

## HSBC Poland Manufacturing PMI®

Polish manufacturing sector stagnates in September

### Summary

HSBC PMI® survey data for September, compiled by Markit, provided new evidence of faltering growth in Poland's manufacturing sector. Production rose at the slowest rate in nearly two years, reflecting a stagnation in new business inflows.

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 signalled a negligible overall improvement in the business climate in September, falling to 50.2. That was the seventh decline in the first nine months of 2011, a marked retreat from the strong improvement seen in December 2010. The five component sub-indices of the headline figure were all at or close to neutrality during the latest period.

The rate of output growth weakened in September, to the slowest since October 2009. Moreover, new orders, a forward-looking indicator, suggested that growth of output would weaken further in Q4 2011. Data indicated a broadly flat trend since August, following two months of solid expansion. New orders from export markets declined at the fastest rate since June 2009, despite the weakening of the zloty.

The fragile business climate in the manufacturing sector was further highlighted by a solid fall in outstanding work in September. Backlogs have declined for four successive months, and the latest drop was the second-steepest since January 2010.

Growth of manufacturing employment slowed again at the end of the third quarter. Those firms who held positive expectations and expanded workforces were mostly offset by those who faced pressure to cut costs and trimmed headcounts accordingly.

Inflationary pressure on firms' costs remained sharp in September, mainly reflecting upward pressure on import prices from the weaker zloty. The rate of input price inflation accelerated slightly, having retreated during the previous seven months from January's record high. But competitive pressures restricted firms' ability to pass on greater cost burdens, as prices charged for Polish manufactured goods rose only marginally.

### Comment

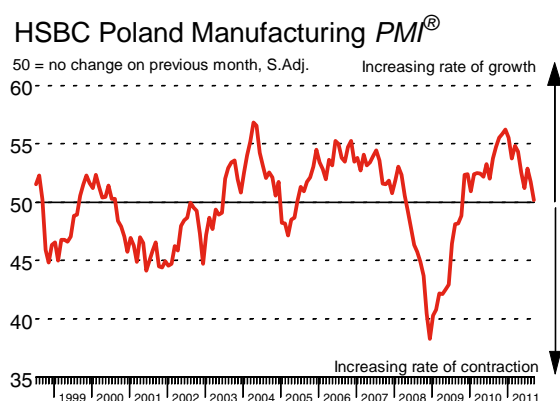
Commenting on the Poland Manufacturing PMI survey, Madhur Jha, Global Economist at HSBC, said:

*"The weakness in Polish manufacturing conditions is becoming more evident. The PMI index has remained in expansionary territory since the beginning of the year, but it only gained pace in two months, and decelerated in seven. In September, the index recorded its slowest rate of improvement since October 2009. Perhaps more worrying, the employment index, a gauge of long term expectations, has been losing pace for the past four months, and is now barely above the expansion threshold. Official enterprise employment data published by the Statistical Office has also lost pace in the past few months – the annual rate of growth declined from a recent high of 4.2% in February to 3.1% in August. The input price index gained pace for the first time in September after seven months of deceleration. Both the input and the output indexes are still in inflationary territory. In its most recent sitting, the National Bank of Poland emphasised downside risks to growth (as evidenced by the softening in the PMI activity indicators), but did not adopt an overtly dovish bias. The fact that the input price index remains above its long term average suggests that cost-side pressures have not entirely disappeared. With inflation running above-target, and likely to rise further with commodity price increases and FX pass-through, the MPC's decision to retain a hawkish bias appears prudent."*

### Key points

- Output growth slows further as new orders register flat trend
- New export orders fall solidly
- Employment growth remains marginal

### Historical Overview



## For further information, please contact:

### HSBC

Madhur Jha

Global Economist, HSBC Bank plc.

Telephone +44 20 7991 6755

Email madhur.jha@hsbcib.com

Magdalena Ujda, Communications Manager, HSBC Bank Polska SA

Telephone +48-22-354-0644

Email magdalena.ujda@hsbc.com

### Markit

Trevor Balchin, Senior Economist

Telephone +44-1491-461-065

Email trevor.balchin@markit.com

Rachel Harling, Associate, Corporate Communications

Telephone +44-207-064-6283

Email rachel.harling@markit.com

### 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](mailto:economics@markit.com).

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### About PMIs:

*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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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