HSBC Purchasing Managers' Index® Press Release

Embargoed until: 09:00 (Warsaw), 1 June 2012

HSBC Poland Manufacturing PMI®

Sharp fall in new export orders weighs on Polish manufacturing sector

Summary

The latest survey of the Polish manufacturing economy, compiled by Markit for HSBC, signalled a second successive overall deterioration in business conditions in May. New orders declined further, with new export business notably weak, while output fell for the first time since July 2009, albeit marginally. Pressure on input prices remained strong despite easing further, while prices charged for manufactured goods rose only modestly – suggesting pressure on firms' margins.

The headline HSBC Poland Manufacturing PMI[®] is a composite single-figure indicator of manufacturing performance. The PMI fell to its lowest level of 2012 so far in May, posting 48.9, down from April's 49.2. That signalled a broadly similar rate of deterioration in business conditions as that seen at the end of 2011 (48.8). The output, new orders and stocks of purchases components all weighed on the headline figure in May, while suppliers' delivery times was broadly neutral and employment provided a marginal positive influence.

New business intakes fell for the fourth successive month in May. The rate of contraction eased slightly since April but, over the second quarter so far, the pace of decline is the sharpest since Q2 2009. The rate of contraction in new export orders accelerated to the fastest in nearly three years, despite the weaker zloty.

The ongoing decline in new work resulted in a marginal drop in manufacturing output in May. The contraction was the first registered since July 2009.

Backlogs of work declined for the twelfth month running in May. Moreover, the rate of contraction accelerated to the fastest since last October. The latest drop in backlogs was indicative of spare capacity in the sector.

Firms adjusted their purchasing operations down in line with lower output requirements. Input volumes fell for the fourth successive month, and stocks of purchases declined at the sharpest rate since last November.

The main bright spot from the latest survey findings was a sustained increase in employment at Polish manufacturers. That said, the rate of job creation was only marginal.

Cost pressures on manufacturers remained strong in May, partly linked by surveyed firms to the weaker zloty. Specific items reported up in price included chemicals, paper and steel. The overall rate of input price inflation was the weakest in nine months, but still strong in the context of historic survey data. In contrast, prices charged for final goods rose only modestly, reflecting competitive pressure.

Comment

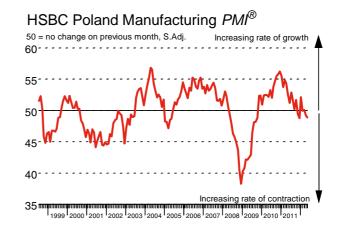
Commenting on the Poland Manufacturing PMI[®] survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"Having returned into the contraction zone in April the PMI index in Poland fell further in May. It has been driven by a weakening output and collapsing new export orders. The incoming Eurozone data points to this deterioration likely extending in the coming months. In May the pace of contraction of the new orders eased and employment index still points to growth but at slower pace. These are subject to downside risks though. Being a relatively closed economy the external weakness takes longer to impact Polish economy than it is the case for the Czech Republic or Hungary. However, given no signs of improvement in the situation abroad the impact of negative external impulses will grow. Fiscal policy is being tightened and only the monetary policy has the flexibility to respond to potential growth slowdown. For now this flexibility is constrained by an elevated inflation and the hawkish Monetary Policy Council. May PMI showed easing input prices growth but output prices inched higher."

Key points

- New export orders fall at fastest rate since June 2009, despite weaker zloty
- Output contracts marginally in first decline for nearly three years
- PMI below neutrality for second successive month

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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