

Poland

PMI continues to point to recovery of manufacturing sector

Key findings

- **December PMI unchanged from November's 20-month high.**
- **Industrial output data followed PMI's record surge in November.**
- **Officials see Q4 economic growth at 2.5% on annual basis.**

PMI stabilised to show continuing growth

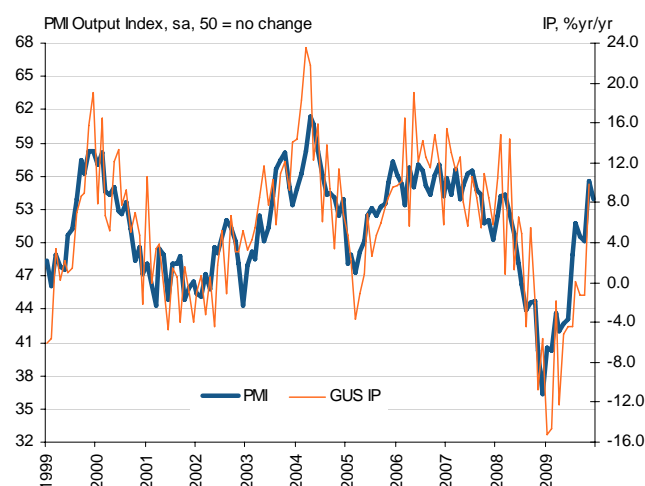
HSBC PMI survey data for the Polish manufacturing sector showed a further overall improvement in business conditions in December. There was also evidence of rising inflationary pressures, as input prices rose at the fastest rate since July 2008 and output charges increased at the strongest pace since March 2008.

Having posted a record one-month gain in points terms in November, the headline HSBC Poland Manufacturing PMI[®] was unchanged at 52.4 in the final month of 2009. Any figure greater than 50.0 represents an overall improvement in business conditions, and over the past two months the PMI has been at its highest since March 2008. New order growth was broadly unchanged from November's strong pace, while a weaker rise in output was offset by higher manufacturing employment and a greater lengthening of suppliers' delivery times.

Official figures follow PMI's November rise

The improving climate for Poland's industrial sector was also highlighted by the latest official output data released by the Polish Statistics Office (GUS). Production returned to growth on an annual basis in November, following 13 months of continual decline. The annual rate of expansion of 9.8% was the strongest since April 2008, which tallied with the

Chart 1: PMI Output Index vs industrial production



headline PMI number for November (the highest since March 2008).

The PMI survey has an excellent track record against comparable official series. The Output Index has a close relationship with the annual rate of change in official industrial production and is much less volatile on a monthly basis, therefore providing a reliable advance guide to the underlying trend and turning points in the official production data.

Since the PMI survey began in June 1998, the Output Index has exhibited a correlation of 0.79 with the official annual rate of change in industrial production. Over time, an Output Index reading of 50 is consistent with an annual rate of expansion of 3.9%. This correlation improves to of 0.91 when the PMI is advanced by one month, highlighting the leading indicator properties of the survey.

Q4 growth expected at 2.5% yr/yr

Accompanying the positive PMI and industrial production figures, retail sales were stronger than expected in November, rising by 6.3% on an annual basis. The Finance Ministry is predicting economic growth of 2.5% in the final quarter of 2009, and the PMI suggests an upside risk to this number. Officials

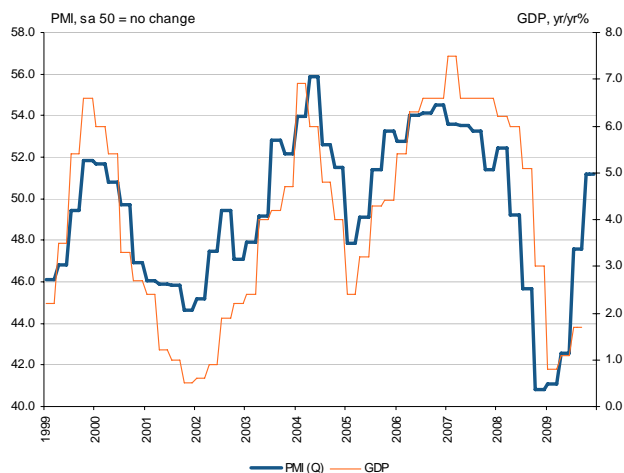
are predicting overall growth for 2009 of 1.5%, with a risk to the upside. Poland was the only EU country to avoid recession during the global economic crisis, owing mainly to its large domestic market. The Ministry expects the economy to grow by 2.4% in 2010.

Forthcoming data:

21 January: GUS industrial production (December)

1 February: Poland Manufacturing PMI (January)

Chart 4: Poland Manufacturing PMI vs NBP GDP



Trevor Balchin

Senior Economist

Markit

Tel: +44 1491 461 065

Email: trevor.balchin@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.