

# HSBC Poland Manufacturing PMI®

## Manufacturing PMI hits 45-month low in April

### Summary

Poland's manufacturers endured a steepening downturn in April, according to the latest PMI data from HSBC and Markit. Business conditions deteriorated at the strongest overall pace since July 2009, on the back of sharper declines in output and new orders. Input and output prices both fell markedly, with the rate of reduction in the latter hitting a new survey record.

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 remained below the neutral level of 50.0 for the thirteenth successive month in April, the second-longest negative sequence in over ten-and-a-half years. Moreover, the headline index fell for the second month running, to 46.9, the lowest level since July 2009. The downward movement in the PMI in the latest period reflected the output, new orders, suppliers' delivery times and stocks of purchases components.

The volume of new orders declined in April, continuing the trend shown since February 2012. The rate of contraction accelerated for the second consecutive month, to the fastest since last September. New export orders also fell, albeit at a slightly weaker rate than in March. New business from export markets has risen only once in the past 23 months.

Declining new orders impacted on production in April. Output declined for the twelfth month running, and at the fastest pace since June 2009.

In line with the trend shown since June 2011, backlogs of work in the Polish manufacturing sector declined in April, highlighting ongoing spare capacity. Moreover, the rate of contraction accelerated to the fastest since last November.

Polish manufacturing employment fell for the eighth successive month in April, the longest sequence of job shedding in nearly three-and-a-half years. That said, the rate of decline slowed to a modest pace that was weaker than the average over the current period of job cuts. Meanwhile, purchases of inputs by manufacturers declined at the fastest rate since June 2012.

Input prices fell for the fourth month running in April, and at the fastest rate since January 2009. Firms reported lower prices for metals, rubber and oil. Meanwhile, prices charged for final goods declined for the ninth time in ten months, and the rate of reduction hit a new survey record. Firms linked discounting to competitive pressure and lower raw material prices.

### Comment

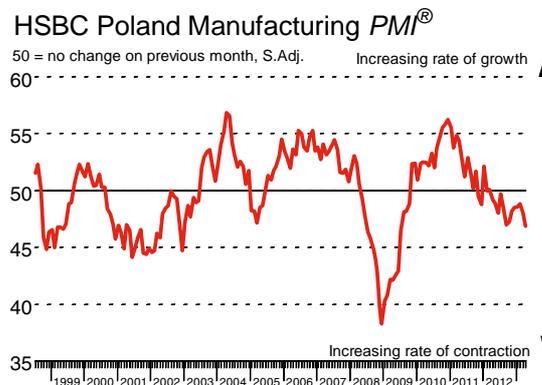
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

*"The April manufacturing PMI index delivers a significant disappointment. Having recorded a faint upward correction in Q1 compared to Q4 (index rose to 48.5 on average from 48.0) the index fell to 46.9 in April. The pace of deterioration of business conditions in manufacturing sector was the highest in April since July 2009! The deterioration was driven by falling output and new orders indices. New export orders remained weak though improved in April compared to March. But with German PMI correcting lower in March and April there is a downside risks building up for export orders. Input prices index fell strongly in April and implies more deflationary pressure coming through in the coming months. Weak activity data and weak leading activity indicators matched with below-expectations inflation will keep up pressure for further interest rate cuts. The Monetary Policy Council might be forced to consider reopening of the easing cycle even earlier than it implied i.e. ahead of the new inflation report due in July."*

### Key points

- Headline index falls further below 50.0 on back of steeper declines in output and new orders
- Sharp reductions in both input and output prices
- Purchasing activity declines at fastest rate in ten months

### 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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## About PMIs:

*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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](http://www.markit.com/economics)

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