

HSBC Poland Manufacturing PMI®

Acceleration in new business growth boosts output in July

Summary

Business conditions in the Polish manufacturing sector improved for the first time in over a year at the start of the third quarter, according to the latest PMI data from HSBC and Markit. A robust increase in new orders led to the first rise in production since April 2012, while firms also raised purchasing activity. Employment continued to fall, but the rate of job shedding remained marginal. Input prices rose for the first time in seven months, but at an historically weak rate, while manufacturers continued to cut output prices.

The headline HSBC Poland Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. The PMI rose for the third month running in July, from 49.3 to 51.1. The latest figure indicated an overall improvement in business conditions, ending a sequence of deterioration that stretched back to April 2012. Moreover, the PMI was the highest since January 2012, and greater than its long-run trend level of 49.9. The month-on-month uptick in the headline figure was the second-largest in 44 months.

New business intakes increased for the second month running, and at the fastest rate since August 2011. Data indicated that growth was supported through both domestic and export demand. The volume of international new business increased at the strongest rate since January 2012.

Renewed new business expansion led to an increase in output in July, ending a 14-month sequence of contraction. Firms also raised purchases of new inputs during the month, the first expansion registered since January 2012. That said, the volume of outstanding business continued to decline as spare capacity remained.

Polish goods producers continued to cut workforces on average in July, in line with the trend shown over the past 11 months. The rate of decline in manufacturing employment remained marginal, however.

Average input prices rose for the first time in seven months in July. Higher input costs were partly attributed to oil- and paper-related items. The overall rate of inflation was modest, however, and much weaker than the long-run survey average.

Polish manufacturers continued to face stiff competitive pressure for sales in July, and this was reflected in a further decline in average prices charged for finished goods. Output prices have declined every month since December 2012, although the latest reduction was the weakest over that period.

Comment

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

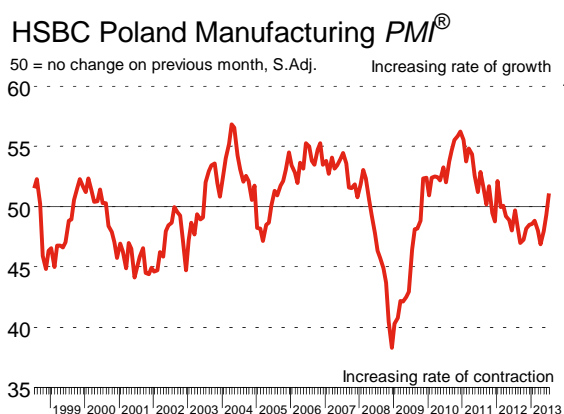
"The PMI index has importantly broken into the growth zone in July driven by strong output and new orders indices. The output index rose above the 50 points growth/contraction threshold for the first time in 15 months.

"That is matched by rising input prices and output prices falling at a slower rate. The reading will lend support, next to better industrial production and retail sales data in June, to the MPC's decision earlier this month to end the easing cycle. The PMI survey is yet another data piece that shows that the Polish economy has bottomed in H1 2013. Going forward the big question is about the pace of recovery. We remain cautious on this front and so seem to be the manufacturers in the PMI survey. The employment index remained below the 50 points threshold in July pointing to continued jobs shedding. Firms raised purchases of new inputs in July, for the first time since January 2012 but the stock of inputs as well as finished goods continued to decline albeit at a lower rate."

Key points

- Fastest rise in new orders since August 2011
- Production expands for first time since April 2012
- Input prices increase for first time in seven months

Historical Overview



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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