# **HSBC Purchasing Managers' Index® Press Release**

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# HSBC Poland Manufacturing PMI®

# Polish manufacturing recovery gains traction

### **Summary**

Business conditions in the Polish manufacturing sector improved at a strengthening pace in August, according to the latest PMI data from HSBC and Markit. Output, new orders, new export business and purchasing activity all grew at faster rates, and manufacturers increased employment for the first time in 12 months. Regarding inflationary pressures, input prices rose at a stronger rate, while output prices continued to decline.

The headline HSBC Poland Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. The PMI remained above the neutral threshold in August, and improved from 51.1 to 52.6. That signalled the first continuous improvement in business conditions in the manufacturing sector since October 2011, and to the greatest extent since July 2011. The three main components of the PMI - new orders, output and employment - all exerted positive contributions in August.

New order growth gained momentum in August. The rate of expansion accelerated to the highest since March 2011. Strengthening demand stemmed from both domestic and export markets, with firms reporting better economic conditions and improved competitiveness in export markets. The volume of new export business increased at the fastest pace since April 2011.

Stronger new order growth drove output higher in August. Manufacturing production in Poland rose for the second month running, following a 14-month sequence of decline. Moreover, the pace of expansion guickened to a 28-month record.

Higher output requirements prompted manufacturers to raise staffing levels in August. Employment in the sector increased for the first time in 12 months, albeit at a weak rate. This partly reflected a further decline in backlogs, which have fallen in every month since June

Latest survey data signalled a sharper increase in purchases of new inputs in August, to support rising output requirements. The rate of purchasing growth was the fastest since March 2011, in line with the trend shown for new orders. The volume of input stocks declined at a faster rate, however, reflecting the acceleration in output growth. Cost pressures in Poland's goods-producing sector picked up in August, with input prices rising at the fastest rate since June 2012. That said, it remained weak in the context of historic survey data. In contrast, output prices charged by manufacturers declined for the ninth month running in August, albeit at a modest rate.

#### Comment

Commenting on the Poland Manufacturing PMI® survey, Murat Ulgen, Chief Economist, Central & Eastern Europe and sub-Saharan Africa at HSBC, said:

"Polish manufacturing sector gained further momentum in August, recording the second consecutive month of expansion. Not only the headline, but also the forwardlooking details such as new orders and employment conditions were encouraging with the latter growing for the first time in a year. New export orders reached the highest level since April 2011 on signs of further improvement in its main trading partner, the eurozone's economic outlook. Input prices accelerated possibly on the back of a somewhat weaker Polish Zloty throughout the month, however output prices contracted at a slightly faster pace compared to the previous month, suggesting still weak price pressures in the economy. The improvement in Polish growth outlook could be traced in hard economic data as well such as strong sold industrial output and retail sales in July. Meanwhile consumer confidence in August also rose to its highest level in more than a year. While it is early to say whether this momentum could be sustained, there are reasons to be hopeful with the eurozone being out of its long recession as of the second quarter and Poland's resilience to a global liquidity shock given its low current account deficit and low inflation."

## **Key points**

- Stronger increases in output, new orders and new export business
- Employment grows for first time in a year
- Input price inflation at 14-month high

### **Historical Overview**

# HSBC Poland Manufacturing PMI®



Sources: Markit, HSBC.





## For further information, please contact:

#### **HSBC**

Murat Ulgen Chief Economist Central & Eastern Europe & Sub-Saharan Africa Telephone +44 20 7991 6782 Email muratulgen@hsbc.com Magdalena Ujda Communications Manager HSBC Bank Polska SA Telephone +48-22-354-0644 Email magdalena.ujda@hsbc.com

#### Markit

Trevor Balchin, Senior Economist Telephone +44-1491-461-065 Email trevor.balchin@markit.com Caroline Lumley, Corporate Communications Telephone +44-20-7260-2047 Mobile +44-7815-812-162 Email 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*® (*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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