

# HSBC Poland Manufacturing PMI®

## Polish manufacturing downturn intensifies

### Summary

HSBC survey data compiled by Markit indicated an intensification of the downturn in the Polish manufacturing sector in September. Output, new orders and backlogs all declined at faster rates, while employment fell for the first time since March. Adding to manufacturers' woes was a rise in input prices, though the rate of inflation was modest.

The headline HSBC Poland Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. Any figure greater than 50.0 indicates overall improvement of the sector. The PMI moved further below 50.0 in September, posting 47.0. That signalled the worst overall performance of the goods-producing sector in Poland since July 2009. The current downturn in business conditions now stretches to six months.

Goods production in Poland declined in September at the fastest rate since June 2009. Output has fallen every month since May. Moreover, firms continued to work through existing backlogs during the month, as incomplete business declined at the fastest rate since March 2009.

Inflows of new orders deteriorated more sharply in September. The volume of new work has declined every month since February, and the rate of contraction in the latest period was the steepest since June 2009. New export business declined for the sixth successive month, with the pace unchanged for the second period running.

Firms adjusted purchasing lower in September in line with falling new orders. Input volumes declined for the eighth month running and stocks of purchases continued to contract.

In a further sign of spare capacity, employment declined for the first time since March, and at the sharpest rate of the year so far.

Average input prices rose for the first time in three months in September. That said, the rate of inflation was only modest, as the strong zloty helped to restrict import prices. Higher prices for oil and fuel in particular were highlighted as sources of growing cost pressures.

Prices charged for final manufactured goods declined for the third month running, partly linked to pressure on firms to reduce their export prices to remain competitive in international markets.

### Comment

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

*"The fall of the manufacturing PMI index towards crisis mid-09 lows is a negative surprise even compared to already negative expectations. The September survey showed deepening contraction of output and new orders as well as falling employment. This reading follows below-expectation industrial production growth in August and feeds expectations for this growth rate turning negative in September as forecast by the economy ministry. The negative growth showing in real activity data along with employment bordering on contraction and real wage bill growth already negative for the past couple of months are likely to push the Monetary Policy Council to deliver a first rate cut in November. The scale of the monetary policy easing in the upcoming cycle is still an open question as the leading indicators domestically and abroad, among them PMI, still give no indication of the economic slowdown bottoming out in the neat future."*

### Key points

- Output and New Orders Indexes both at 39-month lows
- Employment falls for first time since March
- Input prices rise for first time in three months

### Historical Overview



Sources: Markit, HSBC.

**For further information, please contact:**

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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 [economics@markit.com](mailto:economics@markit.com).

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