

## HSBC Poland Manufacturing PMI™

Growth of Polish manufacturing production eased in February

### Summary

Poland's manufacturing economy continued to expand mid-way through the first quarter, according to the latest HSBC survey data compiled by Markit. The headline HSBC Poland Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – posted 53.8 in February, indicative of a robust overall improvement in business conditions. Any figure greater than 50.0 represents improvement. The reading was the sixteenth positive figure in successive survey periods but was the lowest in six months.

The fall in the headline figure in February primarily reflected a slower rise in incoming new orders. The latest data marked the steepest slowdown in new business growth since November 2008, and the overall rise was the weakest since last July. That said, new orders have risen every month since October 2009. Data signalled that new export business rose at a stronger pace than domestic new work.

Production rose for the nineteenth successive month in February. In line with the trend seen for new orders, the rate of expansion moderated. That said, it remained sharper than the average seen over the current sequence of growth.

Backlogs of work grew for the fifth month running, but at a reduced rate. This reflected slower gains in new business, and a faster rate of workforce growth. Employment increased for the seventh successive month, and the pace of job creation accelerated to the joint-fastest in over three-and-a-half years.

Cost pressures faced by Polish manufacturers remained intense in February. The rate of input price inflation eased from January's survey record, but was nevertheless the third-fastest in the series history. Metals were widely reported as being up in price, while energy and transport costs also increased. In response, firms increased their prices charged at the fastest rate since May 2004.

Suppliers to Polish manufacturers remained under pressure in February, as average input delivery times lengthened further. That said, the deterioration in vendor performance in the latest period was the least marked since last April. This partly reflected slower growth of purchasing activity by manufacturers.

### Comment

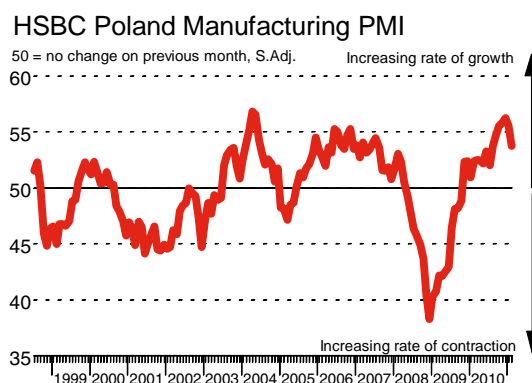
Commenting on the Poland Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

*"The headline PMI index came in at 53.8 in February, showing that manufacturing conditions improved for a sixteenth consecutive month in Poland despite some slowdown from January. Output, new orders and new export orders all rose at a slower pace than January, but remained firmly in expansionary territory. The most notable improvement was in the employment index, which reached its highest level since July 2007. After rising to a series high in January, the input price index fell – but was still the second highest level since the series began. At the same time, the output price index rose, reaching its highest level since May 2004. In January, firms had reported that the impact of the 1pvt VAT hike and rising raw material prices were pushing up their input prices: the jump in February's output price index points to a relatively quick transmission mechanism from input, to output, and eventually, to consumer prices. This would also be in line with the fact that the output gap is closing rapidly in Poland. With robust domestic demand, producers have little incentive to absorb higher costs into their profit margins, which makes second-round effects from rising commodity (and other input prices) more likely."*

### Key points

- PMI remained comfortably above neutrality, but fell further to six-month low of 53.8.
- New order growth slowed sharply.
- Output price inflation highest since May 2004.

### 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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