HSBC Purchasing Managers' Index® Press Release

Embargoed until: 09:30 (Prague), 1 August 2012

HSBC Czech Republic Manufacturing PMI®

Czech manufacturing business conditions deteriorate further

Summary

The latest HSBC PMI® report signalled an ongoing mild downturn in the Czech manufacturing economy at the start of the third quarter. New orders and purchases of inputs by manufacturers both fell for the fourth successive month, while output remained stagnant. Inflationary pressures continued to ease, as input prices fell for the first time since last October and prices charged by goods producers declined for the sixth month running.

The headline HSBC Czech Republic Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI remained below the nochange mark of 50.0 in July, continuing the pattern seen since April. The deterioration in overall business conditions signalled by the headline figure remained modest, however, as the PMI was little-changed at 49.5 from June's 49.4.

Manufacturing new orders declined for the fourth successive month in July. The rate of contraction remained only modest, however, having slowed sharply in June from May's 35-month record. The current sequence of decline is the second-longest in the 11-year survey history.

New export business received in the Czech manufacturing sector fell for the ninth month running in July, the second-longest sequence in the survey history. The rate of decline was unchanged from June.

The ongoing downturn in new business resulted in another flat trend in production in July. Manufacturing output has been largely unchanged for the past three months, following a five-month sequence of modest expansion. Reflecting the lack of pressure on capacity, backlogs fell at the strongest rate in three years in July.

Manufacturers cut their purchases of inputs for the fourth successive month in July, albeit at a mild rate. Despite this, suppliers' delivery times lengthened for the first time in three months. Meanwhile, employment in the sector rose for the second month running, but only marginally.

Manufacturers' average input prices fell in July, reflecting lower raw material costs such as steel and oil-related items. The rate of reduction was only marginal, but the first registered since last October. Meanwhile, output prices fell for the sixth month running, and at the fastest rate since April 2010.

Comment

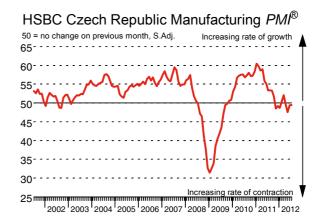
Commenting on the Czech Republic Manufacturing PMI[®] survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The PMI index changed little in July compared to June and still points to a slight deterioration of business conditions in the manufacturing sector. Among the index components, the suppliers' delivery times improved (lengthened), offsetting worsening output, new orders and employment indices. We assess this combination as negative and remain cautious of downside risks. This is particularly the case in face of weaker than expected leading indicators in July like IFO and PMI in Germany. The PMI's input and output prices indices show a further decline of inflationary pressures, and leave room for the central bank to cut its policy rate to a new record low later this year."

Key points

- Manufacturing PMI below neutrality for fourth successive month
- Production remains flat
- Employment rises at modest pace but new orders continue to decline

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 Caroline Lumley, Corporate Communications Telephone +44-20-7260-2047 Mobile +44-7815-812-162 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 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^{\otimes} 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. $Purchasing Managers' Index^{\otimes}$ and PMI^{\otimes} 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.