**HSBC Purchasing Managers' Index® Press Release**

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compiled by markit

# HSBC Czech Republic Manufacturing PMI®

## Czech manufacturing expansion remains strong

### Summary


Czech manufacturers continued their bright start to 2015 in February, according to PMI® data from HSBC. The overall momentum of growth remained strong, despite easing slightly since January, with rates of expansion of output, new orders and employment all running above long-run survey averages. Moreover, input prices continued to decline, allowing firms to lower their own prices charged for finished goods.


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. The PMI remained well above the no-change mark of 50.0 in February, posting 55.6. That was down from 56.1 in January but still indicated a strong overall improvement in manufacturing operating conditions, and was greater than the average over the current 22-month sequence of strengthening conditions (54.7).

The volume of new orders rose for the twenty-first month in succession in February. Moreover, the rate of expansion remained sharp, despite easing slightly since the start of the year. Data signalled a slowdown in export markets, where new business increased at the slowest rate in six months. That said, firms still reported growth from European and non-European markets, and from Germany in particular.

Rising new business drove output higher in February, with growth slowing only slightly from January's six-month high. Despite strong output growth, backlogs of work rose for the twenty-first month running.

Firms added workers for the twenty-second month in a row in February. Moreover, the rate of job creation almost matched last November's 43-month record. Manufacturing employment has increased continuously since May 2013. Purchasing activity also expanded sharply, leading to the greatest lengthening in suppliers' delivery times since May 2011. Stocks of purchases rose slightly, but finished goods inventories continued to contract.

Downward pressure on prices was maintained in February. Average input costs fell for the second month running, linked to lower oil and steel prices. This resulted in a second consecutive monthly decline in prices charged by manufacturers for finished goods. That said, the rates of reduction in both cases eased since January and were marginal.

### Comment

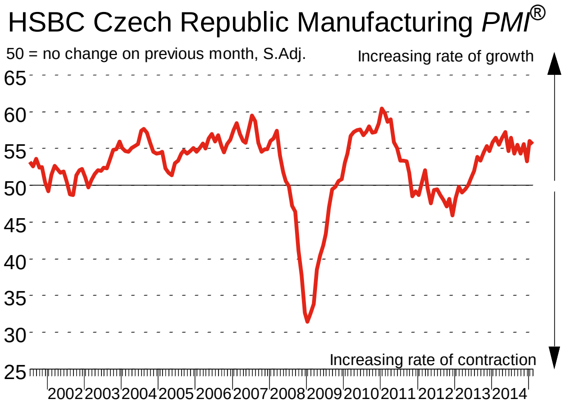
Commenting on the Czech Republic Manufacturing PMI® survey, Trevor Balchin, Senior Economist at Markit, said:

*"The latest PMI results underscore the Czech manufacturing sector's strong start to 2015. Expansion of output and new orders remained marked, despite moderating slightly since January. Producers also continued to benefit from falling input prices and were able to pass on lower costs to customers for the second month running. Moreover, the rates of reduction in both input and output prices eased from one month previously and were only marginal, suggesting that deflationary forces are in check."*

### Key points

- Manufacturing PMI continues to signal strong overall improvement in sector
- New orders and output rise sharply, albeit at weaker rates than in January
- Input and output prices both decline for second month running

### 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.

### HSBC:

HSBC is one of the world's largest banking and financial services organisations. With more than 6,200 offices in both established and emerging markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and, ultimately, helping people to fulfil their hopes and realise their ambitions.

We serve around 52 million customers through our four Global Businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 74 countries and territories in Europe, the Asia-Pacific region, the Middle East, Africa, North America and Latin America.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 in 129 countries and territories.

### About Markit:

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see www.markit.com.

### About PMI:

Purchasing Managers' Index® (PMI®) surveys are now available for 32 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