

## HSBC Poland Manufacturing PMI™

Output continued to surge as early winter disrupted supply chains

### Summary

Poland's manufacturing economy remained on an impressive growth path at the end of 2010, according to the latest HSBC survey data compiled by Markit. The headline HSBC Poland Manufacturing PMI™, a composite single-figure indicator of manufacturing performance, rose to 56.3 in December, from 55.9 in November. The latest figure pointed to the best overall performance of the sector since May 2004, and was the third-highest reading since the series started in June 1998. Any figure greater than 50.0 signals an improvement in operating conditions.

The overall rise in the headline PMI masked a slower gain in new orders. The latest rate of new business expansion was the softest in three months. However, data for the fourth quarter as a whole pointed to the steepest trend growth since Q2 2004. New export business rose at the second-fastest rate in the survey history in December, with companies reporting demand from German and Eastern European markets in particular.

Despite slower overall growth of new orders in December, production rose at one of the fastest rates in the survey history. The current strength of market conditions was also highlighted by a third successive monthly increase in backlogs of work.

Manufacturers took on additional staff at a faster rate in December. Employment growth was the second-strongest since March 2008, and extended the current sequence of rising headcounts to five months.

The early onset of severe winter weather was highlighted as having contributed to longer supplier delivery times. The rate at which times increased was the greatest signalled by the series to date. Compounding pressure on suppliers was the steepest increase in purchasing activity by manufacturers since May 2004.

Input price inflation remained sharp in the context of historic survey data in December. The latest increase in average input prices was also steeper than the trend seen over 2010. Metals, plastics, glass and paper were all reported to have become more expensive. Manufacturers' charges rose sharply as a result, with the rate of output price inflation the second-strongest since February 2008.

### Comment

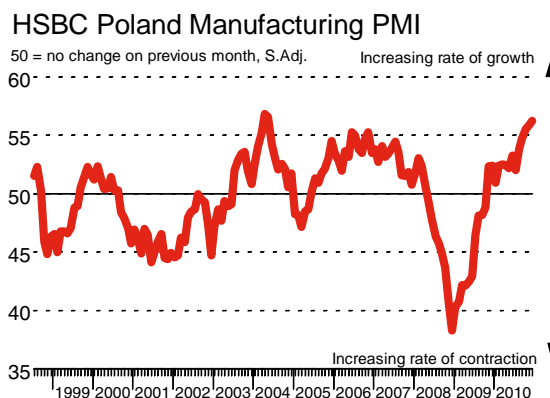
Commenting on the Poland Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

*"The composite PMI index rose to 56.3 in December from 55.9 in November, as manufacturing conditions improved for the fourteenth consecutive month. Output and new orders indexes both rose at a slower pace than November, while the new export orders index rose faster when compared to the previous month. Details suggest that companies reported stronger demand from Germany and Eastern Europe in particular. This is an encouraging trend as Germany buys approximately a quarter of Poland's total exports versus some 7% share of the Central and Eastern European countries. Employment conditions continued to improve in December. Monthly enterprise employment data published by the local statistical office reflect a similar improvement trend, with nine consecutive months of positive job creation. Input and output prices both rose at a faster pace this month, but the acceleration was much stronger in output prices. Supply-side price pressures (which can be exacerbated by the rise in global commodity prices) on manufacturer prices remain a medium-term risk factor."*

### Key points

- PMI rose further to 56.3, third-highest in survey history.
- Survey-record lengthening of suppliers' delivery times reflected harsh weather.
- New export orders rose at second-fastest rate in survey history.

### 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.

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).

### HSBC:

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### About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become 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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