

HSBC Czech Republic Manufacturing PMI®

Marginal increase in manufacturing production in April

Summary

Business conditions in the Czech manufacturing sector continued to deteriorate in April despite a slight increase in output, HSBC PMI® data showed. The overall worsening in the business climate was only marginal, however, and not as severe as those registered during the final months of 2012.

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 49.5 in April, up slightly from 49.1 in March, indicating a marginal deterioration in business conditions in the goods-producing sector. The headline index has now remained below the neutral threshold for the past 13 months, although the trend rate of contraction signalled in 2013 so far is only marginal (49.2). The negative PMI reading for April reflected the new orders, employment, suppliers' delivery times and stocks of purchases components, as output registered a positive influence for the first time since June 2012.

The latest survey data indicated a further fall in manufacturing new orders, the fifteenth contraction in the past 18 months. That said, the rate of decline was only fractional. New export orders declined for the eighteenth successive month, and at the fastest rate since January. Survey participants highlighted weak European demand, and lower incoming new business from German markets in particular.

Production rose slightly in April, despite the fall in new orders. This led to a decline in backlogs of work for the first time since January. Purchases of inputs declined for the seventeenth time in 18 months, however, resulting in a further contraction in inventories.

Manufacturing employment declined for the ninth month in a row in April. That said, the rate of job losses eased further to the slowest seen over the current sequence.

Survey data highlighted a lack of inflationary pressure in the goods-producing sector at the start of the second quarter. Average input prices fell at the fastest rate since July 2009, mainly reflecting lower metals prices. Meanwhile, prices charged by Czech manufacturers for their finished goods declined for the fifteenth consecutive month, and at the strongest rate since December. Firms reported intense competition for new business and requests for discounts from existing clients.

Comment

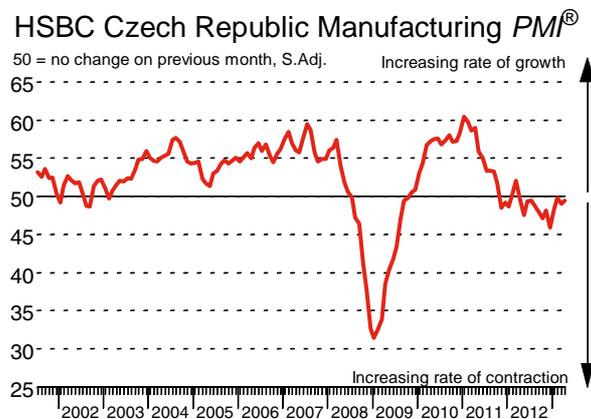
Commenting on the Czech Republic Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The manufacturing PMI index remained below the 50 points threshold for growth and contraction but inched marginally higher to 49.5 in April from 49.1 in March. That is a positive result in comparison to falling PMIs in Germany and neighbouring Poland. The output index rose into growth territory to 50.7, the highest level since April 2012. The new orders and employment indices also improved in April compared to March though both still remain below 50 points. The new export orders index fell in April showing rising pace of deterioration and that is in line with falling German PMI. Input prices fell at the strongest rate since July 2009 indicating deflationary pressure in the coming months. In April business conditions continued to deteriorate in the manufacturing sector in the Czech Republic but on the positive note the pace of this deterioration slowed; so far weathering well the increasing pace of deterioration in the manufacturing in Germany in the last couple of months. But the latter remains a downside risks in the coming months."

Key points

- First increase in output since June, but new orders continue to decline
- PMI remains below 50.0 at 49.5
- Input prices fall at strongest rate since July 2009

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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