

# HSBC Czech Republic Manufacturing PMI®

## Czech manufacturing expansion accelerates in May

### Summary

The Czech manufacturing sector maintained strong growth momentum in May, according to *PMI*® data from HSBC. Rates of expansion for output and new orders accelerated, while employment in the sector increased at the strongest pace in over four years. Solid increases in exports, backlogs and purchasing were also signalled. Meanwhile, the latest survey data signalled an intensification of inflationary pressures, as input prices rose at the fastest rate since February 2014 and output price inflation hit a 17-month high.

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 rose to 55.5 in May, from 54.7 in April. That was broadly in line with the trend over 2015 so far, and higher than the average over the current 25-month sequence of positive readings (54.8). The rise in the PMI reflected faster increases in output, new orders and employment, and signalled a strong overall improvement in manufacturing business conditions. The remaining components of the headline figure – suppliers' delivery times and stocks of purchases – also exerted positive contributions in May, albeit to lesser extents than in the previous month.

Czech manufacturing output rose for the twenty-sixth month in a row in May on a seasonally adjusted basis. The rate of growth accelerated from April's four-month low, and was stronger than the long-run survey average.

The faster rise in output reflected a similar acceleration in new order expansion. The latest rise in new work took the current sequence of growth to two years. New export business also rose for the twenty-fourth consecutive month, albeit at the weakest rate in three months. Firms mainly linked higher new export orders to increased European and US demand.

New business growth was sufficiently strong to generate a further rise in backlogs of work in May. Outstanding business has risen every month since June 2013, and the latest increase was sharper than the average over this period.

Czech manufacturing employment rose for the twenty-fifth consecutive month in May. Moreover, the rate of job creation accelerated sharply to the fastest since April 2011. Meanwhile contrasting trends remained evident for inventories, with input stocks rising further

but finished goods inventories continuing to decline on average.

Cost pressures in the Czech manufacturing sector built up in May. Average input prices rose for the third month running, and at the fastest rate since February 2014. Firms linked upward pressure on costs to metals, oil-related materials and the strong dollar. Meanwhile, output prices rose at the fastest rate since December 2013.

### Comment

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

*"The Czech manufacturing sector is on course for another quarter of strong growth, with the PMI regaining momentum in May on the back of faster new business growth and the best round of job creation in over four years. The PMI follows hot on the heels of the surprisingly strong GDP figures for the first quarter, where growth outpaced all other EU members, and suggests that a strong pace of expansion will be maintained in the second quarter. The latest survey data also pointed to growing inflationary pressures, albeit from a low base."*

### Key points

- Manufacturing PMI rises to 55.5, broadly in line with 2015 average
- Strongest rise in employment in over four years
- Input price inflation hits 15-month high

### Historical Overview



Sources: Markit, HSBC.

## For further information, please contact:

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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*<sup>®</sup> (PMI<sup>®</sup>) 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](mailto:economics@markit.com).

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Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [www.markit.com/economics](http://www.markit.com/economics)

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