

HSBC Poland Manufacturing PMI

Polish manufacturing recovery regained momentum in February

Summary

HSBC survey data for the Polish manufacturing sector indicated renewed recovery momentum in February. Output, new orders and new export orders all rose at stronger rates. Having slipped the previous month, the headline HSBC Poland Manufacturing PMI® posted 52.4 in February. Any figure greater than 50.0 represents an overall improvement in business conditions. The latest figure was above the long-run trend of 49.6.

New orders received by Polish manufacturers rose for the fifth month in succession. The rate of growth picked up to a robust level that was comfortably faster than the eleven-and-a-half year average for the survey. Data signalled similarly marked increases in new work from domestic and export markets.

Growth of new business supported a seventh straight monthly increase in production. The rate of growth was the second-fastest since July 2007, and well above the long-run survey average. Despite this, the volume of outstanding work continued to decline, suggesting spare capacity remained in the aftermath of the steep contraction in demand posted over the second half of 2008 and first half of 2009.

With outstanding workloads continuing to fall, manufacturers made further cuts to workforces in February. Employment in the sector has declined in every month since May 2008, with the exception of a modest rise last December. That said, the rate of workforce contraction was weaker than in January.

Purchases rose for the fourth time in five months in February, underlining the recovery in the manufacturing sector. The rate of expansion was the fastest since March 2008, although survey data again pointed to substantial delays in the delivery of items by suppliers.

Average input prices rose for the seventh month running, reflecting higher costs for metals, rubber and paper. That said, the rate of inflation was the slowest since last October and below the historic survey average.

Manufacturers continued to cut output prices on average. Moreover, the rate of decline was sharper than in January. A number of companies stated that they had lowered export prices to offset the stronger zloty versus the euro.

Comment

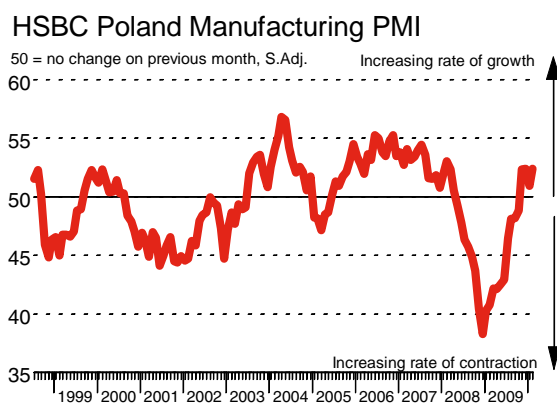
Commenting on the Poland Manufacturing PMI survey, Kubilay Ozturk, economist at HSBC, said:

"Polish manufacturing output growth picked up pace in February with notably better new orders domestically and externally, compared with last month. Companies increased their purchasing at the fastest pace in nearly two years, which bodes well for sustaining a wide-scale recovery. More jobs were shed, however, after an increase in December, indicating the possible downside risks for private consumption associated with the lagging response of the labour market to the downturn. Output prices retreated further, given sub-par domestic demand and reduced competitiveness with a firmer zloty, suggesting inflation is unlikely to be a problem in the near future. All in all, the renewed upward momentum is welcome."

Key points

- PMI rose to 52.4, as new orders and output grew at faster rates.
- Employment continued to fall.
- Charges for manufactured goods fell at sharper pace.

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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