HSBC Purchasing Managers' Index™ Press Release

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HSBC Czech Republic Manufacturing PMI™

Czech manufacturing employment rose at fastest rate in survey history

Summary

The Czech manufacturing sector continued to record strong expansion at the start of the second quarter. The headline HSBC Czech Republic Manufacturing PMI™, a composite single-figure indicator of manufacturing performance, rose in April from 58.6 to 59.0. The latest figure was the fourth-highest since the survey began in July 2001, and the gain since March reflected faster rises in new orders, employment and stocks of purchases. The PMI has remained above the no-change mark of 50.0 since November 2009.

New order growth strengthened in April, having slowed to the weakest in over a year in March. The latest increase was slightly sharper than the trend pace shown over the current twenty-one month sequence of expansion, and marked in the context of historic survey data. The latest figures signalled strong growth in both domestic and export markets, with a number of European countries cited as key sources of export demand.

The rate of production growth in the Czech manufacturing sector remained sharp in April, despite easing for the third month running from January's survey record. Output has increased every month since August 2009, with the latest rate of growth sharper than the long-run series average. Indicative of the ongoing relative strength of growth, backlogs of work rose for the nineteenth month running, and at the second-fastest rate in that sequence.

The strength of manufacturing business conditions was underlined by a survey-record increase in employment in April. Firms have expanded their workforces on average every month since March 2010.

A faster rise in purchasing activity by manufacturers placed further pressure on suppliers in April, leading to another substantial lengthening of suppliers' delivery times. Panellists reported a combination of higher demand for raw materials and stock shortages at suppliers.

Reflecting strong demand for raw materials and other items, average input prices paid by Czech manufacturers continued to rise sharply in April. That said, the rate of inflation eased for the first time in seven months. Meanwhile, the pace of output price inflation was unchanged from March's thirty-eight month high.

Comment

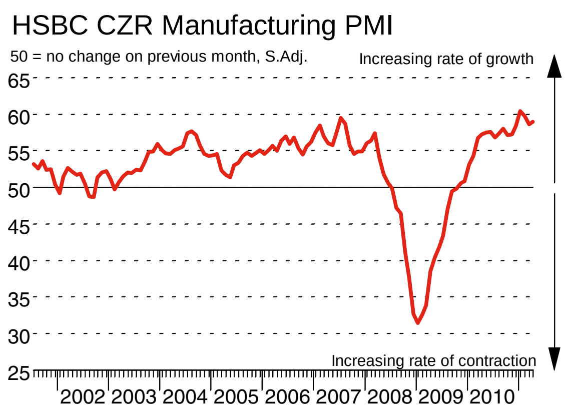
Commenting on the Czech Republic Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

"Manufacturing conditions improved at a quicker pace for the first time in three months in April in the Czech Republic and the PMI is only around 1.5 pts below the record high noted in January this year. While output growth moderated slightly during the month, all other components of the index rose, with particular strength seen in the new orders component. A strong rise in new export orders index also indicates that the global trade cycle continues to help the Czech manufacturing sector. This suggests that the outlook for Q2 growth remains robust after the strength seen in Q1 2011. The improvement in manufacturing conditions as well as further increases in the backlog for work index continue to translate into higher employment in the manufacturing sector, with the employment index rising for the third consecutive month. Inflationary pressures persist with both input and output prices remaining above long-term averages but the pace of increase in input prices moderated during the month for the first time in seven months."

Key points

- Growth of output and new orders remained sharp.
- Input price inflation eased for first time since last September.
- Faster growth of purchasing activity kept pressure on 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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Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.