# **HSBC Purchasing Managers' Index® Press Release**

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# HSBC Poland Manufacturing PMI®

# Manufacturing new order growth returns in January

## **Summary**

January PMI data compiled by Markit for HSBC highlighted a positive start to 2012 for Polish manufacturers. Having worsened towards the end of last year, business conditions improved at the strongest overall rate in six months in the latest period. This mainly reflected an increase in new orders, which in turn generated faster production growth and halted the decline in employment initiated one month previously. Inflationary pressures built up, with input and output prices rising at the fastest rates in nine and five months respectively.

After adjusting for seasonal variation, the HSBC Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) – a composite indicator designed to give a single-figure snapshot of operating conditions in the Polish manufacturing economy – rebounded strongly in January. It rose for the first time since October, and posted the third-steepest one-month gain in the survey history to 52.2, from 48.8. This signalled an overall improvement in the business climate for the first time in three months.

Central to the recovery in momentum in the sector in January was a resumption of new business growth. Having fallen at the fastest rate in two-and-a-half years in December, the volume of incoming new work increased at the sharpest pace since last August. Growth was also stronger than the long-run survey average. Survey data also signalled a robust increase in new export business, the first expansion for eight months. There was some mention of improving European demand in the latest anecdotal evidence from respondents.

The recovery in new order growth led to a faster rise in production in January. Data signalled the strongest rate of expansion since last July, and sharper growth than the long-run survey average. Continuous output growth has now been maintained for two-and-a-half years.

Input price inflation accelerated to a nine-month high in January. Firms reported higher prices for oil-related items in particular, and the effect of the weakening zloty on import prices in general. Prices charged for manufactured goods also rose at a faster rate, with the pace of inflation hitting a five-month high.

The volume of outstanding business continued to decline in January, partly reflecting falls in new orders in both November and December. Moreover, the rate of contraction in backlogs accelerated from December's marginal pace, despite the increase in new work in the latest period.

Polish manufacturing employment stabilised in January. Survey data indicated broadly no change on the month, following December's fall. A further sign of improving market conditions was a rise in the volume of inputs purchased by goods producers, following a two-month sequence of contraction. The rate of growth in purchasing activity was the fastest in seven months, but suppliers' delivery times lengthened only marginally. Stocks of purchases were little-changed compared to December levels.

#### Comment

Commenting on the Poland Manufacturing PMI<sup>®</sup> survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"This is a very strong reading - the third-steepest onemonth gain in the survey history — echoing recent upbeat comments on 2012 GDP growth outlook by Central Bank Governor Belka. It challenges concerns about a negative impact of the expected economic contraction in the eurozone this year. Accelerating inflation of input and output prices also supports increasing hawkishness of the Polish central bank."

### **Key points**

- Resumption of new business growth drives fastest rise in output since July 2011
- New export orders expand for first time in eight months
- Input price inflation accelerates to nine-month high

#### **Historical Overview**



Sources: Markit, HSBC.





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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*<sup>®</sup> (*PMI*<sup>®</sup>) 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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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