

# HSBC Poland Manufacturing PMI®

## Polish PMI dips into contraction territory as new orders decline

### Summary

PMI® data compiled by Markit for HSBC indicated that the Polish manufacturing sector entered a new downturn in business conditions at the start of the second half of the year. New orders fell during the month, as did new export business, leading to a near-stagnation in output.

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 fell from 50.3 in June to 49.4 in July, indicating an overall deterioration in business conditions at Polish goods producers. That followed a 12-month sequence of improvement. The latest month-on-month fall in the headline index was the fifth in successive months since the PMI hit a 38-month record in February. That said, the overall deterioration in business conditions was only marginal.

Central to deteriorating business conditions in the manufacturing sector was a drop in new orders in July. Moreover, the rate of decline was the fastest since April 2013. New export business weighed on inflows of total new work as new export orders fell for the third month running and at the fastest rate since October 2012.

Growth of Polish manufacturing production slowed to near-stagnation in July, in contrast to February's rapid pace of expansion. With output requirements set to fall in light of declining new business, firms cut purchases of new inputs during the month. As a result, stocks of inputs fell at the fastest rate since August 2013.

The lack of pressure on capacity in the sector was underlined by a further sharp drop in backlogs in July. Meanwhile, suppliers' delivery times shortened during the month.

The main bright point from the latest survey results was a twelfth successive monthly increase in employment. Moreover, the rate of job creation picked up to a three-month high.

Inflationary pressures remained subdued in July. Input prices rose for the first time in six months, but at only a marginal pace. Where prices rose, this was linked to higher metals prices. Meanwhile, prices charged for finished manufactured goods declined for the twentieth consecutive month, albeit at a slower rate than in June.

### Comment

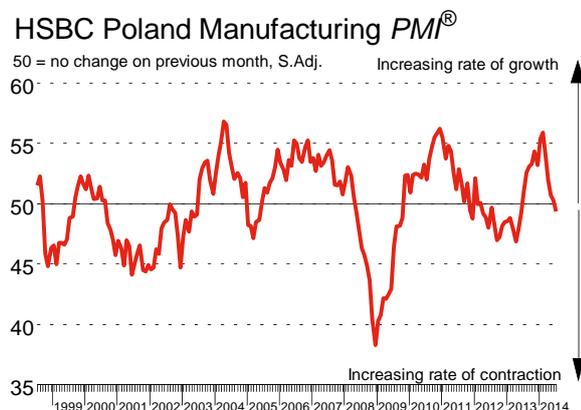
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska-Giner, Economist, Central & Eastern Europe at HSBC, said:

*"The July manufacturing survey showed activity contracting for the first time in 13 months. The downward trend that started in February and the latest sub-50 reading is in contrast to the rebound in July's flash reading in Germany. The output index still showed marginal positive growth but the headline was weighed down by falling new orders and new export orders. New export orders fell for the third month running and at the fastest rate since October 2012 in July. An increase in employment index is the only positive note in the July survey but should the activity weakness continue it will of course drag employment down later on. Input prices rose for the first time in six months, but at only a marginal pace while output prices declined for the twentieth consecutive month, albeit at a slower rate than in June. On balance this is a very negative result pointing to further weakness in manufacturing. Industrial production growth surprised to the downside in June slowing to just 1.7% y-o-y from 4.9% average in H1 2014 and the PMI survey points to more weakness ahead. This, combined with looming deflation in the summer months, supports market pricing of interest rate cuts in Poland."*

### Key points

- Strongest decline in new export orders since October 2012
- Output growth slows to near-stagnation
- Employment continues to rise

### Historical Overview



## 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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