HSBC Purchasing Managers' Index® Press Release

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HSBC Czech Republic Manufacturing PMI®

Renewed decline in manufacturing new orders in March

Summary

HSBC PMI[®] data for March indicated that the Czech manufacturing sector continued to contract, marking a whole year of deteriorating business conditions. The overall rate of decline accelerated on the month, mainly reflecting a renewed fall in new orders. Output decreased for the eighth month running, while input price inflation slowed further.

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. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI posted 49.1 in March, indicating a marginal deterioration in business conditions in the goods-producing sector of the Czech Republic. That followed February's reading of 49.9, which had signalled a near-stabilisation. The PMI has remained below 50.0 for 12 consecutive months, although the average reading for Q1 (49.1) was the highest for any quarter over this sequence.

Manufacturing new orders declined in March, having risen marginally the previous month. The latest contraction was the fourteenth in the past 17 months. The overall rate of decline was modest, however, while new export orders fell only slightly, suggesting that domestic markets were the main source of weakness.

The renewed contraction in new orders contributed to a further drop in manufacturing production in March. The current sequence of decline now stretches to eight months, although the rate of contraction remained only marginal in the latest period. The volume of outstanding business was little-changed for the second successive month.

Manufacturing employment declined for the eighth month running in March. That said, the rate of job shedding was the weakest over this period.

Goods producers cut the volume of inputs purchased in March, extending the current sequence of decline to one year. The pace of contraction was, however, only marginal.

Inflationary pressures weakened further in March. Average input prices rose for the eight month running, but at the slowest rate in this sequence and one that was weaker than the long-run survey average. Meanwhile, manufacturers cut their prices for final goods for the fourteenth month running, albeit at the slowest rate since June 2012.

Comment

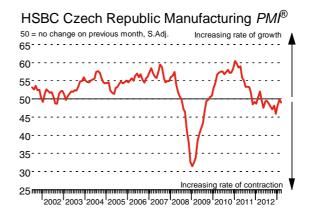
Commenting on the Czech Republic Manufacturing PMI[®] survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"Czech manufacturing PMI rose to a four quarter high in Q1 2013 though it still remains in contraction territory. In March the manufacturing PMI index declined compared to February marking an accelerating deterioration in business conditions. New export orders changed little but the total new orders index declined from 50.5 in February, an eleven months high then, to 48.4 in March. Poor data from Germany are a downside risk for export orders next month and could push the headline PMI index lower again. The PMI survey shows that the contraction of economic activity might have bottomed in Q4 2012 but a recovery hinges on impulses from Germany, Czech's main exports market."

Key points

- New business falls following marginal increase in February
- PMI declines to 49.1
- Slower rate of input price inflation

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® (PMl°) 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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