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# **HSBC Poland Manufacturing PMI®**

Manufacturing stalls in February

## Key findings:

- · New orders fall for third time in four months
- · Output growth slows to marginal pace
- · Input price inflation eases for first time since last August

February survey data compiled by Markit for HSBC signalled a stagnation of the Polish manufacturing sector in February, following a positive start to the year. New orders slipped back into contraction, resulting in only a marginal rise in production. Purchasing growth halted as stocks of materials built up, and input price inflation moderated. There was anecdotal evidence from survey participants that especially harsh winter weather had adversely affected business conditions during the month.

After adjusting for seasonal variation, the HSBC Purchasing Managers'  $Index^{\otimes}$   $(PMI^{\otimes})$  – a composite indicator designed to give a single-figure snapshot of operating conditions in the Polish manufacturing economy – equalled the no-change mark of 50.0 in February. That indicated no overall change in operating conditions at Polish manufacturers, and marked a retreat from January's six-month high of 52.2. Positive contributions from the output, suppliers' delivery times and stocks of purchases components were offset by negative influences from new orders and employment.

New orders contracted in February, following January's rebound. Over the past six months there has been a broadly flat trend in receipts of new business. A number of firms linked lower new orders in the latest period to adverse weather conditions. New export orders also contracted during the month — the eighth decline of the past nine survey periods.

Goods production in Poland rose for the thirty-first successive

month in February. However, with new orders declining over the period, output expansion was largely sustained through the completion of existing contracts. Subsequently, backlogs of work fell for the ninth month running, and the rate of production growth slowed to a marginal pace. This contributed to one of the fastest increases in stocks of inputs in the survey history.

February data indicated a broadly flat trend in purchasing activity by Polish manufacturers. This reflected growth of unused stocks of inputs, the stagnation in new order inflows and disruptions to delivery schedules from severe winter weather. Suppliers' delivery times lengthened at the fastest rate since last July.

The stagnation in business conditions in the Polish manufacturing sector was underlined by a renewed fall in employment in February. This was the second contraction in three months, following a 16-month period of continuous job creation.

Input price inflation weakened sharply in February, having accelerated to a nine-month record at the start of the year. That said, the rate of inflation remained strong in the context of historic survey data, and firms continued to report rising prices for a range of raw materials including food, metals, paper and plastics.

Manufacturers raised their prices charged for final products in February, passing on part of their cost burden to clients. The rate of output price inflation eased slightly, and was broadly in line with the long-run series average.



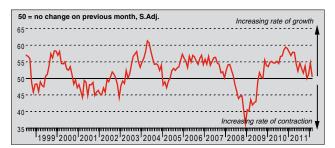
The HSBC Poland *Purchasing Managers' Index* (*PMP*) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. *Purchasing Managers' Index* and *PMP* are registered trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

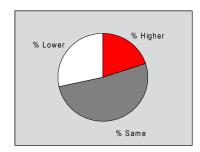




### **Output Index**

Q. Please compare your production/output this month with the situation one month ago.



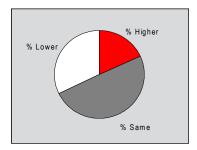


The seasonally adjusted Output Index remained above the no-change mark of 50.0 in February, signalling a thirty-first successive month of production growth in Poland. That said, the Index slumped from January's six-month peak, and the latest figure pointed to only a marginal increase in output. Where production rose compared with the previous month, this was mainly linked to new orders.

## New Orders Index

Q. Please compare the level of new orders received this month with the situation one month ago.

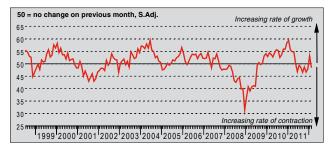


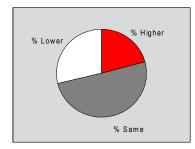


Having surged upward in January, the seasonally adjusted New Orders Index fell back below the no-change mark of 50.0 in February, signalling a decline in the volume of new work received by Polish manufacturers. Though at a modest pace, the latest contraction was the third in the past four months. Some firms linked lower demand during the month to exceptionally cold weather.

## New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.



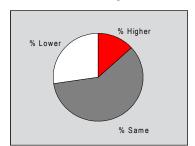


New export orders received by goods producers fell in February. This followed the first increase for eight months in January. That said, the contraction was only modest, and slower than the average over the sequence registered from June to December 2011. Some companies linked lower export sales to especially harsh winter weather.

## Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

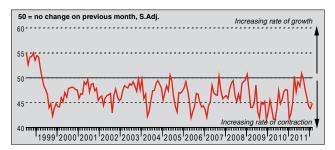


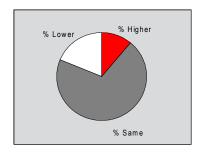


The volume of backlogs held in the Polish manufacturing sector declined for the ninth successive month in February. The rate of decline was solid, and the fastest in three months. The main reasons provided by survey respondents reporting lower backlogs were a lack of incoming new work and the expansion of production capacity.

## Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.

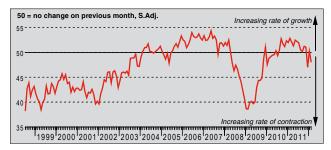


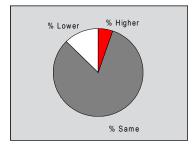


Inventories of final goods in the Polish manufacturing sector declined for the sixth month running in February. The rate of contraction eased from January's 11-month record, but remained sharp overall. The seasonally adjusted Stocks of Finished Goods Index remained well below its long-run trend level of 46.9 during the latest period.

#### **Employment Index**

Q. Please compare the level of employment at your unit with the situation one month ago.



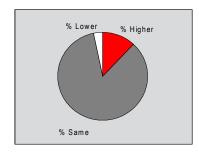


Polish goods producers cut headcounts on average in February, the second contraction of the past three months. That followed continuous growth of employment from August 2010 to November 2011. That said, the seasonally adjusted Employment Index was at a level indicative of only a modest contraction in workforces. Some firms linked lower staffing to organisational changes and productivity drives.

## **Output Prices Index**

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



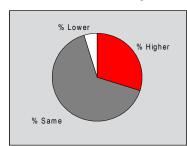


The average price charged for Polish manufactured goods continued to rise in February. The seasonally adjusted Output Prices Index eased from January's five-month high, and was broadly in line with its historic average in the latest period. Firms directly attributed rising charges to increased cost burdens, particularly from raw materials. The current run of output price inflation now stretches to 23 months.

## Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.





Having risen four times in the previous five months, the seasonally adjusted Input Prices Index fell sharply in February. That signalled an easing in cost inflationary pressure, although the rate of increase in average input prices remained sharp overall as the Index was still above its long-run average of 57.7. Items reported as having risen in price during the month included a range of raw materials such as copper, food, paper, plastics and steel. Energy and fuel costs were also reported to have risen.

## Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



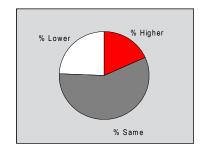


The average time taken to deliver inputs to Polish manufacturers lengthened for the fifth successive month in February. The rate of deterioration in vendor performance strengthened slightly since January, with a number of firms attributing supply delays to especially harsh winter weather. Around one-in-ten firms reported longer delivery times than one month previously.

### Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

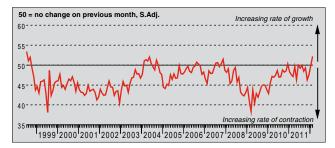


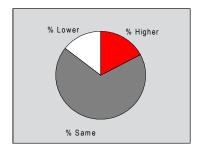


The volume of inputs purchased by Polish goods producers was broadly unchanged from one month previously in February. The seasonally adjusted Quantity of Purchases Index was fractionally below the no-change mark of 50.0, indicating a negligible fall. That contrasted with the fastest growth in seven months at the start of the year. Reasons provided for lower input buying included reduced new orders, while growth was attributed to stock replenishment and higher production requirements.

## Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





Survey data indicated growth of pre-production inventories at Polish manufacturers on average in February. It was the first expansion recorded since December 2010, and the rate of growth was the joint-fourth fastest in the survey history. At those firms reporting higher input stocks (17%), the main reason provided was expected growth of production requirements.

## Notes on the Data and Method of Presentation

The Purchasing Managers' Index® 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

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