

HSBC Czech Republic Manufacturing PMI™

Czech manufacturing sector remained on strong growth trajectory in November

Summary

The latest PMI data covering the Czech manufacturing economy, compiled by Markit for HSBC, pointed to sustained growth momentum in November. The HSBC Czech Republic Manufacturing PMI™, a composite single-figure indicator of overall performance in the manufacturing sector, posted 57.3. The latest figure was little-changed from October, and above its long-run average of 52.5. Any figure greater than 50.0 signals an overall improvement in business conditions.

Continuing to drive the current bout of impressive growth in November was a further marked increase in new orders. Although the rate of expansion eased slightly to the weakest since February, it remained strong in the context of historic survey data. Moreover, growth of new export business accelerated slightly since October.

Sustained increases in new business prompted another marked overall rise in manufacturing output in the Czech Republic in November. In line with the trend for new orders, the rate of expansion eased to a nine-month low, but remained sharp overall. Underlining the current strength of market conditions, the volume of outstanding business in the sector rose at the joint-second highest rate in the survey history during the month.

Linked to rising backlogs were supply shortages. The average time taken for vendors to deliver inputs to Czech manufacturers lengthened for the fifteenth month running, and to a substantial degree.

Shortages of raw materials contributed to rising inflationary pressures. Input prices rose for the twelfth month in succession, and at the fastest rate since June. Key items reported as having increased in price during the month included metals, plastics, textiles and electronic components.

Cost pressures were partially transferred to clients in November, as firms raised their output prices. Charges have now increased six times in the past seven months.

Czech manufacturers took on more staff and increased their purchasing volumes in November, as part of attempts to boost capacity and prepare for future new orders. The rate of job creation matched October's forty-three month high, and growth of purchasing remained sharp.

Comment

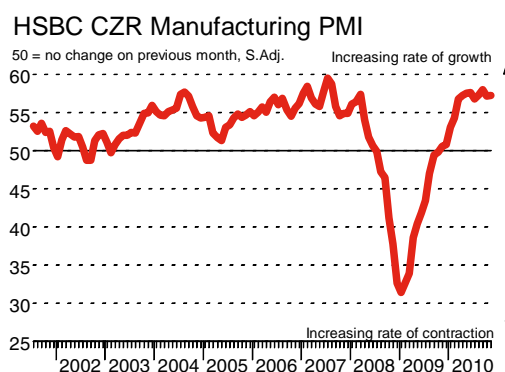
Commenting on the Czech Republic Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

"Manufacturing conditions in the Czech Republic improved for the thirteenth consecutive month in November, suggesting limited impact of the crisis in the Eurozone periphery so far. This could partly be attributed to continued strength in the main trading partners for the Czech Republic, including Germany that was reflected in a further rise in the new export index. Expanding activity was also reflected in rising stocks of purchases and longer suppliers' delivery times. While the headline index remained above its historical average, there were some further signs of deceleration, with both the output and new orders components growing at a slower pace. Manufacturers also continued to add to their labour force in response to rising demand for output at a pace comparable to that seen prior to the financial crisis in Q4 2007. Both input and output prices continued to rise, suggesting further build-up in pricing pressures going forward."

Key points

- Output and new orders both increased at historically marked rates.
- Input price inflation quickened.
- Employment growth remained strong.

Historical Overview



For further information, please contact:

HSBC

Dr Murat Ulgen, HSBC Chief Economist
Central & Eastern Europe and sub-Saharan Africa
Telephone +90-212-376-4619
Email muratulgen@hsbc.com.tr

Petr Plocek, PR Manager, HSBC Bank (Prague)
Telephone +420-225-024-743
Email petr.plocek@hsbc.com

Filip Koutný, Director Treasury
Telephone +420-225-024-701
Email filip.koutny@hsbc.com

Markit

Trevor Balchin, Senior Economist
Telephone +44-1491-461-065
Email trevor.balchin@markit.com

Caroline A. Lumley, Director, Corporate Communications
Telephone +44-20-7260-2047
Email caroline.lumley@markit.com

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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