

HSBC Poland Manufacturing PMI™

Polish manufacturing output grew at faster rate in August

Summary

HSBC survey data compiled by Markit covering Polish manufacturing pointed to the strongest overall improvement in operating conditions in the sector for over three years in August. The headline HSBC Poland Manufacturing PMI™ is a composite index derived from five indices – new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 represents an overall improvement in business conditions. The PMI posted 53.8 in August, up from July's six-month low of 52.1. The latest reading was the highest since July 2007, signalling a solid improvement. The current period of readings above 50.0 now stretches to ten months.

Growth of incoming new business in the Polish manufacturing sector strengthened in August. The rate of expansion equalled the recent high seen back in November 2009, and remained well above the long-run survey average. Domestic demand was a key contributing factor to the improved intake of new orders during the month, as growth of new export business slowed to the weakest since last October.

Driven by faster growth of new work, production increased at the fastest rate since March 2007. Manufacturing output in Poland has risen continuously since August 2009. The strong gain in new business also led to an increase in backlogs.

The underlying improvement in Polish manufacturing business conditions in August was illustrated by a rise in jobs in the sector. This was only the third time since May 2008 that employment had risen overall, although the pace of job creation was only marginal in August.

Manufacturers continued to raise their purchasing in August. The latest increase contributed to pressure on suppliers, whose delivery times lengthened sharply during the month. Logistical difficulties associated with the recent flooding also led to delays.

A wide range of inputs were reported to have increased in price during August. These included steel, copper, plastics, oil, cereals, wood and paper. The overall rate of input cost inflation eased for the third month running, but remained sharp. Sustained marked increases in average purchasing costs led manufacturers to raise their output prices in August.

Comment

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

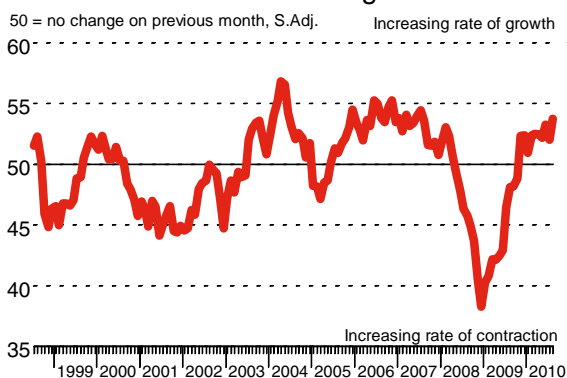
"Headline manufacturing PMI firmed in August after moderating in July. The good news is that the improvement apparently resulted from domestic demand. Growth in export orders softened over the month as competition intensified among regional exporters, which was manifested in the recent upbeat export performance in Hungary, while PLN appreciation until recently may have played a role here as well. Domestic consumption was the main factor in Poland's avoiding recession in 2009, and an improved labour market (in seasonally adjusted terms, too) and double-digit growth in industrial production confirm another year of Poland's economic outperformance of the region. On inflation, pass-through from the cost side appears to have continued in August, with output prices rising since April. That helps justify the focus of the Monetary Policy Council of the National Bank of Poland on inflationary risks, but a wait-and-see approach still predominates among rate-setters."

Key points

- PMI rose to thirty-seven month high of 53.8.
- Production grew at fastest rate since March 2007.
- Cost inflationary pressures moderated further, but remained strong overall.

Historical Overview

HSBC Poland Manufacturing PMI



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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.

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:

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