HSBC Purchasing Managers' Index® Press Release

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compiled by markit

HSBC Poland Manufacturing PMI®

Polish manufacturing output falls at fastest rate in over three years

Summary

HSBC survey data compiled by Markit indicated an ongoing downturn in the Polish manufacturing sector in August. Moreover, the contraction deepened, as both output and new orders declined at sharper rates. Inflationary pressures remained weak, partly linked to the stronger zloty.

The headline HSBC Poland Manufacturing PMI® is a composite indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector. The PMI lost most of the ground regained in July, sinking to 48.3 in August. That was the second-lowest figure in 35 months, and signalled a fifth successive overall monthly deterioration in the business climate.

Survey data indicated another fall in new business received by Polish manufacturers. New orders have declined every month since February, and the rate of contraction accelerated in August. New export orders continued to decline at a faster rate than total new business, partly reflecting the stronger zloty.

Goods production in Poland fell for the fourth month running in August, and at the fastest pace in over three years. Backlogs declined for the fifteenth month running, and at the second-fastest rate over this sequence.

The volume of inputs purchased fell for the seventh month in succession in August. The rate of decline accelerated from July, but was not quite as sharp as June's three-year record. Firms linked lower purchasing to reduced output requirements and, correspondingly, stocks of inputs contracted for the fifth consecutive month.

The main bright point from the latest survey findings was a sustained expansion of the manufacturing sector workforce. August marked a fifth consecutive month of job creation, although the rate of growth slowed back to a marginal pace.

Average input prices fell for the second month running in August. Prior to July, input prices had risen every month since August 2009. That said, the respective index rose for the first time in seven months, to signal a slower rate of reduction in input prices.

Output prices charged by Polish manufacturers also fell for the second month in succession in August. Firms linked lower tariffs to competitive pressures and the strengthening zloty. The rate of reduction was unchanged from July's marginal pace, however.

Comment

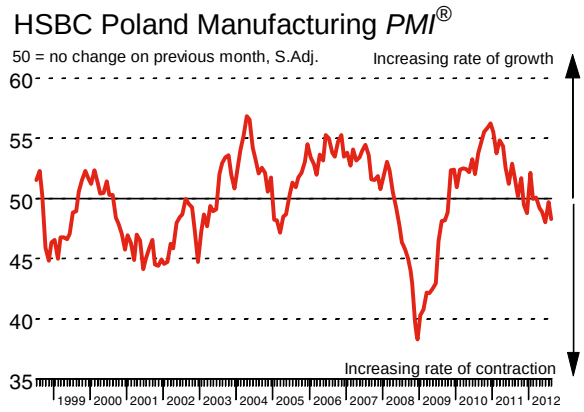
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The PMI index worsened in August and remained in contraction territory for the fifth consecutive month. The recovery in the previous month, which we took as a tentative sign of stabilisation, has now been followed by a broad based deterioration of all the components of the headline index. Falling output and new orders indices drove the decline of the headline index. The employment index, the last stronghold, has still held above the 50 points growth and contraction threshold but the continued deterioration in the manufacturing sector should finally drag the employment index into contraction zone as well in the coming months. Employment data from the statistical office already showed zero y-o-y growth and the trend is for further worsening. The PMI data amplifies the weakening trend observed for real activity indicators and puts increasing pressure for policy response in the face of a likely deeper than expected economic slowdown in the coming quarters."

Key points

- Output Index declines to 38-month low
- New orders fall for seventh month running
- Employment growth sustained, but at marginal pace

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