

HSBC Czech Republic Manufacturing PMI™

Czech manufacturing production continued to rise rapidly in February

Summary

PMI data covering the Czech Republic, compiled by Markit for HSBC, suggested that the manufacturing sector continued to record a rapid pace of expansion in February. The headline HSBC Czech Republic Manufacturing PMI™, a composite single-figure indicator of manufacturing performance, fell to 59.8 from January's record 60.5. That said, the latest figure was higher than in any other period since the series started in July 2001. The PMI has remained above the no-change mark of 50.0 since November 2009.

New order growth moderated from January's record pace in February. That said, the rate of expansion remained marked and well above the long-run trend for the survey. New export orders posted the fastest growth since last June, as demand from neighbouring countries in particular remained strong.

Output growth also eased from January's record pace, but was stronger than in any other survey period to date. The current sequence of continuous production growth now stretches to nineteen months. Despite the latest marked expansion, stocks of finished goods continued to decline overall as manufacturers increased shipments to clients.

Despite sharp growth of output, backlogs continued to grow in February. Outstanding business at manufacturers has increased every month since October 2009.

Faced with sharply rising output requirements and growing backlogs, Czech manufacturers took on more staff at a rapid pace in February. In only one previous survey period, in February 2007, had a sharper rate of job creation been registered. Manufacturers also continued to increase their input volumes at a marked pace.

Average input prices paid by Czech manufacturers increased at the fastest pace in the survey history in February. Rising prices for oil-related products and metals underpinned the latest inflationary pressure. Input cost inflation has accelerated every month since last October.

Manufacturers passed on higher input prices to customers in February, as output prices in the sector rose for the sixth successive month. The rate of inflation remained sharp despite easing slightly from January's thirty-one month high.

Comment

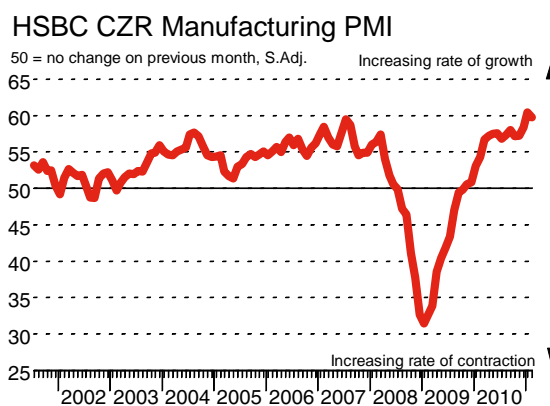
Commenting on the Czech Republic Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

"Manufacturing conditions in the Czech Republic continued to improve in February, albeit at a slower pace with the Czech PMI easing slightly in February after touching a new record high in January. The index, however, remains well above its long-term average. Most of the sub-components of the PMI index moderated during the month, indicating ongoing expansion but at a slower pace. One of the main exceptions was the employment component which rose close to its historical high. The continued improvement in employment conditions suggests that manufacturing firms remain upbeat about future demand prospects. Of the components that witnessed a slowdown during the month, new orders saw the sharpest moderation but still remains above its long-term average. International demand also continues to provide support to Czech manufacturing with the new export orders component rising further during the month. While output prices eased marginally in February, the continued build-up in commodity prices pushed input prices higher still, in fact to its historical peak. As such, concerns about commodity-led inflationary pressures over the coming months are likely to persist."

Key points

- Employment rose at second-fastest pace in survey history.
- Record deterioration in supplier performance.
- Input price inflation accelerated to record pace.

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.

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