

HSBC Poland Manufacturing PMI®

Manufacturing stalls in February

Summary

February survey data compiled by Markit for HSBC signalled a stagnation of the Polish manufacturing sector in February, following a positive start to the year. New orders slipped back into contraction, resulting in only a marginal rise in production. Purchasing growth halted as stocks of materials built up, and input price inflation moderated. There was anecdotal evidence from survey participants that especially harsh winter weather had adversely affected business conditions.

The seasonally adjusted HSBC *Purchasing Managers' Index*® (PMI®) – a composite indicator designed to give a single-figure snapshot of operating conditions in the Polish manufacturing economy – equalled the no-change mark of 50.0 in February. That indicated no overall change in operating conditions at Polish manufacturers, and marked a retreat from January's six-month high of 52.2.

New orders contracted in February, following January's rebound. A number of firms linked lower new orders in the latest period to adverse weather conditions. New export orders also contracted during the month.

Production rose for the thirty-first successive month in February. However, expansion was largely sustained through the completion of existing contracts. Subsequently, backlogs of work fell and the rate of production growth slowed to a marginal pace.

February data indicated a broadly flat trend in purchasing activity by Polish manufacturers. This reflected growth of unused stocks of inputs, the stagnation in new order inflows and disruptions to delivery schedules from severe winter weather. Suppliers' delivery times lengthened at the fastest rate since last July.

The stagnation in business conditions in the Polish manufacturing sector was underlined by a renewed fall in employment in February. This was the second contraction in three months, following a 16-month period of continuous job creation.

Input price inflation weakened sharply in February. That said, the rate of inflation remained strong in the context of historic survey data, and firms continued to report rising prices for a range of raw materials including food, metals, paper and plastics.

Manufacturers raised their prices charged for final products in February, passing on part of their cost burden to clients. The rate of output price inflation eased slightly, and was broadly in line with the long-run series average.

Comment

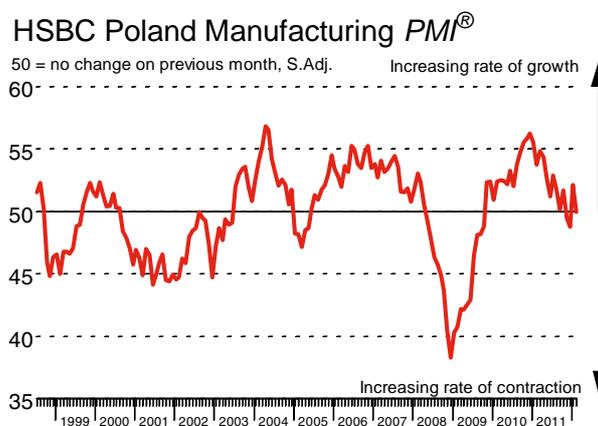
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The surprise improvement in the January PMI index is largely reversed in February. The fall of the headline index to the 50 point mark undermines the optimism brought by generally good data on economic activity released in the last month. The worsening of the PMI index is fairly broadly based, with negative corrections in three out of five of the index components. Additionally, the new export orders index dropped back below the no-change mark of 50. We continue to highlight slow employment growth as a downside risk to sustainability of the 4%+ GDP growth in 2011. In February the employment index dropped back to below the 50 point threshold, indicating a likely further extension of the trend of falling employment growth in place since the second quarter of 2011. Positively, both input and output price indices fell, supporting the moderate disinflation trend. On balance the February PMI index data fit with our expectations of a falling GDP growth rate and falling inflation through 2012 more so than the upbeat January reading of the index."

Key points

- New orders fall for third time in four months
- Output growth slows to marginal pace
- Input price inflation eases for first time since last August

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*[®] (*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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About PMIs:

Purchasing Managers' Index[®] (*PMI*[®]) 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

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