

HSBC Czech Republic Manufacturing PMI™

PMI signalled best performance of Czech manufacturing sector since August 2007

Summary

The latest PMI data covering the Czech manufacturing economy, compiled by Markit for HSBC, suggested that positive momentum was maintained in the sector at the end of the third quarter. The headline HSBC Czech Republic Manufacturing PMI™ rose for the second month running and, at 58.0, signalled the fastest overall improvement in business conditions since August 2007.

New orders rose for the fourteenth successive month in September, and at a marked rate. Firms reported that both domestic and export markets had contributed to the improving outlook. Germany was mentioned as a key source of export growth during the latest period.

Output, registered weaker growth than August, but a marked expansion nevertheless. Production has risen every month since August 2009. Despite the latest strong rate of output growth, backlogs of work continued to rise, reflecting capacity constraints and delayed deliveries from suppliers. Overall, delivery times from vendors rose at the fourth-strongest monthly rate since data were first collected in July 2001. Despite longer delivery times, the level of inputs held in stock rose slightly on the month, reflecting firms' efforts to prepare for new orders and build safety stocks.

Czech manufacturing employment rose for the seventh month running in September, and at the fastest pace since August 2007. Firms directly linked additional recruitment to rising workloads and an improving order outlook.

Shortages of raw materials led to rising input prices in September. Items reported as being up in price during the month included metals, plastics, paper, textile, foodstuffs and electronics. The rate of input cost inflation remained marked, but eased for the fourth successive month from May's survey record.

Higher average input prices led to an overall rise in prices charged for Czech manufactured goods in September. The latest rise was the fourth in the past five months, but remained very weak. The majority of panellists reported no change in charges during the month, citing competitive pressures.

Comment

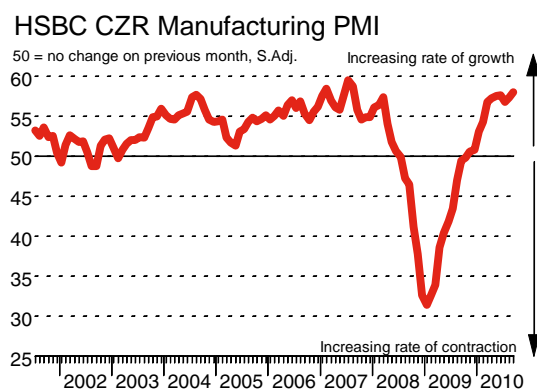
Commenting on the Czech Republic Manufacturing PMI survey, Kubilay Ozturk, economist at HSBC said:

"The headline Czech Manufacturing PMI index maintained its upward trend in September with output, new orders and employment all having advanced over the month. The rate of expansion in production softened slightly, yet the average monthly increase between July and September was slightly above the average for the previous three-month period, giving an upbeat indication for GDP growth in the third quarter. More importantly, the undisrupted improvement in production appears to have been supported by both domestic and external markets this time. The strength in both markets has also been reflected in a noticeable surge in manufacturing employment, providing further support to household consumption that has already surprised to the upside in the year to date. After a brief fall in August, output prices advanced on the month, albeit only slightly, justifying the expectation of a lack of meaningful inflationary pressures ahead and maintenance of low-rate environment in the near-term."

Key points

- Production and new orders both continued to rise rapidly.
- Employment grew at fastest rate for over three years.
- Shortages of raw materials led to higher input prices and delays from suppliers.

Historical Overview



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Notes to Editors:

The HSBC Czech Republic Manufacturing PMI 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: 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.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

HSBC:

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