HSBC Purchasing Managers' Index® Press Release Embargoed until: 09:00 (Warsaw), 1 February 2013

HSBC Poland Manufacturing PMI®

Polish manufacturing output stabilises in January

Summary

The downturn in the Polish manufacturing sector continued at the start of 2013, according to HSBC survey data compiled by Markit. That said, there were further signs of stabilisation, with output largely unchanged over the month and new export orders showing only a marginal reduction.

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 tenth successive month in January, but rose for the fourth month running to 48.6, indicating the weakest overall deterioration in operating conditions since last July.

The volume of new orders received by Polish goods producers fell for the twelfth month in succession in January. The rate of contraction was slightly steeper than that registered in December, but less marked than the average over the current sequence of decline. Survey data suggested that the domestic market was the main source of weakness during the month, as new export business showed only a marginal contraction. That said, anecdotal evidence continued to report weak demand from European markets in particular.

The level of manufacturing output in Poland was broadly flat in January compared with one month previously. That followed an eight-month sequence of decline. Production was partly supported through the completion of outstanding business, which declined at a marked pace. Final goods stocks fell only marginally, however, as firms reported delays in the despatch of some orders.

With new orders continuing to fall, manufacturers cut their workforces and purchases of inputs in January. Employment in the sector has fallen continuously since last September, and purchasing activity since February 2012.

Cost pressures faced by Polish goods producers eased in January, as average input prices fell for the fifth time in seven months. The rate of reduction reflected lower raw material prices, but was only marginal overall. Meanwhile, manufacturers' cut their output prices for the sixth time in seven months, and at the fastest rate since February 2010. Lower prices charged were linked to changing product ranges, weak demand and lower input costs.

Comment

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

"January manufacturing PMI points to stabilisation; positively away from the worsening trend of much of 2012 but it is still only a stabilisation of the rate of contraction, not an outright expansion. The output index showed close to unchanged production on the previous month which is positive following very weak December data including a 10.6% y-o-y fall in industrial production. The reading for new export orders improved though we are still talking about the weakest rate of contraction in recent months rather than expansion. Improving leading indicators in Germany should support new export orders in the coming months. The total new orders and employment indicators weakened further in January and highlight our bottom line that there is still a significant risk that the GDP growth in Q1 2013 will slow further compared to Q4 2012. Average input prices fell for the fifth time in seven months in January and output prices were cut for the sixth time in seven months, and at the fastest rate since February 2010. Declining inflationary pressure and weak growth should support further rate cuts by the central bank."

Key points

- Little change in production since December
- Weakest drop in new export orders in current tenmonth sequence
- Average input prices decline marginally

Historical Overview

HSBC Poland Manufacturing PMI®



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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