

# HSBC Poland Manufacturing PMI®

## Polish manufacturing growth slows further in May

### Summary

The Polish manufacturing sector edged closer to stagnation in May, according to the latest HSBC PMI® data compiled by Markit. Growth of both output and new orders slowed for the third successive month to weak rates, and new export orders fell for the first time since May 2013. The latest survey data also highlighted further falls in both input and output prices in the goods-producing sector.

The headline HSBC Poland Manufacturing PMI is a composite single-figure indicator of manufacturing performance. The PMI signalled an overall improvement in business conditions at Polish manufacturers in May, but overall growth of the sector slowed further. The headline figure fell for the third month running, to 50.8, the lowest in the current 11-month sequence of positive readings. The downward movement in the PMI was reflected in its three main components, namely new orders, output and employment, which all exerted weaker (albeit still positive) contributions than in April.

Higher new orders drove the overall improvement in business conditions in May. New business rose for the twelfth month running, but the rate of expansion slowed further from February's peak to the slowest since June 2013.

Weighing on overall new business inflows was a fall in new export business. It was the first contraction since May 2013, although the rate of decline was only marginal. A number of firms linked lower export contracts to unfavourable political situations in Ukraine and Russia.

Production continued to rise in May, but the rate of expansion slowed to a fractional pace that was the weakest in the current 11-month sequence of growth. The volume of incomplete work declined at the fastest rate since April 2013, extending the current spell of backlog depletion to three years.

Manufacturing employment rose for the tenth month running in May, but the rate of job creation slowed to a marginal pace. Firms also cut purchasing activity for the first time in 11 months, leading to a further slight drop in input stocks.

Polish manufacturers' input prices fell for the fourth month in a row in May, linked to lower raw material costs. The rate of reduction was only modest, however. Meanwhile, prices charged for finished goods fell for the eighteenth month running, a survey-record sequence of discounting.

### Comment

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

*"The manufacturing PMI survey continued to show improving business conditions in May, but at a slowing pace for the third month in a row. The May PMI index is the lowest since June 2013. Output, new orders and employment indices all declined in May; though still remain above 50. But companies' stock of inputs as well as purchases of inputs declined in May reflecting expectations of lower production in the future. There was no accumulation of stock of finished goods though and in fact it declined at the fastest pace since September 2013. New export orders index fell below 50 for the first time since May 2013. Anecdotal evidence partly linked this to situation in Ukraine and Russia. The PMI survey supports our expectations of economic activity consolidating in 2014 with GDP growth at just over 3% y-o-y. Falling input and output prices confirm lack of cost side inflationary pressures. The strength of consumer demand will determine the outcome for CPI. Data to date continue to show improving consumer confidence and labour market but the pace of this improvement should be capped by weaker momentum in the manufacturing sector."*

### Key points

- PMI remains above neutrality but eases to 50.8
- Decline in exports weighs on new orders
- Input prices fall for fourth successive month

### Historical Overview



Sources: Markit, HSBC.

## For further information, please contact:

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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*<sup>®</sup> (*PMI*<sup>®</sup>) 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](mailto:economics@markit.com).

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### About PMI:

Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) 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](http://www.markit.com/economics)

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