

HSBC Czech Republic Manufacturing PMI®

Czech manufacturing sector stalls in April

Summary

The latest HSBC PMI® report signalled a stagnation in business conditions in the Czech manufacturing economy at the start of the second quarter. Central to the deterioration in performance was a fall in new orders received, which led to a slight cut in staffing and slower output growth. Export demand remained subdued, while cost inflationary pressures increased.

The headline HSBC Czech Republic Manufacturing PMI is a composite single-figure indicator of manufacturing performance. Any figure greater than 50.0 indicates overall improvement of the sector. The PMI fell from March's 52.1 to 49.7 in April. That signalled a marginal deterioration in overall business conditions, primarily reflecting lower new orders, employment and stocks of purchases.

Driving the overall weakening in the business climate in April was a fall in the volume of new work received. That followed a two-month sequence of growth, although the rate of decline in the latest period was weaker than that registered between November and January. New export orders fell for the sixth successive month.

Production rose in April, despite the marginal fall in new orders. Output has risen for the past five months, though the rate of expansion was only modest in the latest period and below the survey's long-run average.

Output growth was supported by work on outstanding business. Subsequently, backlogs of work declined for the third time in 2012 so far, and at the fastest rate since July 2009.

Manufacturers in the Czech Republic trimmed their workforces at the start of the second quarter. It was the fifth time in the past six months that employment in the sector had contracted, though the rate of job shedding in the latest period was only marginal.

Survey data signalled little pressure on supply chains in April. The volume of inputs ordered fell slightly, and suppliers' delivery times were broadly unchanged from March.

Despite subdued demand, input price inflation strengthened to a ten-month high in April. Firms reported a range of items up in price compared with one month previously, including metals, plastics, wood and fuel. Intense competitive pressure in the goods-producing sector resulted in a broadly flat trend in firms' output prices, in line with the trend shown over the past eight months.

Comment

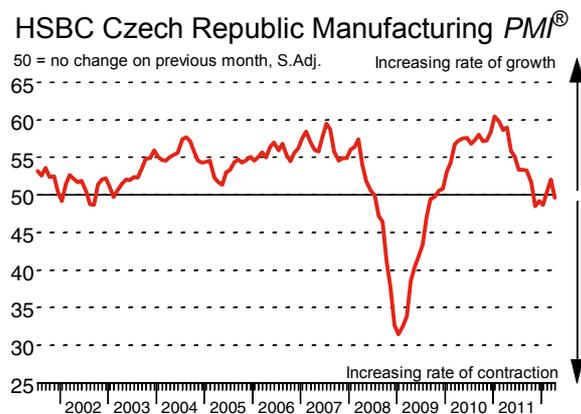
Commenting on the Czech Republic Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"April PMI index has recorded a setback following improving readings through the first quarter of the year. This is in line with worsening trend in PMI reading in Germany, Czech Republic's main trading partner. At the same time the discrepancy between the PMI and more positive scores of other indicators such as Ifo or ZEW still limits the downside. Worsening of the business conditions in April has been driven by declining output index and new orders index. The new export orders, in contrast, worsened only marginally. The PMI index has been up and down around the 50 points mark since the last quarter of 2011. We expect more of the same in the coming months. Given the fiscal tightening efforts in the Czech Republic this and next year the impulse for growth needs to come from abroad. Positively HSBC forecasts that the German growth has bottomed in 2011 Q4 and positive q-o-q growth rates will return in the course of 2012."

Key points

- PMI eases below neutral mark of 50.0 as new orders decline
- Manufacturing production growth slows to modest pace
- Input price inflation strengthens to ten-month high

Historical Overview



Sources: Markit, HSBC.

For further information, please contact:

HSBC

Agata Urbanska
Economist, Central & Eastern Europe
Telephone +44-207-992-2774
Email agata.urbanska@hsbcib.com

Klára Křemelová, PR Manager, HSBC BANK PLC HBEU
Telephone +420 225 024 747
Email klara.kremelova@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

Rachel Harling, Corporate Communications
Telephone +44-20-7064-6283
Mobile +44-782-789-1072
Email rachel.harling@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 industry contribution to Czech GDP. 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:

HSBC is one of the world's largest banking and financial services organisations. With around 7,200 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 89 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 85 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 132 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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

The intellectual property rights to the HSBC Czech Republic Manufacturing *PMI*[®] provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*[®] and *PMI*[®] are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.