

HSBC Poland Manufacturing PMI®

Polish manufacturing downturn slows in September

Summary

PMI® data compiled by Markit for HSBC signalled a deterioration in Poland's manufacturing economy in September, in line with the trend shown throughout the third quarter. Production declined at the fastest rate since May 2013, as new orders fell for the fourth successive month. That said, the overall rate of deterioration in operating conditions slowed, and was marginal.

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 registered 49.5 in September, completing an entire quarter of sub-50.0 readings. Four out of five of the PMI's components registered negative contributions to the headline figure in the latest period, the exception being employment. That said, the PMI rose for the first time since February, and continued to signal only a marginal overall deterioration in operating conditions.

The volume of new work received by manufacturers in Poland fell for the fourth month running in September, albeit at a weaker rate than those seen in July and August. New export business fell for the fifth month running, linked by a number of companies to weaker demand resulting from the Ukraine crisis, associated sanctions and uncertainty. That said, the drop in new export business was only marginal and slightly slower than the decline registered for total new orders.

The ongoing downturn in new orders led to a further drop in production. Moreover, the rate of decline was the fastest since May 2013. Output was also supported by a sharp drop in backlogs during the month.

Firms continued to adjust their purchasing lower in line with reduced output requirements in September. Input volumes fell for the fifth month running, and suppliers' delivery times improved slightly as a result.

The main bright point from the latest survey results was a further round of employment growth in the manufacturing sector. Polish goods producers have raised headcounts every month since August 2013.

Competitive pressures in the manufacturing sector led to a sharp drop in output prices in September, the second-fastest reduction in 17 months. Average input prices also fell, down for the sixth time in the past eight months. A number of food items were reported as down in price during the month.

Comment

Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska-Giner, Economist, Central & Eastern Europe at HSBC, said:

"Having pointed to an expansion in the previous four quarters, the manufacturing PMI signalled contraction in Q3 2014, averaging 49.3. In fact, GDP data showed the value added in industry falling q-o-q already in Q2 2014. This contraction will likely continue in Q3. Along sub-50 PMI readings in Q3, the industrial production data have been surprising to the downside in recent releases, including a 1.9% y-o-y contraction in August."

"A marginal increase in the PMI in September compared to July and August is a faint positive sign. The other one is continued growth of employment in the manufacturing sector. New orders continued to decline in September, but at a slower pace than in the previous two months. And contraction of the new export orders remained moderate. Some producers linked weaker exports demand to the crisis in Ukraine, and lower exports to Russia."

"Disinflationary pressure intensified according to the PMI survey. Output prices continued falling in September and at the fastest rate in three months. The latest anecdotal evidence highlighted strong competitive pressures. Following two months of moderate price increases, input prices fell in September. In particular declining foodstuffs prices were mentioned. The weakening economic activity and extended deflation support the widely expected interest rate cut in October."

Key points

- Weaker falls in new orders and purchasing activity
- Rate of job creation strengthens
- Output prices fall sharply

Historical Overview



Sources: Markit, HSBC.

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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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Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

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