

HSBC Poland Manufacturing PMI®

Polish manufacturing output continues to rise sharply

Summary

A further solid increase in new orders continued to drive output growth in the Polish manufacturing sector in September, according to the latest PMI® data from HSBC and Markit. The rate of expansion in production remained historically strong, and firms expanded workforces at the fastest rate in over six years as a result.

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 signalled a third successive improvement of business conditions in the manufacturing sector in September. Moreover, the headline figure rose to 53.1, from 52.6, the highest since April 2011. The average Q3 reading for the PMI (52.3) was the highest since Q2 2011.

The volume of new orders rose for the fourth month running in September. The rate of expansion eased to a three-month low, but was nevertheless strong in the context of historic survey data. Growth was supported by solid increases in client demand in both domestic and export markets.

The rate of output growth was the second-fastest for 29 months in September, only slightly weaker than August's peak. Manufacturing backlogs continued to decline, however, as they have done since June 2011. That said, the rate of contraction was broadly unchanged from August and remained modest.

Sustained growth in new orders and output led to a faster increase in manufacturing employment in September. Moreover, the rate of job creation accelerated to the fastest since May 2007.

Firms also responded to improving demand by increasing their volumes of purchases for the third month running. Although stocks of purchases continued to decline, the rate of inventory depletion slowed to the weakest since February. Suppliers' delivery times lengthened for the first time in six months, and to the greatest extent since April 2012.

Input prices rose for the third month running in September, although the rate of inflation remained historically weak. Firms linked cost pressures to oil and paper prices. Meanwhile, prices charged for final manufactured goods fell for the tenth month running.

Comment

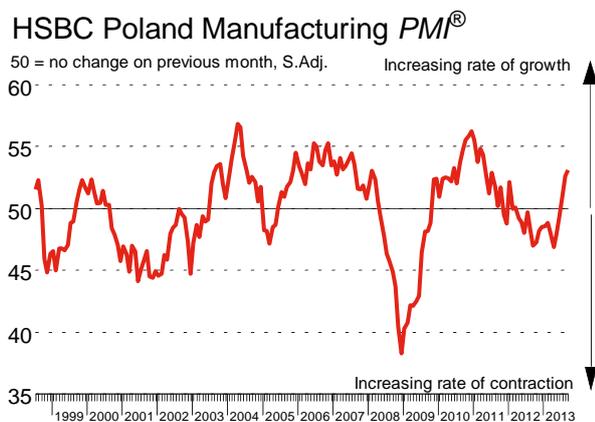
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska-Giner, Economist, Central & Eastern Europe at HSBC, said:

"The Polish manufacturing PMI has continued to improve in the 50points+ zone for the third consecutive month in September. The Q3 2013 average, at 52.3, is the strongest since Q2 2011 and marks a significant improvement over the first half of this year when the PMI index averaged just above 48 points in both quarters. While output and new orders indices corrected lower in September, stock of purchases and employment improved. The employment index rose to the highest level in more than six years. This is very promising against the prevailing weakness of consumer demand since mid-2012 on the back of weak labour market. The PMI still points to benign inflation outlook. Output prices continued falling in September despite rising input prices. This contrast shows limited pricing power and still indicates fragility of the emerging recovery. Overall the positive PMI reading in Q3 this year supports our forecast of economic growth gradually recovering from the Q1 2013 bottom. We expect GDP growth to increase from 1% y-o-y in 2013 to 2.6% in 2014."

Key points

- Third successive above-trend rise in production
- Employment grows at fastest rate in more than six years
- New business growth remains broad-based across domestic and export markets

Historical Overview



Sources: Markit, HSBC.

For further information, please contact:

HSBC

Agata Urbanska-Giner
Economist, Central & Eastern Europe
Telephone +44-207-992-2774
Email agata.urbanska@hsbcib.com

Magdalena Ujda
Communications Manager, HSBC Bank Polska SA
Telephone +48-22-354-0644
Email magdalena.ujda@hsbc.com

Markit

Trevor Balchin, Senior Economist
Telephone +44-1491-461-065
Email trevor.balchin@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-7815-812-162
Email caroline.lumley@markit.com

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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