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# **HSBC Poland Manufacturing PMI®**

Polish manufacturing recovery gains traction

#### Key findings:

- 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

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  $PMI^{\otimes}$  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 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 quickened 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 2011.

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. Stocks of finished goods also contracted at a sharp rate during the month as sales improved.

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.



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.

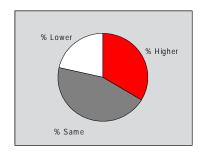




#### **Output Index**

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

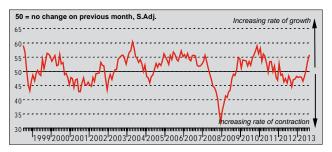


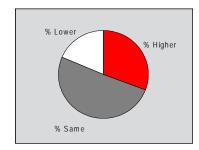


Polish manufacturing output rose at a stronger rate in August. The volume of production increased for the second month running, following a 14-month period of decline. Moreover, the seasonally adjusted Output Index improved sharply since July, and signalled the fastest rate of expansion since April 2011. Firms widely attributed higher production to rising new orders.

#### **New Orders Index**

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



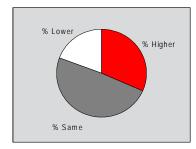


The seasonally adjusted New Orders Index remained above the no-change mark of 50.0 for the third month running in August, signalling growth of new business received by Polish goods producers. Furthermore, the rate of expansion accelerated to the fastest since March 2011. Firms reported entering new markets, improved international competitiveness and a general improvement in demand conditions.

# New Export Orders Index

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



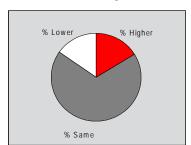


In line with the trend for total new work, the volume of new export business received by Polish goods producers rose for the third month in succession during August. The rate of growth also accelerated to the highest since April 2011. Firms noted improving demand from US markets and better competitiveness against Asian exporters.

# Backlogs of Work Index

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

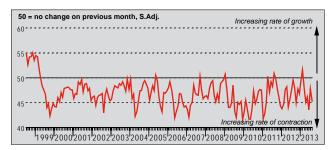


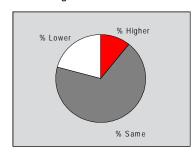


The volume of outstanding business in the Polish manufacturing sector declined in August. The current sequence of backlog depletion now stretches to 27 months. The rate of contraction slowed further, however, to the weakest since December 2011. Lower backlogs reflected strengthening output growth, despite a larger increase in new business.

#### Stocks of Finished Goods Index

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





Post-production inventories in the Polish manufacturing sector declined further in August, as signalled by the seasonally adjusted Stocks of Finished Goods Index remaining below the 50.0 no-change mark. The rate of contraction accelerated since July, and was sharper than the long-run survey average.

#### **Employment Index**

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

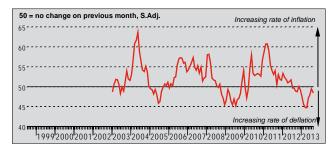


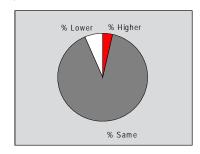


Polish manufacturers expanded their workforces on average in August. The seasonally adjusted Employment Index rose above neutrality, having previously signalled falling headcounts since September 2012. Recruitment was attributed to rising output requirements. That said, the rate of job creation across the manufacturing sector was only marginal.

# **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.

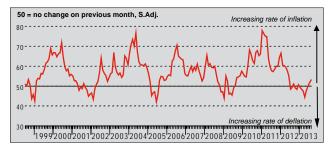


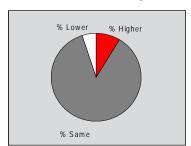


Prices charged for Polish manufactured goods continued to decline on average in August, albeit at the second-slowest rate of 2013 so far. Output prices have fallen continuously since July 2012, except for a stable trend last November. Moreover, the seasonally adjusted Output Prices Index rose for the fourth successive month in the latest period.

# Input Prices Index

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



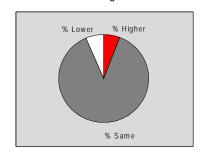


Average input prices paid by Polish manufacturers rose for the second month running in August, the first back-to-back increase in 14 months. The seasonally adjusted Input Prices Index rose for the fourth successive month, and the latest figure signalled the fastest rate of inflation since June 2012.

# Suppliers' Delivery Times Index

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



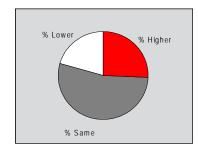


The seasonally adjusted Suppliers' Delivery Times Index remained above the no-change mark of 50.0 for the fifth successive month in August. That marked the longest sequence of improvement in supplier performance in four years. However, the degree to which lead times shortened was the smallest in two months.

# Quantity of Purchases Index

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



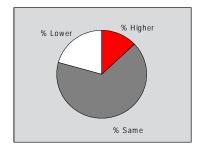


The volume of inputs purchased by Polish manufacturers rose for the second month running in August. Moreover, the seasonally adjusted Quantity of Purchases Index rose for the fourth successive month, and the latest figure indicated the strongest rate of expansion since March 2011. Anecdotal evidence mainly linked higher purchases to rising output requirements.

# Stocks of Purchases Index

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





Pre-production inventories continued to decline in August, despite the faster increase in purchasing activity. Moreover, the rate of contraction accelerated since July. The current sequence of stock depletion now stretches to 17 months. Firms linked lower input stocks to rising workloads and efforts to minimise excess warehouse levels.

#### 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.

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