

# HSBC Poland Manufacturing PMI®

## Polish manufacturing business conditions deteriorate more slowly in December

### Summary

Operating conditions at manufacturers in Poland deteriorated further in December, according to HSBC survey data compiled by Markit. The current sequence of decline now stretches to nine months, but the pace of deterioration slowed further to the weakest since July. This mainly reflected weaker falls in output and new orders.

The headline HSBC Poland Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is 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 remained below 50.0 for the ninth successive month in December, but rose for the third month running to 48.5, indicating the weakest overall deterioration in operating conditions since July.

New orders continued to fall in December. The rate of contraction was only modest, however, and the weakest since July. The rate of loss in new export orders remained slightly sharper than that for total new work, but was the least marked in the current nine-month sequence of decline.

Production fell for the eighth month in a row in December, although the rate of decline was the slowest in five months. Output was again supported through the completion of outstanding business, which declined sharply.

Reduced output requirements led to a further cut in employment in Poland's manufacturing sector. The current run of job shedding now stretches to four months, though the rate of decline in December was only modest.

Continuing the trend shown since February, purchasing activity by Polish goods producers declined. Consequently, the volume of inputs held in stock contracted.

Average input prices rose for only the second time in the past six months in December. Upward pressure on manufacturers' cost burdens was linked to rising prices for cereals and chemicals. That said, the overall rate of inflation was only marginal as other raw materials, notably steel, were reported to have fallen in price. Meanwhile, goods producers reduced their output prices for the fifth time in six months, albeit only slightly.

### Comment

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

*"The PMI index points to the weakest pace of deterioration in the manufacturing sector since July. But it is still too early to say if it signifies a turnaround in the weakening trend or just a consolidation in the pace of deterioration. The risk, in the short term, is still skewed to the latter. Looking at quarterly averages the PMI index fell in Q4 to the lowest level since Q3 2009. The output index consolidated and the new orders index improved slightly in Q4 compared to Q3. The main drag was employment with the index falling to 47.6 in Q4 from 50.5 in Q3. Similarly in December both output and new orders improved while employment deteriorated. The labour market data could be an important barometer of the economic situation in the coming months. They could prove key in monetary policy decisions. Should labour market data show significant deterioration in Q1 2013 they might drive more aggressive policy response to top the 50bp rate cut in the last months of 2012 and the flagged and widely expected 25bp cut in early January."*

### Key points

- PMI still below 50.0, but highest since July
- Weakest drop in new export orders in current nine-month sequence
- Employment falls for fourth month running

### Historical Overview



Sources: Markit, HSBC.

**For further information, please contact:**

**HSBC**

Agata Urbanska  
Economist, Central & Eastern Europe  
Telephone +44-207-992-2774  
Email [agata.urbanska@hsbcib.com](mailto:agata.urbanska@hsbcib.com)

Magdalena Ujda  
Communications Manager, HSBC Bank Polska SA  
Telephone +48-22-354-0644  
Email [magdalena.ujda@hsbc.com](mailto:magdalena.ujda@hsbc.com)

**Markit**

Trevor Balchin, Senior Economist  
Telephone +44-1491-461-065  
Email [trevor.balchin@markit.com](mailto:trevor.balchin@markit.com)

Caroline Lumley, Corporate Communications  
Telephone +44-20-7260-2047  
Mobile +44-7815-812-162  
Email [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

**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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