Embargoed until: 09:30 (PRAGUE), 3 December 2012

HSBC Czech Republic Manufacturing PMI®

Czech manufacturing new orders fall at slower pace

Key findings:

- · New work declines at weakest rate since July
- Output and employment continue to contract
- · Manufacturers continue to cut both pre- and post-production stocks

Business conditions in the Czech manufacturing economy continued to worsen mid-way through the final quarter of 2012, according to the latest HSBC *PMI*° data compiled by Markit. Output declined for the fourth month running, reflecting an eighth successive monthly drop in new business. New work from export markets continued to weigh on overall new business inflows, although the rate of decline in total new orders was the slowest in four months. A general strategy of destocking remained in place, as firms cut new purchases at a marked pace and sold off old stock. Although demand for inputs fell, average input prices rose and suppliers' delivery times lengthened slightly.

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 remained below 50.0 for the eighth consecutive month in November, but improved from October's 38-month low of 47.2 to 48.2. That signalled the weakest overall deterioration in operating conditions in the Czech manufacturing sector since August. On a quarterly basis, data for Q4 so far signals the sharpest contraction since Q3 2009.

The overall rise in the PMI in November mainly reflected a

slower fall in new business. Inflows of new orders have declined every month since April, although the latest drop was the slowest since July. New export orders fell at a faster rate than total new business, and have now declined for 13 consecutive months.

Manufacturers continued to adjust capacity lower in line with worsening demand. Employment fell for the fourth month running, and purchases declined at the second-fastest rate since July 2009. Lower workloads were reflected in a fourth successive drop in output during the month.

The ongoing sequence of declining purchases resulted in a sixteenth consecutive monthly drop in manufacturers' input stocks. Inventories of final goods also contracted on average, with the rate of decline the fastest since April. In line with falling workloads and destocking, backlogs of work declined for the eighth month in a row.

Although demand for inputs continued to fall in November, average input prices rose further. The rate of inflation was the slowest since August, but broadly in line with the survey's long-run trend. Firms highlighted foodstuffs in particular as having increased in price during the month.

Prices charged for Czech manufactured goods continued to fall, extending the current sequence of discounting to ten months. Firms linked downward pressure on output prices to discounts offered to clients to secure contracts, and also international competition.



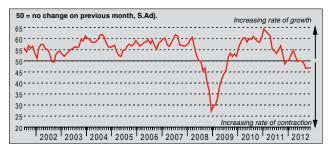
The HSBC Czech Republic *Purchasing Managers' Index*® (*PM*®) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the *PMI* below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. *Purchasing Managers' Index*® and *PM*® are registered trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

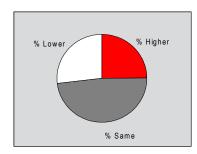




Output Index

Q. Please compare your production/output this month with the situation one month ago.



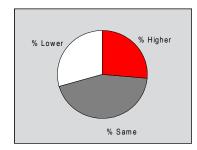


Czech goods producers registered another fall in output in November. Production has declined every month since August. The seasonally adjusted Output Index was little-changed from October, indicative of a solid rate of contraction. Anecdotal evidence attributed lower output to falling demand and new orders, and sufficient stock levels to accommodate sales.

New Orders Index

Q. Please compare the level of new orders received this month with the situation one month ago.



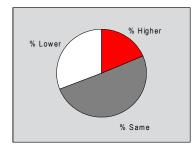


The volume of new orders received by Czech manufacturers declined for the eighth month in succession in November. Firms generally reported weakening market conditions and reduced export demand. That said, the seasonally adjusted New Orders Index rose for the first time in five months, and signalled the slowest rate of contraction since July.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.



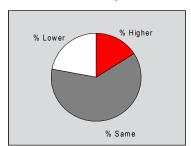


The seasonally adjusted New Export Orders Index remained below the neutral threshold for the thirteenth successive month in November, indicating a further contraction of new business received from external markets. The rate of decline was fractionally slower than that posted in October, but still the second-fastest since July 2009. Firms reported weaker demand from the Eurozone market, and Germany in particular.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

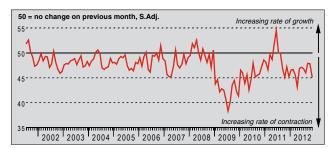


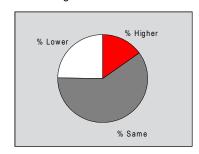


The volume of outstanding business in the Czech manufacturing sector declined further in November. The current sequence of backlog depletion now extends to eight months. The latest anecdotal evidence from survey participants mainly linked lower backlogs to reduced overall workloads. The rate of decline in outstanding business slowed during the month, but was still the second-fastest since July 2009.

Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.





Survey data indicated a sharp fall in stocks of finished goods held by Czech goods producers. The seasonally adjusted Index remained below the neutral level of 50.0 for the sixteenth consecutive month, and the latest figure signalled the fastest rate of depletion since April. Firms reported that excess stocks had been sold off as incoming new orders had disappointed.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.



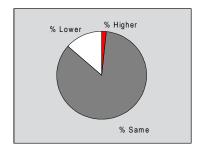


Manufacturing employment in the Czech Republic declined for the fourth successive month in November, and at the fastest rate since February. Workforces have shrunk on average ten times in the past 13 months. Job losses were blamed on low workloads, and were partly achieved through cutting fixed-term contracts and temporary staff.

Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



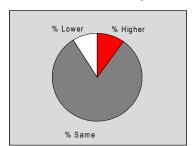


Prices charged for Czech manufactured goods declined for the tenth successive month in November. Moreover, the rate of reduction was the fastest since April 2010. Anecdotal evidence linked lower output prices to pressure from customers to offer discounts in order to secure contracts, and also to competitive pressure from the market. Firms also mentioned that weaker cost inflation had played a part in bringing down charges.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



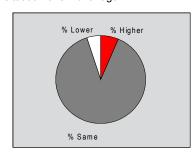


Average input prices paid by Czech manufacturers rose for the fourth month running in November. The rate of inflation eased further from September's 15-month peak, and was broadly in line with the long-run survey average. According to anecdotal evidence, foodstuffs were the main source of inflationary pressure in the latest period.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



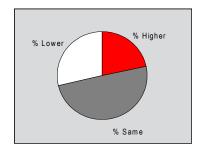


The performance of vendors supplying inputs to the Czech manufacturing sector deteriorated for the fifth consecutive month in November. Delays were partly linked to low stock levels at suppliers. However, reflecting the current weakness of market conditions, only 5% of firms reported longer supplier delivery times, and the overall worsening in vendor performance was the least marked in the current sequence.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



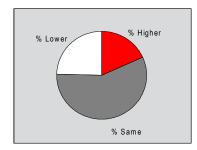


The seasonally adjusted Quantity of Purchases Index remained below the no-change mark of 50.0 for the eighth month in a row in November, signalling an ongoing decline in purchasing activity by Czech goods producers. The rate of contraction remained sharp, despite easing from October's 39-month record. Firms linked lower purchases to reduced production and falling new orders.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





Pre-production inventories in the Czech manufacturing sector declined for the sixteenth successive month in November. That said, the rate of contraction was only modest, and the slowest since January. Lower input stock levels were mainly linked to a weak demand outlook and efforts to control costs.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index[®] 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 on 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

Warning

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 registered trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.