HSBC Poland Manufacturing PMI®

Marginal increase in new orders leads to stable output trend

Summary

The Polish manufacturing sector edged closer to stabilisation at the end of the second quarter, according to the latest PMI data from HSBC and Markit. The volume of incoming new work increased for the first time since the start of 2012, leading to a broad stabilisation in the level of output.

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 registered below 50.0 for the fifteenth month in a row in June, signalling an ongoing period of deteriorating business conditions in the Polish goods-producing sector. The PMI rose for the second month running, however, to 49.3, from 48.0, indicative of only a marginal overall worsening in the business climate. The latest figure was the second-highest in the current sequence of sub-50.0 readings.

New order growth resumed in June, albeit at a marginal pace. Expansion was supported by higher new export orders – only the second increase registered in the sector for over two years.

The rise in new work did not generate an overall increase in production in June, partly reflecting ongoing destocking efforts at manufacturers. Final goods inventories declined for the fourth month running, and at the fastest rate since February 2011. The volume of output was broadly unchanged since May, and has not risen since April 2012.

Backlogs of work continued to decline in June, continuing the trend shown since June 2011. The rate of depletion slowed sharply, however, to the weakest since December 2011.

Goods producers remained under pressure to control costs in June. The manufacturing workforce shrank for the tenth month running as firms adjusted capacity in line with low workloads, and the volume of inputs purchased declined for the seventeenth consecutive month. In both cases, however, the rates of contraction were only marginal.

With demand for inputs remaining weak, the performance of suppliers improved overall during June despite some reports of problems associated with flooding. Suppliers' delivery times quickened for the third month in a row, albeit only fractionally.

Inflationary pressures remained weak in June. Average input prices fell for the sixth month running, the longest sequence of decline in over 11 years. Meanwhile, prices charged for finished manufactured goods fell for the seventh consecutive month. In both cases, however, the rate of decline eased since May.

Comment

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

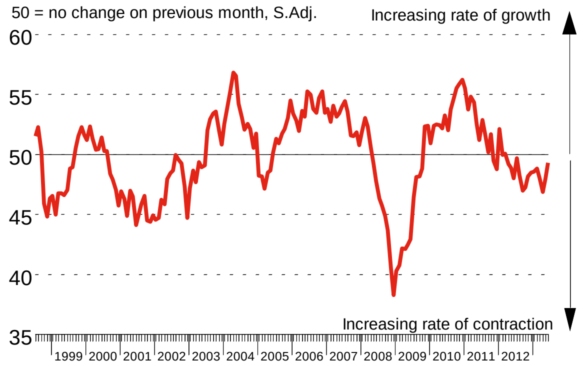
"The output PMI index bounced back to this year's January high of 49.9, pointing to near stabilisation after months of falling production. This time though it is also supported by growing new orders, for the first time since January 2012. Employment contraction is also slower than in January. This allows hoping that this improvement will not fade as it did in the first months of 2013. On average Q2 was weaker than Q1 but a stronger finish in June indicates better results in Q3. The bigger picture is that growth in the manufacturing is still bordering on contraction but June PMI reading suggests it might swing into growth in Q3. We assume the economy has bottomed in H1 2013 and a gradual though slow recovery will follow."

Key points

- First increase in new work since January 2012
- Employment falls for tenth month running
- Longest sequence of falling input prices in over 11 years

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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