

HSBC Poland Manufacturing PMI®

Weakest growth of output and new orders since October 2014

Summary

Poland's manufacturing sector continued to experience improving business conditions in May, but the upturn continued to soften. Output and new orders both rose at the slowest rates since last October, with the pace of expansion in the latter easing for the fourth month in succession since the start of the year. New export business and purchasing also rose more slowly. Employment growth also weakened mid-way through the second quarter, but remained strong in the context of the survey history. On the price front, average input costs barely rose in May, while prices charged for Polish manufactured goods declined further.

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 above the no-change mark of 50.0 for the eighth consecutive month in May, indicating an overall improvement in operating conditions in the Polish manufacturing sector. The PMI fell for the fourth month running to 52.4, however, signalling the weakest rate of improvement since October 2014. The decline in the headline figure since April reflected four of its five components, the exception being stocks of purchases. That said, the PMI remained higher than its long-run average of 50.2.

Manufacturing output in Poland rose in May, in line with the trend shown since October 2014. However, the rate of expansion in the latest period slowed to the weakest since the first month of the current sequence of growth. The same trend was evident for growth of new business. Moreover, output continued to increase at a faster rate than new orders, resulting in a third successive monthly drop in backlogs of work. The moderation in new business growth partly reflected a weaker rise in new export orders, on the back of the strongest expansion in over a year in April.

Employment growth was sustained at a robust pace in May despite the slower increases in output and new work. Workforces rose for the twenty-second consecutive month, and the rate of job creation was stronger than the average in the current sequence of expansion despite easing further from March's joint survey record.

Growth of purchasing activity by Polish manufacturers slowed to a fractional pace in May, leading to a further

reduction in input stocks. Meanwhile, finished goods inventories declined only marginally.

Manufacturing input prices barely increased in May, following a three-month sequence of inflation. Meanwhile, prices charged for finished goods fell further, extending the current sequence of reductions to two-and-a-half years.

Comment

Commenting on the Polish Manufacturing PMI survey, Trevor Balchin, Senior Economist at Markit, said:

"Poland's manufacturing economy suffered another loss of momentum in May, with the headline PMI falling for the fourth month in succession to the lowest since last October. The PMI data for the past two months – alongside with a much slower official rate of IP growth in April – suggest that industry will weigh on GDP growth in the second quarter following the better-than-expected expansion in the first three months of the year."

"Poland's continued manufacturing expansion in the months ahead will partly depend on the eurozone's nascent recovery gaining traction, and Germany's performance in particular."

Key points

- PMI falls for fourth successive month to 52.4
- Output, new orders, exports, employment and purchasing all grow more slowly
- Input prices broadly unchanged since April

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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