

HSBC Czech Republic Manufacturing PMI™

Czech manufacturing sector posted best performance for over three years in December

Summary

December PMI data covering the Czech manufacturing economy, compiled by Markit for HSBC, pointed to the best overall performance of the sector for over three years. The headline HSBC Czech Republic Manufacturing PMI™, a single-figure indicator of manufacturing performance, rose to 58.4, from 57.3. The latest figure signalled the best overall improvement in operating conditions since August 2007. Any figure greater than 50.0 indicates overall growth of the sector. The December reading was also the fourth-highest in the survey history.

New orders provided the greatest positive contribution to the upward movement in the PMI in December. New workloads increased at the fastest rate in three months, and at a pace that remained well above the long-run series average. Growth of new export contracts was also the strongest since September.

Higher intakes of new work drove a further expansion in production in December. Output has risen for the past seventeen months, and the latest pace was among the fastest recorded throughout nine-and-a-half years of data collection to date.

Highlighting the current strength of market conditions, the volume of outstanding work increased for the fifteenth month running in December. The rate of growth in backlogs was broadly similar to November's marked pace.

Manufacturing employment rose for the tenth month running in December. The rate of growth was weaker than in October and November, but still strong in the context of historic survey data.

December marked a record lengthening of suppliers' delivery times. This reflected raw material shortages and insufficient vendor capacity, as the volume of purchases ordered by manufacturers continued to grow markedly.

Input prices rose at one of the fastest rates in the survey history in December. Items reported as having risen in price since November included metals, plastics, chemicals, wood and packaging. Input cost inflation has strengthened for three successive survey periods. Growing cost pressures were partially transferred to customers, as output prices rose for the fourth consecutive month. But the rate of charge inflation remained only modest.

Comment

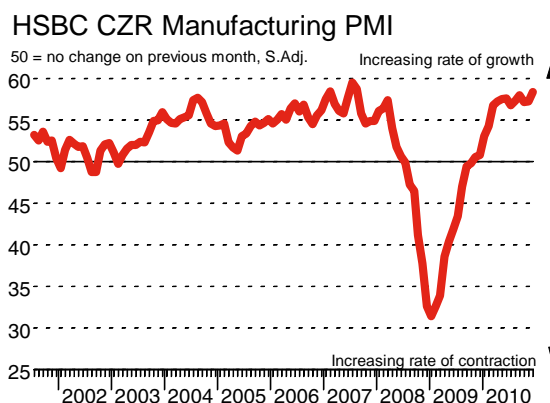
Commenting on the Czech Republic Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

"Manufacturing conditions in the Czech Republic improved further in December, reflecting the upturn in global trade activity that is observed during the last quarter of 2010. The headline index was above 50.0 for the fourteenth month on the trot with the pace of expansion also accelerating during the month. This improvement was driven by strong increases in both the output and the new orders components. The strength of demand continues to raise the possibility of inflationary pressures building up in the future, with both input and output prices continuing to rise. Strength of demand in the main trading partners was also reflected in a continued rise in the new export orders index. Employment component retreated slightly during the month as manufacturers' continued to add to their labour force, albeit at a slower pace than in November. Despite the decline from the previous month, the employment index remains close to pre-crisis peaks."

Key points

- PMI at fourth-highest level in survey history.
- Record lengthening of suppliers' delivery times.
- Inflationary pressures accelerated for third month running.

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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