

HSBC Czech Republic Manufacturing PMI®

Czech manufacturing expansion moderates in April

Summary

Czech manufacturing business conditions improved further in April, extending the current upturn to two years, according to PMI® data from HSBC. That said, the overall pace of expansion moderated to the slowest in 2015 so far, reflecting weaker gains in output, new orders and employment. Growth rates remained strong in the context of historic survey data, however, and new export business rose at the fastest rate in three months. The latest survey results also highlighted stronger input price inflation, and a rise in output prices for the first time in 2015.

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 fell from 56.1 in March to 54.7 in April, indicating the slowest overall improvement in business conditions in the Czech goods-producing sector in 2015 so far. The downward movement in the headline index reflected the three most important components – new orders, output and employment. That said, all five components still made positive overall contributions to the PMI. The headline figure also remained comfortably above its long-run average of 52.7 during the latest period.

Manufacturing new orders rose for the twenty-third successive month in April. The rate of expansion remained solid overall, but slowed to a four-month low. This was despite a stronger rise in new export orders, with firms commenting on increased demand from EU markets such as Germany and the UK, as well as non-EU markets including Australia and the US.

Sustained growth of new business led to a twenty-fifth consecutive monthly rise in output in April. As was the case with new work, the rate of production growth moderated to a four-month low, but remained robust overall. The volume of outstanding business in the sector rose further, albeit at a slower rate than in March.

The current period of job creation in the Czech manufacturing sector was extended to two years in April. The rate of growth was the weakest in 2015 so far, but still strong overall. Meanwhile, purchasing activity continued to rise sharply, contributing to another marked lengthening in suppliers' delivery times.

Cost pressures intensified in April, with input prices rising for the second month running and at the fastest rate since March 2014. Firms linked higher input costs to the strengthening US dollar. As a result, prices charged by manufacturers for their finished goods rose for the first time in four months, albeit at a weak rate.

Comment

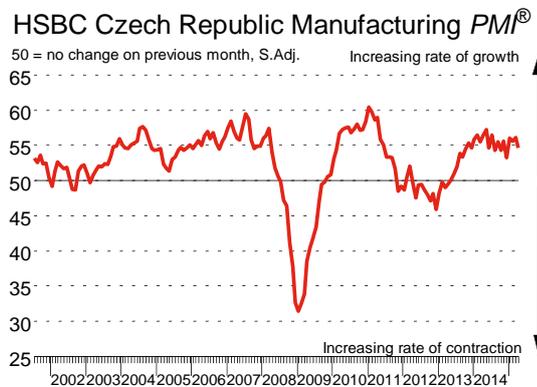
Commenting on the Czech Republic Manufacturing PMI® survey, Trevor Balchin, Senior Economist at Markit, said:

"The PMI signalled a slight loss of momentum in April, but nonetheless remained in line with its strong trend level over the current two-year sequence of improving business conditions. The main activity indicators from the survey all continued to signal solid growth, while price pressures showed signs of building as input price inflation hit a 13-month high and charges rose for the first time in four months."

Key points

- Manufacturing PMI falls to four-month low but still signals robust expansion
- Weakest increases in output and new orders in 2015 so far
- Stronger rise in input prices generates higher charges

Historical Overview



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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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About PMI:

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