Embargoed until: 09:00 (WARSAW), 3 June 2013

# **HSBC Poland Manufacturing PMI®**

Manufacturing downturn eases in May

#### Key findings:

- PMI remains below 50.0 but improves from April's low
- · Slower falls signalled for output, new orders and jobs
- · Joint-longest sequence of falling input prices in over 11 years

The Polish manufacturing sector remained in contraction in May, according to the latest PMI data from HSBC and Markit. Business conditions deteriorated for the fourteenth successive month, but there were signs of the downturn easing as new orders, output and employment all fell at slower rates. Meanwhile, input prices fell for the fifth month running, the joint-longest sequence in over 11 years.

The headline HSBC Poland Manufacturing *PMI*<sup>®</sup> 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 the no-change mark of 50.0 for the fourteenth month in a row in May, posting 48.0. This was broadly in line with the average over this sequence, and signalled a moderate overall deterioration in business conditions. The latest figure represented an improvement since April, when the PMI had fallen to a 45-month low of 46.9.

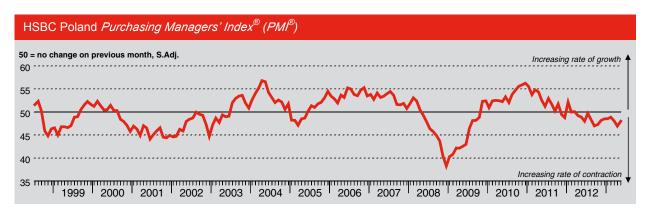
All five components of the headline figure registered negative influences in May, as was the case in April. That said, four contributed to the month-on-month rise in the PMI since April (the exception being suppliers' delivery times).

Central to the overall deterioration in business conditions facing Polish manufacturers was a further drop in new orders. The volume of new business received has declined every month since February 2012, the third-longest sequence of contraction in the survey history. The rate of decline slowed during the month, however, to the weakest in 2013 so far. New orders fell across both domestic and export markets, but new export orders posted a steeper rate of decline than total new business. Over the past two years, new export contracts have declined in all but two survey periods.

Manufacturing output continued to fall in May, in line with lower new orders. The pace of decline eased for the first time since the start of the year, but was still the second-fastest in seven months. Reflecting the ongoing, albeit slower, fall in new orders, the volume of incomplete work declined further in May. The current sequence of backlog depletion now stretches to two years, although the pace of contraction in the latest month was the slowest for a year.

Purchases of inputs by manufacturers fell further in May, albeit at the weakest rate in three months. Pressure on suppliers remained low, as delivery times quickened to the greatest extent in nearly four years.

Highlighting the weakness of demand for new inputs, average input prices fell for the fifth month running in May. This was the joint-longest sequence in over 11 years, although the rate of reduction eased from April's 51-month record. Meanwhile, prices charged for finished goods declined for the sixth month in succession.



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.

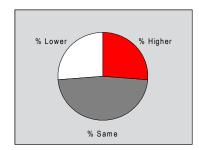




#### **Output Index**

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



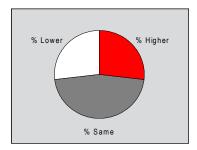


Manufacturing output in Poland fell for the thirteenth successive month in May. Survey respondents mainly attributed lower production to falling volumes of new orders. That said, the rate of reduction slowed from April's 46-month record, to a moderate pace that was broadly in line with the average over the current sequence of decline.

#### New Orders Index

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



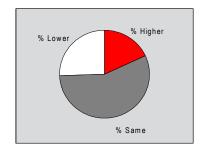


Polish goods producers received a lower volume of new work during May compared with one month previously. The rate of decline was only modest, however, having eased from April's seven-month record. Around 27% of firms reported declining new business receipts, linked to weak domestic demand, competition from Asian producers and unfavourable market conditions.

## New Export Orders Index

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



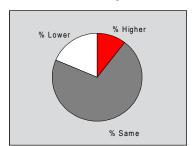


The seasonally adjusted New Export Orders Index remained below the no-change mark of 50.0 for the fourteenth successive month in May, signalling an ongoing fall in new export business in the Polish manufacturing sector. The rate of contraction accelerated slightly, and was broadly comparable with the average over the current sequence of reduction. Anecdotal evidence provided by respondents highlighted weak demand from European markets.

## Backlogs of Work Index

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

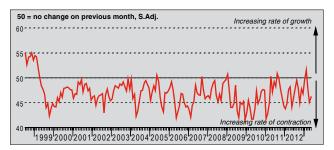


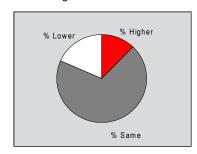


May survey data indicated a further drop in outstanding business at Polish goods producers. The rate of decline eased from April's marked pace, but remained strong overall. The current sequence of declining backlogs now stretches to two years. Firms generally linked lower levels of incomplete business to a lack of work, but also to productivity growth.

#### Stocks of Finished Goods Index

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



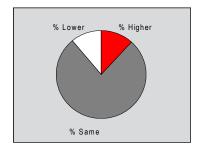


Inventories of final goods held at Polish manufacturers declined for the third month running in May. This sequence followed the first increase for a year-and-a-half in February. The rate of contraction eased since April, as signalled by a rise in the seasonally adjusted Stocks of Finished Goods Index, but was still strong in the context of historic survey data. A number of firms reported attempting to optimise inventories.

#### **Employment Index**

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



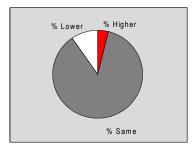


The seasonally adjusted Employment Index remained below the no-change mark of 50.0 in May, signalling further job shedding in the Polish goods-producing sector. The current spell of workforce reduction now stretches to nine months, and is the longest registered in three-and-a-half years. That said, the rate of decline slowed further in the latest period to a marginal pace. Firms cutting staff mainly linked this to low production levels.

## **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.



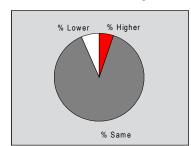


Polish manufacturers continued to cut their output prices in May. Average factory gate prices have now fallen for six months running and, moreover, have not risen since June 2012. Firms linked lower output prices both to falling raw material prices and competitive pressures, notably from Asian markets. The seasonally adjusted Output Prices Index rose on the month, and signalled the weakest reduction in charges since January.

## Input Prices Index

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

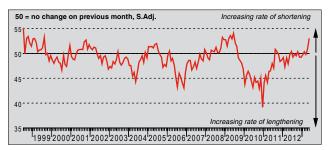


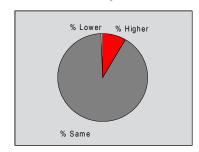


The seasonally adjusted Input Prices Index remained below the no-change mark of 50.0 for the fifth month in a row in May. That signalled the joint-longest sequence of falling input costs at Polish manufacturers in over 11 years. The Index rose for the first time since December, however, indicating a weaker rate of reduction. Anecdotal evidence linked lower cost pressures to falling prices for oil and raw materials including foodstuffs.

#### Suppliers' Delivery Times Index

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

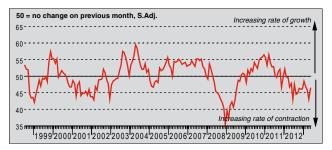


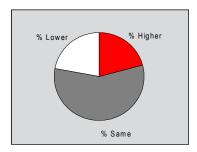


Survey data indicated quicker deliveries of inputs to manufacturers on average in May, as was the case in April. Moreover, the extent of the improvement in vendor performance was the greatest in nearly four years, suggesting a lack of demand pressure on their schedules. Suppliers' delivery times have improved three times in the past four months.

#### Quantity of Purchases Index

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



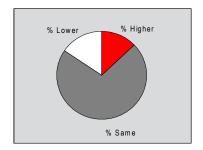


The volume of inputs ordered by Polish manufacturers continued to decline in May, extending the current sequence of contraction to 16 months. Firms mainly linked lower purchasing activity to a lack of incoming new work. That said, the rate of decline eased from April's ten-month record to the weakest since February.

## Stocks of Purchases Index

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





The seasonally adjusted Stocks of Purchases Index remained below the no-change mark of 50.0 for the fourteenth consecutive month in May, signalling that manufacturers retained a preference for running down inventory levels. The overall rate of depletion was weaker than April's sixmonth record, and broadly in line with the survey's long-run average.

#### 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 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.

## Warning

The intellectual property rights to the HSBC Poland Manufacturing *PMI* provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *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.