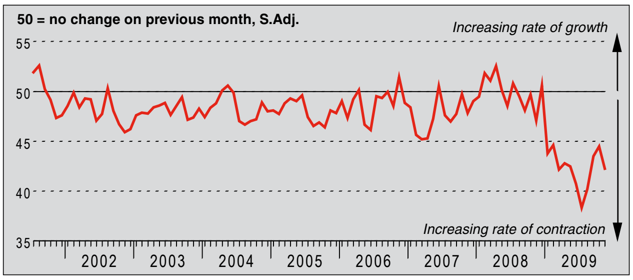


The seasonally adjusted Backlogs of Work Index signalled a second successive monthly increase in outstanding business in the Czech manufacturing sector in November. Moreover, the rate of growth accelerated, as the Index improved to a sixteen-month high. Rising backlogs reflected improving underlying market demand, which generated fresh capacity pressures.

Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	11.3	56.0	32.7	-21.5
	Jul	12.0	48.9	39.1	-27.2
	Aug	13.6	56.2	30.3	-16.7
	Sep	10.2	68.1	21.7	-11.5
	Oct	12.0	64.9	23.2	-11.2
	Nov	11.6	62.2	26.1	-14.5

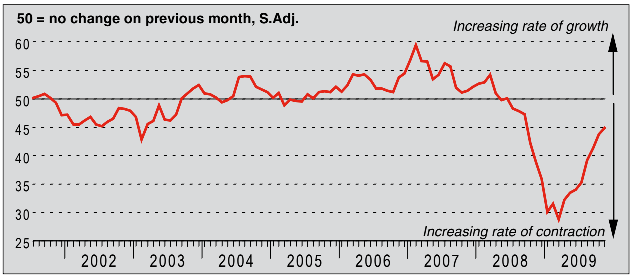


Destocking in the Czech manufacturing sector continued apace in November. The seasonally adjusted Stocks of Finished Goods Index remained well below 50.0, and signalled the fastest rate of contraction in post-production inventories for three months. Lower stock levels were linked to streamlining procedures and efforts to speed up shipments of orders to clients, as competitive pressures remained intense.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	6.0	57.2	36.9	-30.9
	Jul	6.2	61.7	32.1	-25.8
	Aug	9.2	64.8	26.0	-16.7
	Sep	7.5	69.6	23.0	-15.5
	Oct	8.4	71.7	19.9	-11.4
	Nov	5.9	75.4	18.7	-12.8

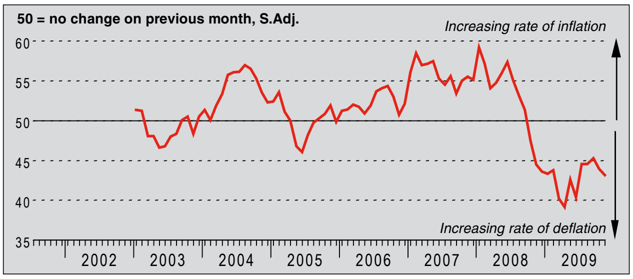


Czech manufacturers shed staff in November, as restructuring programmes continued in the wake of the economic downturn. The current sequence of decline in employment now extends to seventeen months. However, the rate of reduction in November was the slowest since September 2008, having eased every month since hitting a survey record in March.

Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	0.8	77.7	21.4	-20.6
	Jul	4.2	81.4	14.4	-10.2
	Aug	4.1	80.6	15.3	-11.3
	Sep	4.8	82.2	13.1	-8.3
	Oct	3.8	78.8	17.4	-13.6
	Nov	0.9	83.1	16.0	-15.2

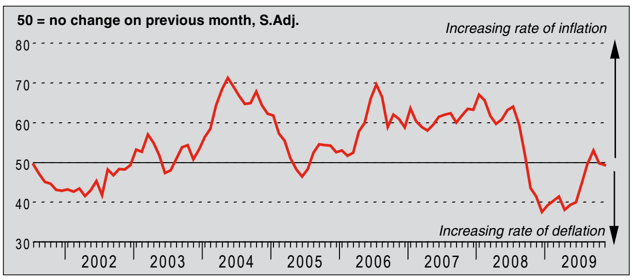


Downward pressure on firms' charges was maintained in November. Output prices in the manufacturing sector have fallen for the past fourteen months. Moreover, the seasonally adjusted Output Prices Index fell on the month, signalling the fastest rate of discounting since June. Firms linked lower tariffs to intense competition, promotional campaigns and sluggish order growth.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	5.6	70.7	23.7	-18.1
	Jul	11.8	71.2	17.0	-5.2
	Aug	14.5	73.5	12.0	2.5
	Sep	15.5	75.8	8.7	6.7
	Oct	12.1	72.4	15.5	-3.4
	Nov	5.4	84.4	10.2	-4.7

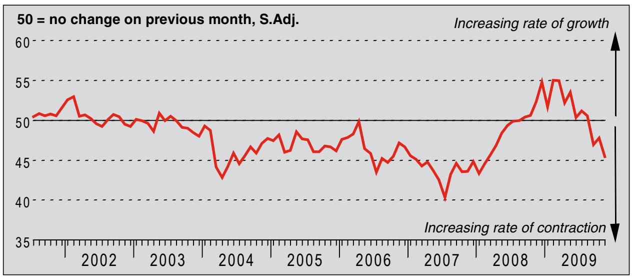


November data signalled a further marginal drop in average input prices paid by Czech manufacturers. The seasonally adjusted Input Prices Index remained below the neutral 50.0 threshold and eased to a four-month low, indicating a lack of cost inflationary pressures in the sector. Although metals were reported to have become more expensive, this was offset by price falls for other raw materials, including chemicals and foodstuffs.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

		Faster %	Same %	Slower %	Net +/-
2009	Jun	4.3	90.5	5.2	-0.9
	Jul	6.0	85.5	8.5	-2.6
	Aug	5.5	82.3	12.2	-6.7
	Sep	5.6	83.3	11.1	-5.6
	Oct	4.8	85.5	9.7	-4.9
	Nov	3.5	84.9	11.6	-8.1

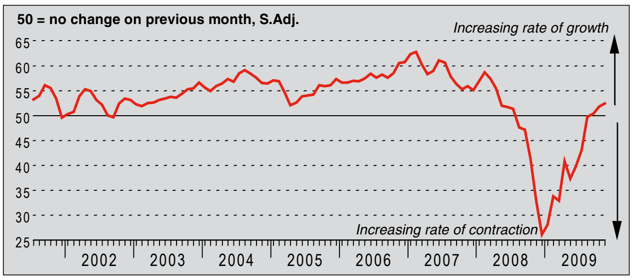


Vendor performance continued to deteriorate in November, and to a greater extent than in either of the previous two months. The seasonally adjusted Suppliers' Delivery Times Index sank to a twenty-one month low, indicating that lead times had lengthened to the greatest degree since February 2008. More than three times as many firms reported delays during the month as those that stated faster shipments from suppliers.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	20.0	44.9	35.1	-15.1
	Jul	21.0	43.1	36.0	-15.0
	Aug	22.9	43.9	33.2	-10.3
	Sep	27.4	54.2	18.3	9.1
	Oct	31.9	50.8	17.2	14.7
	Nov	29.5	50.0	20.5	8.9

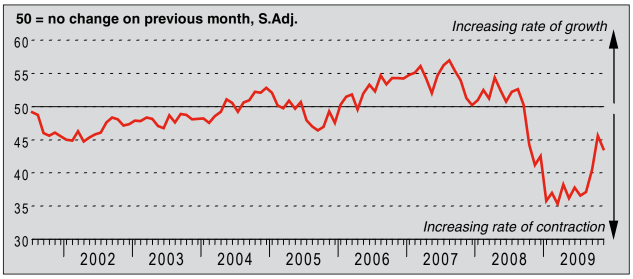


In line with the trend since September, purchasing activity by Czech manufacturers increased in the latest survey period. The seasonally adjusted Quantity of Purchases Index rose for the sixth month running, and indicated the fastest rate of growth since April 2008. Higher purchasing activity was generally attributed to rising new orders and output requirements.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Jun	9.0	60.7	30.3	-21.3
	Jul	10.9	51.0	38.1	-27.2
	Aug	10.4	58.3	31.4	-21.0
	Sep	12.7	60.2	27.1	-14.4
	Oct	13.1	64.5	22.4	-9.3
	Nov	15.4	55.6	29.0	-13.5



Pre-production inventories continued to decline in November. The seasonally adjusted Stocks of Purchases Index fell during the month, but still signalled the second-weakest rate of contraction for over a year. Where stocks fell, this was mainly linked to rising production volumes and productivity drives.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 250 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on regional and industry contribution to Czech Industrial Production. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Warning