

Embargoed until: 09:00 (WARSAW), 1 September 2011

HSBC Poland Manufacturing PMI®

Domestic demand driving Polish manufacturing expansion in August

Summary

HSBC PMI® survey data for August, compiled by Markit, signalled an ongoing strengthening business climate in Poland's manufacturing sector. Output growth slowed for the third time in four months, however, primarily reflecting a third successive monthly decline in new export orders as the domestic market continued to underpin expansion.

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. The PMI resumed a downward course in August, but remained above the no-change mark of 50.0. The latest figure of 51.8, down from July's three-month high of 52.9, was the second-weakest since January 2010 but greater than the long-run average of 50.0.

New business growth was maintained for the second month running in August, at a rate little-changed from that seen in July. Data indicated that the domestic market had underpinned expansion, as new export business declined for the third month running despite a weakening of the zloty during the month.

Polish manufacturers raised output for the twenty-fifth consecutive month in August. The rate of growth was solid, albeit the second-weakest since October 2009. Manufacturers made inroads into backlogs of work for the third successive survey period.

As has been the case since August 2010, manufacturing employment in Poland rose during the latest survey period. That said, the rate of jobs growth eased for the third successive month to a marginal pace.

August data signalled a further moderation in inflationary pressure on firms' input costs. Input price inflation slowed for the seventh month running from January's record high, to the weakest since March 2010. The latest easing took the rate broadly in line with its historic survey average. Firms reported that the weaker zloty had contributed to upward pressure on input prices during the month. Meanwhile, prices charged for manufactured goods rose at the strongest rate in three months, extending the current sequence of output price inflation to 17 months.

Comment

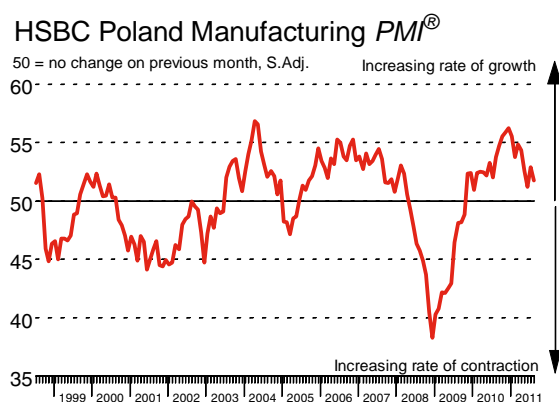
Commenting on the Poland Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

"Manufacturing sector performance in Poland has been volatile in the past few months. After two months of deceleration, activity growth gained pace in July, but has since decelerated again in August. Output and new orders were both in expansionary territory, but the latest growth rates were below this year's averages for both. The weakness in new export orders continued, evident in the third consecutive month of contraction in a row. The performance of the employment index had been mixed until recently, but August saw a third consecutive month of deceleration, with the index dropping close to the no-change threshold. In general, the PMI survey results for August are painting a rather mixed picture. On the one hand, weakness in export orders points to a continued deterioration in the foreign demand outlook. But the new orders index has been relatively healthy for the past two months, suggesting that still-robust domestic demand is picking up some of the slack. Job creation has also been unimpressive, but this has apparently not yet been reflected in official statistics. Only the inflation outlook offers a clearer picture. Input price inflation slowed for the seventh month, while output price inflation picked up some pace from July's eight-month low."

Key points

- Overall new orders rise in spite of further decline in new export business
- Output growth eases
- Input price inflation slows for seventh month running

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 industry contribution to Polish GDP. 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.

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