

HSBC Poland Manufacturing PMI®

Manufacturing output rises at fastest rate in three months in October

Summary

HSBC PMI® survey data for October, compiled by Markit, signalled that Poland's manufacturing sector avoided contraction at the start of the final quarter. Output expanded at the fastest rate in three months, as new business returned to growth despite ongoing weakness in export markets.

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. The PMI rose from September's 50.2 to 51.7. That said, it was below the trend over the current two-year period of improvements in business conditions (53.2).

October's improvement in business conditions was underpinned by a rise in incoming new work compared with one month previously. That followed a fractional decline in September. The domestic economy supported growth in new orders as new contracts from export markets fell for the fifth successive month, albeit at a slower rate.

Manufacturing output rose for the twenty-seventh successive month in October, and at the fastest rate since July. The pace of expansion was stronger than the increase in new business and, reflecting this, the volume of outstanding work fell at the fastest rate since September 2009.

Poland's manufacturing sector continued to create jobs in October. The workforce expanded for the fifteenth successive month and, in line with the trend for output, at the fastest pace since July.

Polish manufacturers' input prices rose sharply in October. Many firms highlighted recent zloty weakness as having led to higher import costs. The rate of input cost inflation was the fastest in five months, and greater than the survey's long-run average.

Prices charged by Polish manufacturers rose for the nineteenth month in succession in October. The rate of inflation accelerated from September's marginal pace, and was sharp in the context of historic survey data. Firms commented on raising charges in response to higher raw material prices, which in turn were generated by currency pressures.

Comment

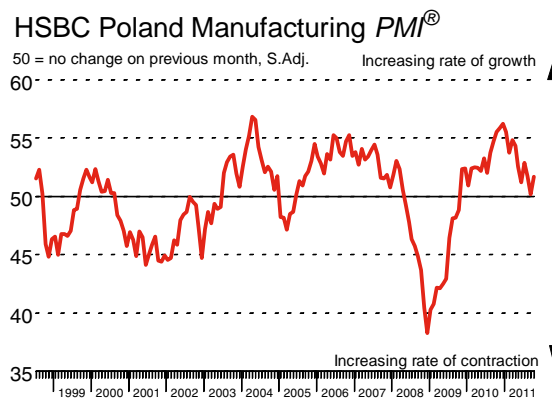
Commenting on the Poland Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

"After two months of slowing, manufacturing sector growth gained pace in October, with the PMI rising to 51.7 – above the series long term average. The improvement in output and new orders offset the weakness in export orders, which remain in contraction territory. After losing pace for four consecutive months, the employment index improved. Recent strength in the official production indicators also suggest that the weakness seen at the end of the second quarter is unlikely to turn into a sharp deterioration. After a 5.5% y-o-y rise in the second quarter, the sold production index was up by 5.8% in the third. Enterprise employment growth slowed from 3.7% in the second quarter to 3.1% in the third, but wage growth and the unemployment rate were steady. It appears that domestic demand strength in Poland is holding up, despite weakness in the global outlook. Both input and output prices were in inflationary territory, and both rose at a faster pace in October. If manufacturing activity continues to gain pace as it did this month, there is likely to be some pass-through from input to output to consumer prices. Potential cost-side pressure is also one of the reasons why the National Bank of Poland hasn't abandoned its hawkish stance."

Key points

- Stronger expansion reflects resumption of new business growth...
- ...but new export orders fall for fifth consecutive month
- Input price inflation at five-month high, driven by currency pressures

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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