

HSBC Poland Manufacturing PMI™

Growth of new export orders accelerated to record pace in January

Summary

Poland's manufacturing economy continued to expand at a rapid rate at the start of 2011, according to the latest HSBC survey data compiled by Markit. The stand-out figures from the latest survey were series-record increases in new export orders and input prices.

The headline HSBC Poland Manufacturing PMI™ eased to 55.6 in January, from December's near-record 56.3. The latest figure was the joint-fifth highest to date. The PMI is a composite single-figure indicator of manufacturing performance, tracking changes in 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 slight fall in the headline PMI masked a faster gain in new orders received by Polish manufacturers in January. The rate of growth just failed to match November's high, but was still sharper than in any other period since May 2004. Data suggested that the export market was a key driver of growth, as new export orders rose at the fastest rate in the survey history.

Manufacturing output growth remained sharp in the context of historic survey data in January, despite easing to a four-month low. The current sequence of expansion now stretches to eighteen months.

Inflationary pressures surged in January. Input cost inflation accelerated rapidly, to the fastest indicated by the survey to date. Firms reported a combination of rising raw material prices at suppliers and the effects of recent VAT hikes. Meanwhile, manufacturers' output prices rose at the fastest rate since June 2004.

Faster gains in new work led to a further build-up of capacity pressures in January. Backlogs of work increased for the fourth consecutive month, and at the strongest rate since January 2007. The latest accumulation of incomplete business transpired despite a sixth successive monthly expansion of the workforce.

Pressure on manufacturers' suppliers also remained acute at the start of the year. Suppliers' delivery times lengthened markedly, linked to a combination of strong demand, supply shortages and extreme winter weather conditions.

Comment

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

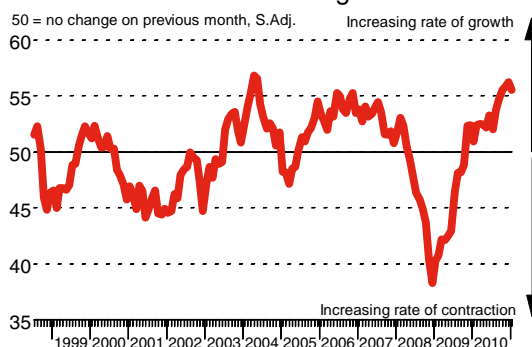
"The manufacturing PMI index recorded at 55.6 in January, slightly below 56.3 level in December, though still suggesting that manufacturing sector has been expanding for a fifteenth consecutive month. Output also rose at a slower pace than December, while new orders and new export orders both increased at faster rates. The new orders index rose to 58.1 (from 56.2), while the new export orders index reached its highest level to date with a 59.5 print. Employment rose at a marginally slower pace when compared to December, but remained firmly in expansionary territory. Most notably, the input price index soared by an eye-popping 11.9 points to 78.0 in January – the highest level in series history. This sharp increase most likely reflects the recent rally in global commodity prices as well as the VAT hike. Output prices also increased (to 58.9 from 56.8 in December), reaching their highest level since June 2004. The evolution of the output price index going forward will provide clues on whether or not producers will reflect the impact of rising input costs in their final prices. As the recovery in Poland gains pace, the output gap is closing, hence pipeline cost pressures in the manufacturing sector may filter through to price pressures across the economy."

Key points

- PMI fell for first time since July 2010, but remained strong at 55.6.
- Survey-record rise in new export orders.
- Input price inflation surged to record rate.

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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