

HSBC Poland Manufacturing PMI™

Polish manufacturing sector regained momentum in March

Summary

The latest HSBC survey data compiled by Markit signalled a faster pace of manufacturing expansion in Poland in March. Having slowed in February, the rates of growth for output, new orders and input purchases all accelerated in the latest period.

The headline HSBC Poland Manufacturing 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. Rising to 54.8, the PMI regained positive momentum after slipping to a six-month low of 53.8 the previous month. The trend level over the current seventeen-month sequence of growth, of 53.6, is well above the historic average for the series (49.9).

New business rose for the eighteenth month running, and at a strong rate compared to the historic survey trend. Anecdotal evidence reported improving domestic demand, while growth of new export orders remained robust despite easing to the weakest since last September. Production growth was maintained and, having slowed since last November's six-and-a-half year high, the rate accelerated in March.

Underlining the positive direction of the sector in March was a faster increase in purchasing activity. The rate of expansion equalled December's six-and-a-half year high, and the current sequence of growth was extended to fourteen months. Suppliers' delivery times continued to lengthen at a marked rate as a result.

Backlogs of work rose in March, leading manufacturers to continue expanding their workforces. The rate of job creation eased slightly, but was nevertheless strong in the context of historic survey data.

Input price inflation remained rapid in March. The rate of inflation slowed for the second month running from January's survey record, but was nevertheless the fourth-highest in the survey history. Survey respondents reported a wide range of inputs up in price, including metals, fuel, chemicals and wood products. As a direct result of greater costs incurred by manufacturers, output price inflation accelerated to the highest since May 2004.

Comment

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

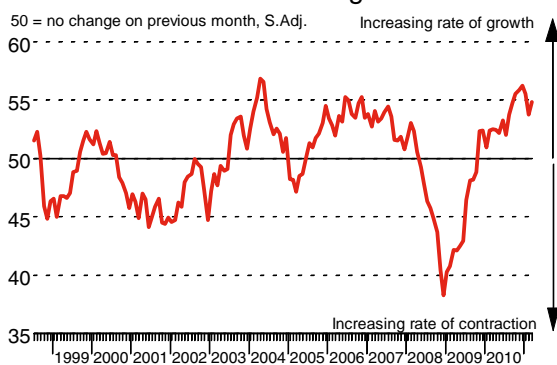
"The headline PMI rose to 54.8 in March, after a mild slowdown in February. The output and new orders indexes rose at a faster pace when compared to February, while the new export orders index lost some pace when compared to a month ago. After reaching its highest level since July 2007 in February, the employment index slowed down a touch in March, but continued to improve. Suppliers' delivery times were also longer in March, which reflects both stronger demand by businesses and a shortage of raw materials, as reported by suppliers. Despite the rise in the quantity of purchases index, stocks of purchases fell from its February level. The input price index retreated from its February level, but still remained high in March. In fact, the March print was the fourth highest in the series history. The output price index also saw its fourth highest level in March. The lag time between a rise in the input price index and a rise in the output price index is relatively short in Poland, which suggests that there remains little slack in the economy. In terms of implications for monetary policy, February's retail sales and industrial production figures were also quite strong which, along with rising price pressures, argue for continued policy tightening at a gradual pace."

Key points

- PMI rebounded from February's six-month low to post 54.8.
- Output, new orders and purchases all grew at faster rates.
- Price pressures remained substantial.

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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About Markit:

Markit is a leading, global financial information services company with over 2,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see www.markit.com.

About PMIs:

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