

HSBC Poland Manufacturing PMI

Growth of Polish manufacturing new orders slowed in January

Summary

HSBC survey data for the Polish manufacturing sector signalled an overall improvement in business conditions in January, in stark contrast to the marked contraction posted one year earlier. The headline HSBC Poland Manufacturing PMI® posted 51.0 in January, having been unchanged at a near two-year high of 52.4 in the previous month. Any figure greater than 50.0 represents an overall improvement in business conditions. The PMI remained above its long-run trend of 49.5 in the latest period.

Driving the overall growth of the sector in January was a fourth successive monthly rise in new orders received. The rate of growth slowed further since hitting a twenty-one month peak last November, but remained sharper than the historic trend.

Slower growth of incoming new work led to a faster decline in outstanding business in January. Backlogs have fallen continuously since April 2008, and the latest contraction was the fastest since last September. Overall, production rose for the sixth successive month, but at the slowest rate since last October.

Having posted the first monthly growth in over a year-and-a-half in December, manufacturing employment in Poland declined in the latest survey period. Workforce restructuring and a lack of new work were put forward by companies as the main reasons for lower headcounts during the month. However, the rate of job shedding was relatively modest compared to the trend seen over 2009 as a whole.

The overall volume of purchasing activity by manufacturers declined for the first time in four months. Although demand for inputs weakened, the survey showed a near-record lengthening in suppliers' delivery times during January, linked in part to exceptionally harsh weather.

Higher prices for metals and foodstuffs drove cost inflation at manufacturers during January. Average input prices have risen for the past six months. Meanwhile, manufacturers cut prices for their goods for the first time in three months, reflecting concerns over the near-term outlook for new orders and subsequent competitive pressures. The stronger zloty also weighed on pricing power.

Comment

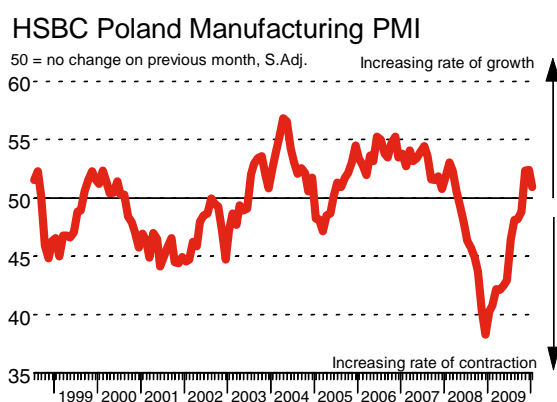
Commenting on the Poland Manufacturing PMI survey, Kubilay Ozturk, economist at HSBC, said:

"The headline PMI remained above break-even in January, but the momentum that prevailed in the last two months of 2009 appears to have lost some steam, with slower expansions in output and new orders. Domestic and external demand continued to improve over the month, albeit at a slower pace, particularly for the former. A decline in the employment index after a long-awaited rise in December confirms the labour market is not out of the woods yet, while the noticeable drop in output prices indicates a benign inflation environment ahead. Overall, the reading is a reminder that a straight-line recovery may not be that likely, although the Polish economy will continue to outperform its regional peers in 2010."

Key points

- PMI fell to 51.0, but remained above long-run trend.
- Employment fell slightly.
- Supplier delivery times lengthened at near survey-record rate.

Historical Overview



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Notes to Editors:

The HSBC Poland Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 200 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on regional and industry contribution to Polish Industrial Production. 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.

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