

HSBC Poland Manufacturing PMI®

Polish manufacturing production rose at slower pace in May

Summary

HSBC survey data for May, compiled by Markit, signalled a further overall improvement in manufacturing business conditions in Poland. But the pace of growth slowed markedly, with output, new orders and input buying all rising at weaker rates compared to April.

The headline HSBC Poland Manufacturing PMI® – a composite single-figure indicator of manufacturing performance, tracking changes in new orders, output, employment, suppliers' delivery times and stocks of purchases – fell from 54.4 in April to 52.6 in May, the lowest since last July. That said, the PMI has been above 50.0 – signalling overall growth – for nineteen months in a row, and remained above its long-run average in the latest period.

New order inflows continued to rise in May. That said, the rate of expansion slowed to the weakest since July 2010. Moreover, new export orders barely rose at all compared to April.

The slower rise in new orders resulted in a moderation of output growth in May. The pace of expansion has slowed three times so far in 2011, and the latest data signalled the weakest growth since last July. Nevertheless, the rise remained sharp in comparison to the long-run survey average.

May data signalled a substantial easing of cost inflationary pressure in the manufacturing economy. The rate of input price inflation slowed for the fourth month running – and to a greater extent than in any previous survey period – to the weakest since last August. That said, it remained steeper than the long-run survey average, reflecting supply shortages.

The rate at which manufacturers raised their prices also slowed sharply in May. Output price inflation eased for the second month running, to the weakest since last November.

Manufacturing employment in Poland rose at the fastest rate in three months in May, despite the weaker rise in production. Workforces have expanded on average for the past ten months.

The rate of purchasing growth slowed in May. The latest expansion was the weakest since last August. Even so, suppliers' delivery times continued to lengthen during the month.

Comment

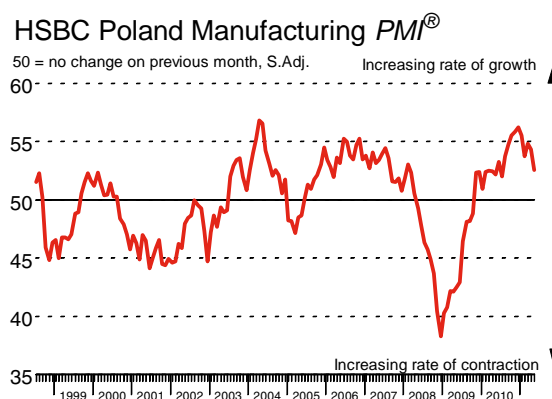
Commenting on the Poland Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

"The headline PMI index slowed to 52.6 in May, but remained in expansionary territory for the nineteenth consecutive month. Output, new orders and new export orders all expanded as well, but at slower rates than a month earlier. May saw an unusually sharp slowdown in the pace of input price growth. The rise in output prices also lost some pace. It is reasonable to expect this index to show further moderation in the upcoming months, reflecting the change in input prices with a lag. The moderation in May's input price index suggests that commodity price related inflation could ease off in the near term, but underlying price pressures are likely to remain on an upwards trend. First quarter manufacturing production and retail sales figures suggest that the domestic-demand led recovery continues, so the NBP's decision to raise interest rates before second-round effects fully materialise appears prudent."

Key points

- Output and new orders grew at weakest rates for ten months.
- Input price inflation slowed sharply.
- Manufacturers continued to expand workforces.

Historical Overview



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Notes to Editors:

The HSBC Poland Manufacturing *PMI* 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:

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