

HSBC Poland Manufacturing PMI®

Polish manufacturing business conditions deteriorate in April

Summary

The latest survey of the Polish manufacturing economy, compiled by Markit for HSBC, signalled an overall deterioration in business conditions in April, following a flat trend over the previous two months. The headline HSBC Poland Manufacturing PMI®, a composite single-figure indicator of manufacturing performance, fell from 50.1 in March to 49.2 in April. That signalled a slight worsening of overall business conditions in the goods-producing sector, following a neutral trend in the previous two months. The PMI has registered below 50.0 three times in the past six months.

Driving the overall deterioration in operating conditions in April was a decline in new business. The volume of new work has fallen for the past three months, and the latest contraction was the steepest since June 2009. Foreign demand remained weak, as new export orders fell in the latest period. New business from export markets has now declined nine times in the past eleven months.

The ongoing decline in new business flows to Polish goods producers resulted in a near-stagnation of production at the start of the second quarter. Output was little-changed from March, with the respective Index posting its second-lowest figure in two-and-a-half years. That said, production has not registered an outright contraction since July 2009.

Output was supported by work on outstanding contracts in April. Subsequently, backlogs of work fell for the eleventh month in succession, and at the fastest rate since last October.

In contrast to the deteriorating trends for output and new orders, manufacturers raised workforces on average in April. This followed a two-month sequence of job shedding. That said, the rate of employment growth was only marginal.

Goods producers cut purchasing volumes in April, the fifth decline in the past six months. Moreover, the rate of contraction was the second-strongest of the past 33 months. Consequently, stocks of inputs shrank at the fastest rate in five months.

Input price inflation eased to a seven-month low in April, but remained stronger than the long-run average for the survey. Firms reported a wide range of contributory factors, including raw materials, energy, fuel, taxes and wages. In contrast, prices charged for final manufactured goods rose only modestly, and at the slowest pace since last September.

Comment

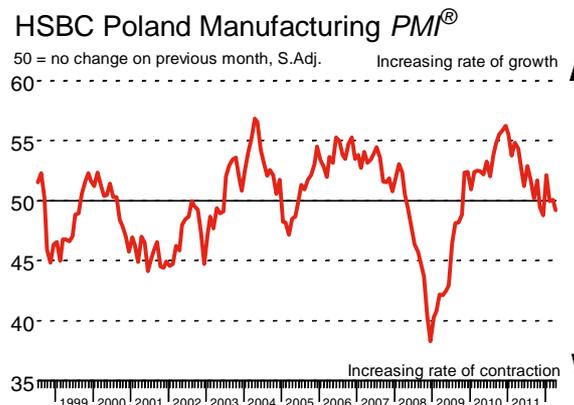
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The economy is slowing as marked most recently by very poor industrial production growth in March. The negative drag comes from the external environment with the new export orders underperforming the new orders index in the second half of last year and both falling to a lowest level since mid-09 in April. A marginal improvement of the employment index could indicate that while manufacturing is struggling for growth we could maybe see more consolidation at current low growth levels rather than growing contraction. Decelerating employment growth through 2011 was a negative factor weighing on growth expectations. It has consolidated in Feb-March 2012, though at a low level of 0.5% y-o-y. The latest unemployment data was better than expected. At 13.3% in March, the unemployment rate was the same as in March 2011 against slightly higher rate in Jan-Feb vs last year. These are tentative signs of some consolidation in the labour market following worsening trends in 2011. Downside risks still prevail though as highlighted by a decline in new business in the PMI survey."

Key points

- New orders fall at fastest rate since June 2009
- Output largely flat since March
- Cost pressures remain strong

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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