# **HSBC Purchasing Managers' Index® Press Release**

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# HSBC Czech Republic Manufacturing PMI®

# Manufacturing business conditions stabilise in February

# **Summary**

HSBC PMI® data indicated that the Czech manufacturing sector edged closer to recovery in February. Overall business conditions were broadly stable compared with January, following a sequence of deterioration that stretched back to last April. New orders increased for the first time since March 2012, albeit marginally, while output was flat. Manufacturers continued to cut workforces and purchases of new inputs, however, and cost pressures remained strong.

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. Registering 49.9 in February, the PMI signalled a broad stabilisation in business conditions. The headline index rose for the second month running from December's 41-month low, and was the highest since its last positive reading in March 2012.

The main driving force behind the stabilisation of the goods-producing sector mid-way through the first quarter was a rise in the volume of new orders received. This followed a ten-month sequence of contraction, the second-longest in the survey history. That said, the rate of expansion was only marginal, and new export orders registered another fall (albeit slight). New export business has declined for the past 16 months, the longest sequence in the survey history (albeit one of a much weaker severity than that seen in 2008-09).

The increase in new business was insufficient to generate overall growth in production in February, with output little-changed from January. Similarly, backlogs of work were largely static compared with the opening month of 2013.

Reflecting an uncertain outlook, Czech manufacturers continued to shed staff and cut purchasing activity, albeit at slower rates in both cases. The decline in employment was the weakest in the current sevenmenth sequence, while input volumes were reduced at the slowest rate since last July.

Average input prices rose sharply in February, with the rate of inflation little-changed from January's four-month high. Firms reported higher prices for energy, wood and utilities, and also rising sales taxes. Meanwhile, prices charged for final manufactured goods declined for the thirteenth month in a row, reflecting competitive pressures in the sector.

#### Comment

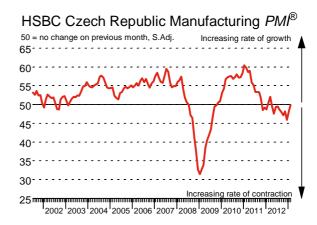
Commenting on the Czech Republic Manufacturing PMI<sup>®</sup> survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The manufacturing PMI index improved to an elevenmonth high, a touch below the 50 points threshold between growth and contraction. As in January the improvement was broad based with the output, new orders and employment indices all increasing in February. New orders rose above the 50 points threshold; new export orders recorded a moderating rate of contraction. Strong German PMI and ifo indices point to further improvement in new export orders in the coming months. Czech GDP growth contracted in 2012 but the rate of contraction in q-o-q terms has been moderating in the consecutive quarters of the last year and January-February PMIs support our forecast that the annual GDP growth has bottomed in Q4 2012. We forecast 0.5% GDP growth in 2013 but this recovery is still vulnerable and depends on the global trade cycle pick-up."

# **Key points**

- Czech Manufacturing PMI registers 49.9
- New orders rise for first time since March 2012
- Output and backlogs of work broadly stable

#### **Historical Overview**



Sources: Markit, HSBC.





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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 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.

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