

HSBC Poland Manufacturing PMI®

Polish manufacturing growth cools in March

Summary

The current phase of improvement in Polish manufacturing business conditions lost some momentum in March but remained historically strong, according to HSBC PMI® data compiled by Markit. The rates of growth in both output and new orders moderated since February, linked to weaker export growth. Meanwhile, inflationary pressures in the sector remained subdued as both input and output prices fell since February.

The headline HSBC Poland Manufacturing PMI is a composite single-figure indicator of manufacturing performance. The PMI fell to 54.0 in March, down from February's 38-month high of 55.9. It was only the second downward movement in the PMI in the past 11 months, and the lowest reading since December. The current run of overall improvement in operating conditions signalled by the PMI now stretches to nine months. On a quarterly basis, the PMI averaged 55.1 in Q1 2014. That was the highest trend over any quarter since Q4 2010 (55.9).

Central to the weaker improvement in business conditions in March was a slower expansion in new orders. The rate of growth decelerated from February's near-ten year high, but remained strong overall and was faster than the average over the current ten-month sequence of expansion.

Survey data and anecdotal evidence suggested that only a modest increase in new export business drove the loss of momentum in overall new work. New export orders increased at the slowest rate since June 2013, in contrast to the record rate of growth registered back in October. A number of firms linked weaker inflows of new export business to uncertainty surrounding the crisis in Ukraine.

Output increased at the weakest rate in three months in March, but at a strong pace nonetheless. Firms supported workloads by increasing employment at a sharp rate, continuing the trend shown in 2014 so far.

Inflationary pressures remained subdued in March. Average input prices fell for the second month running, at a rate little-changed from February's ten-month record. Moreover, prices charged by manufacturers for final goods declined for the sixteenth month running, albeit only slightly.

Reflecting the weaker rise in new orders in March, purchasing activity by Polish goods producers increased at the slowest rate in three months. Growth remained historically strong, however.

Comment

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

"The manufacturing PMI index fell in March to 54 from 55.9 in February. This indicates continued improvement in the manufacturing sector albeit at a slower pace than a month earlier. In Q1 2014 the PMI index averaged 55.1 points, the highest reading since Q4 2010. The lower PMI index in March was down to slower growth of output and new orders. New export orders grew at the slowest pace since June 2013. Input and output prices continued falling in March but at a reduced pace compared to February. The monthly decline in output prices was the lowest since July 2013. We assume further pick-up in GDP growth in Q1 2014 with more bias towards some consolidation in the rates of growth in the following quarters. We see limited inflationary pressure and CPI staying below the 2.5% central bank target this and next year."

Key points

- PMI at three-month low of 54.0
- Weaker rise in new orders, reflecting slower export growth
- Input prices fall for second month running

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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