

# HSBC Poland Manufacturing PMI®

## Polish manufacturing downturn intensifies

**Key findings:**

- Output and New Orders Indexes both at 39-month lows
- Employment falls for first time since March
- Input prices rise for first time in three months

HSBC survey data compiled by Markit indicated an intensification of the downturn in the Polish manufacturing sector in September. Output, new orders and backlogs all declined at faster rates, while employment fell for the first time since March. Adding to manufacturers' woes was a rise in input prices, though the rate of inflation was modest.

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 moved further below 50.0 in September, posting 47.0. That signalled the worst overall performance of the goods-producing sector in Poland since July 2009. The current downturn in business conditions now stretches to six months, and the PMI average for the third quarter was 48.3, the lowest since Q3 2009.

The downward movement in the PMI reflected three components, namely output, new orders and employment. Meanwhile, the stocks of purchases component also exerted a negative overall contribution.

Goods production in Poland declined in September at the fastest rate since June 2009. Output has fallen every month since May. Moreover, firms continued to work through existing

backlogs during the month, as incomplete business declined at the fastest rate since March 2009.

Inflows of new orders deteriorated more sharply in September. The volume of new work has declined every month since February, and the rate of contraction in the latest period was the steepest since June 2009. New export business declined for the sixth successive month, with the pace unchanged for the second period running.

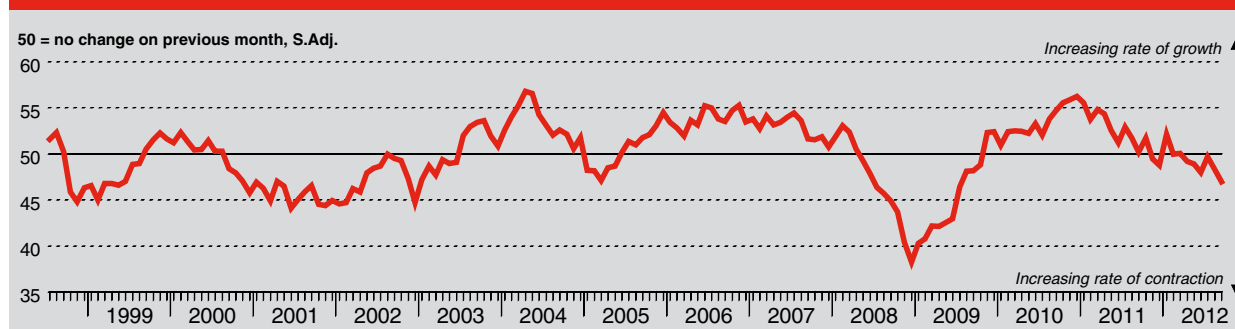
Firms adjusted purchasing lower in September in line with falling new orders. Input volumes declined for the eighth month running and stocks of purchases continued to contract.

In a further sign of spare capacity, employment declined for the first time since March, and at the sharpest rate of the year so far.

Average input prices rose for the first time in three months in September. That said, the rate of inflation was only modest, as the strong zloty helped to restrict import prices. Higher prices for oil and fuel in particular were highlighted as sources of growing cost pressures.

Prices charged for final manufactured goods declined for the third month running, partly linked to pressure on firms to reduce their export prices to remain competitive in international markets.

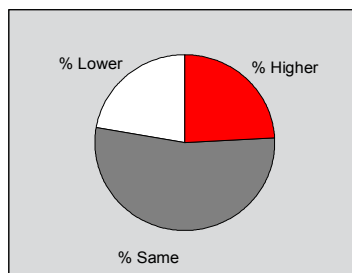
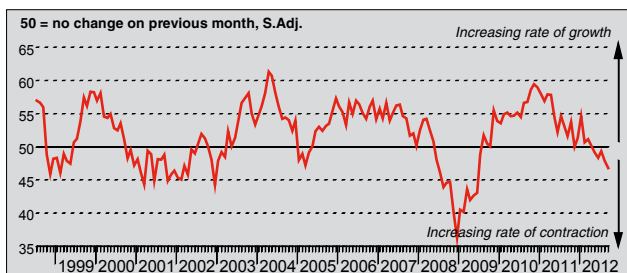
HSBC Poland Purchasing Managers' Index® (PMI®)



The HSBC Poland Purchasing Managers' Index® (PMI®) 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 PMI® 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

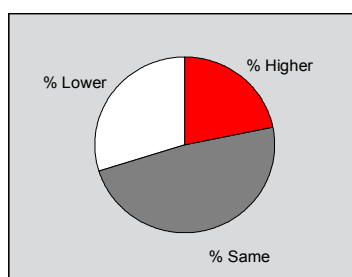
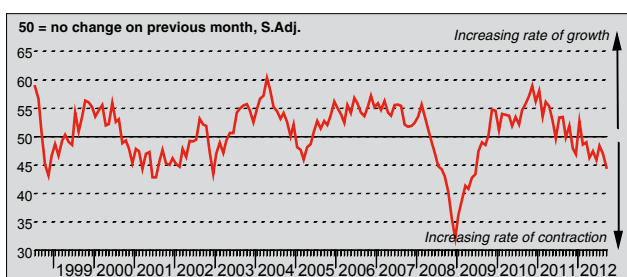
Q. Please compare your production/output this month with the situation one month ago.



Goods production in Poland declined further in September. The seasonally adjusted Output Index remained below the no-change mark of 50.0 for the fifth month running, and the latest figure signalled the strongest rate of decline since June 2009. Anecdotal evidence primarily attributed lower output to falling new orders amid weak demand.

### New Orders Index

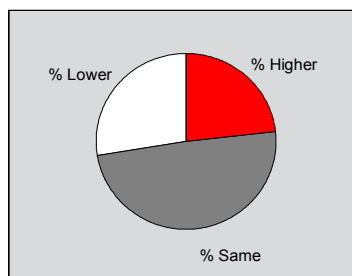
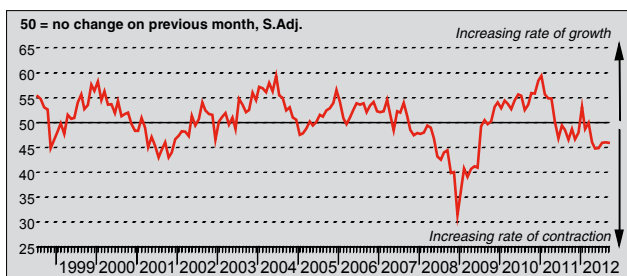
Q. Please compare the level of new orders received this month with the situation one month ago.



New orders received by Polish manufacturers fell at a sharp pace in September. The current sequence of contraction now stretches to eight months, and the pace of decline in the latest period was the fastest since June 2009. Firms cited both weak domestic demand and falling export business, in particular to European markets.

### New Export Orders Index

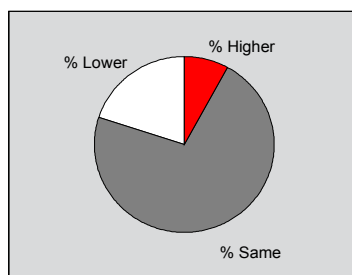
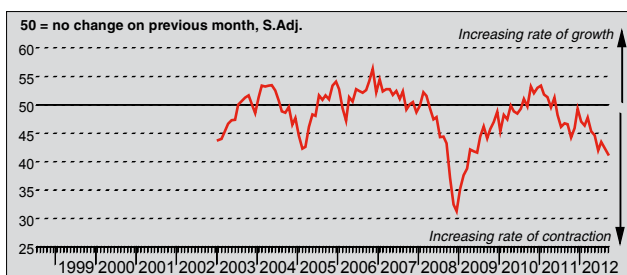
Q. Please compare the level of new export orders received this month with the situation of one month ago.



International demand for Polish manufactured goods continued to weaken in September. The rate of contraction was robust and remained stable, as the seasonally adjusted New Export Orders Index was unchanged for the second month running. The current sequence of continuous decline now stretches to six months.

### Backlogs of Work Index

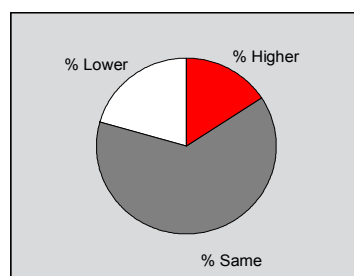
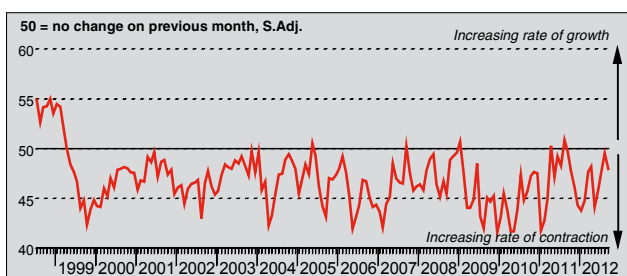
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The clearance of existing workloads gathered momentum in September, reflecting a lack of pressure on capacity from incoming new business. The seasonally adjusted Backlogs of Work Index remained below the 50.0 no-change mark for the sixteenth successive month, and the latest figure signalled the fastest rate of decline in three-and-a-half years.

### Stocks of Finished Goods Index

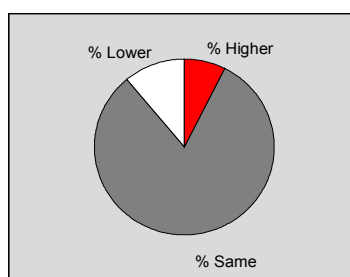
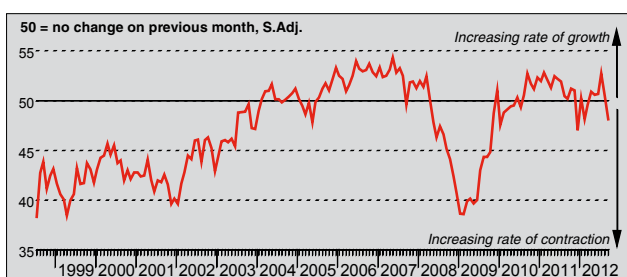
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The seasonally adjusted Stocks of Finished Goods Index remained below 50.0 in September, indicating an overall decline in the level of final products held in stock at Polish manufacturers. The rate of contraction accelerated slightly, but was weaker than the trend shown from May through to July. Firms reported that they had controlled production and stock levels as a result of current subdued market conditions.

### Employment Index

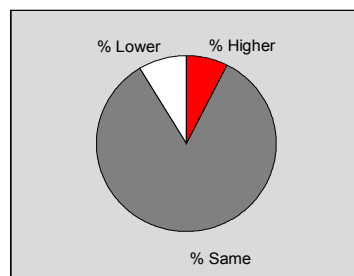
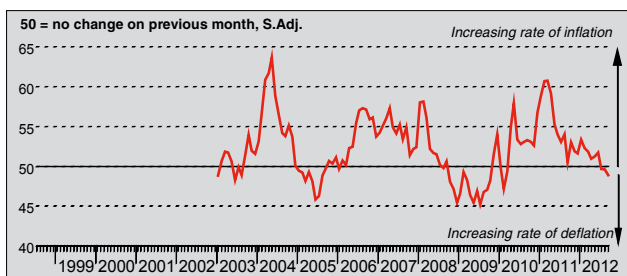
Q. Please compare the level of employment at your unit with the situation one month ago.



Manufacturing employment in Poland declined for the first time in six months in September. The seasonally adjusted Employment Index was at its lowest level of 2012 to date, and the second-lowest in 32 months. Firms reported having to restructure and make cost savings in response to subdued demand and falling workloads.

### Output Prices Index

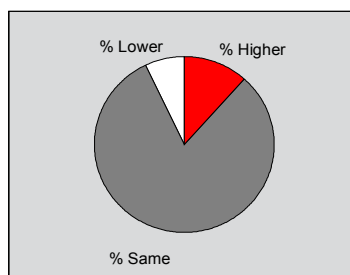
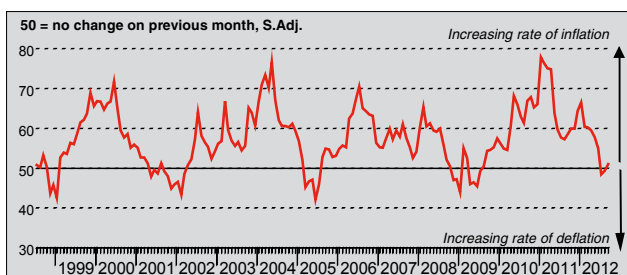
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Goods producers increasingly engaged in price discounting in September in order to attract or retain business. Charges fell for the third month in succession, following a 27-month period of inflation. Having been only marginal in the prior two months, the rate of reduction accelerated in September to the fastest since February 2010. Some firms linked lower charges to efforts to maintain competitiveness as a result of the strong zloty.

### Input Prices Index

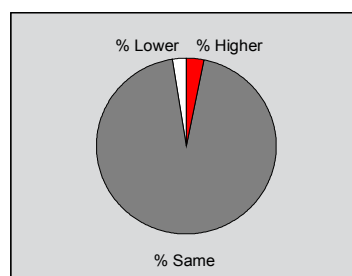
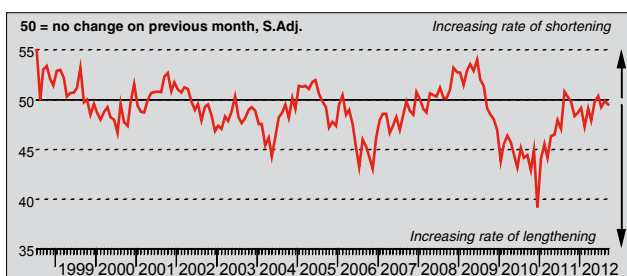
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



September data indicated a rise in input prices paid by Polish manufacturers. The seasonally adjusted Input Prices Index was above the no-change mark of 50.0 for the first time since June, but indicative of only a modest rate of inflation. Linked to rising cost pressures were higher prices for oil and fuel. The anecdotal evidence also suggested that exchange rate factors continued to suppress inflationary pressure on firms' import prices.

## Suppliers' Delivery Times Index

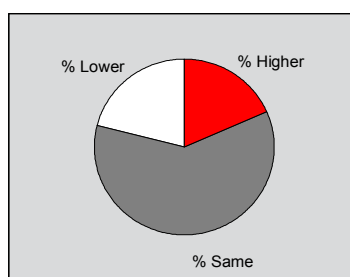
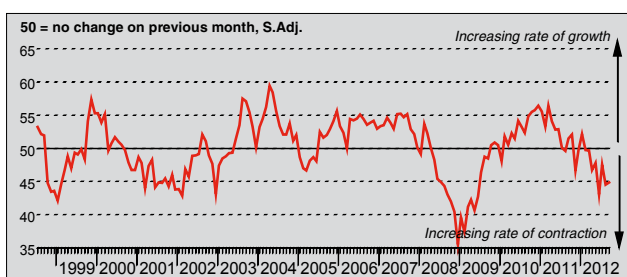
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Suppliers' delivery times were only marginally longer in September compared with one month previously, in line with the recent trend. This suggested that vendor workloads were manageable as demand for new inputs remained weak. The vast majority of firms (94%) reported no change in supplier performance compared with August.

## Quantity of Purchases Index

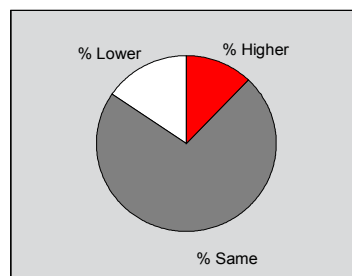
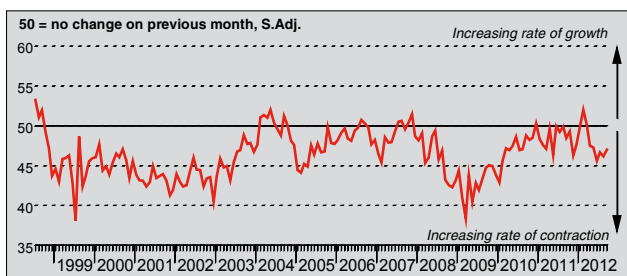
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



The volume of inputs purchased by Polish manufacturers declined in September, as has been the case ten times in the past 11 months. The seasonally adjusted Quantity of Purchases Index rose fractionally from August, but still pointed to a strong rate of contraction. Lower production was the main reason cited by firms who reduced their purchasing activity in the latest period.

## Stocks of Purchases Index

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



Pre-production inventories in the Polish manufacturing sector declined on average in September. The rate of contraction was the slowest in four months, however, and the seasonally adjusted Stocks of Purchases Index was slightly higher than its long-run average (46.5). Firms linked lower stocks to reduced output requirements.

## Notes on the Data and Method of Presentation

The *Purchasing Managers' Index*<sup>®</sup> 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 derived from Markit's survey of the UK manufacturing 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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