

Eastern European PMI Surveys

Eastern European manufacturing shows signs of stabilising

A composite PMI Output Index for Eastern Europe, derived from weighting together the PMI survey data for Poland, the Czech Republic, Hungary, Russia and Turkey, rose to 49.1 in June (up from 46.6 in May). At a level just below the 50.0 neutral line, the index signalled a near-stabilisation of manufacturing production in the region. This contrasts sharply with the severe rate of contraction seen at the turn of the year. The index hit a record low in December and has since rebounded sharply. The June reading was the highest recorded since August of last year.

The PMI data therefore indicate that official manufacturing output data will improve on the latest available numbers, which showed an acceleration in the annual rate of decline for the region to 24.8% in April (from 20.9% in March) according to our estimates.

Output indices have risen in all countries covered in recent months, though conditions varied again in June. Steep declines continued to be recorded in Poland, the Czech Republic and Hungary, while only a modest fall in production was seen in Russia and a significant upturn in output seen in Turkey.

Looking ahead, the ratio of new orders to stocks of raw materials highlights how low inventory holdings and a slower rate of decline of order books has propelled the rebound in the region's PMI Output Index (see chart 3). The sustained high level of this ratio in June provides hope that the Output Index may rise above the 50.0 no-change level in July for the first time since July of last year.

Chart 1: Eastern European manufacturing output

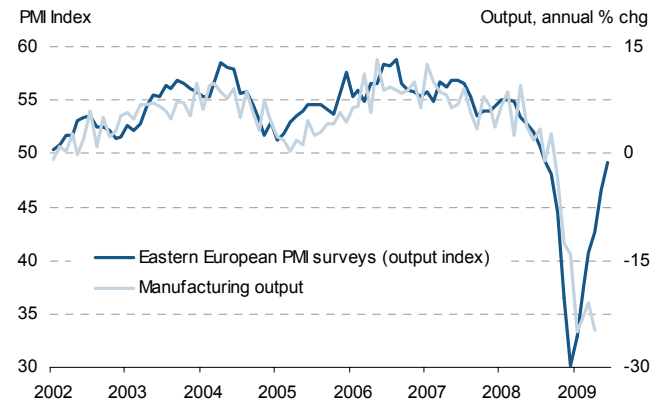


Chart 2: Manufacturing output by country

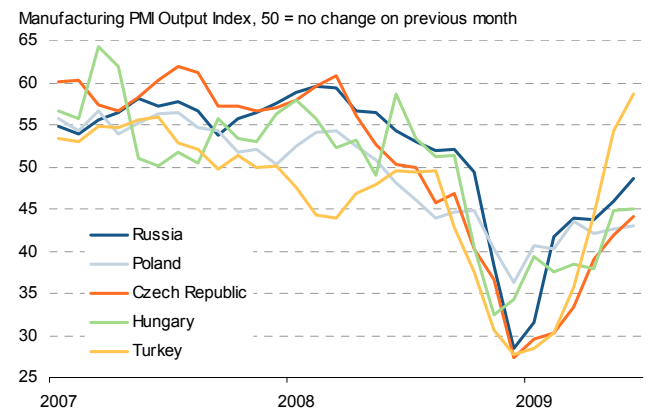
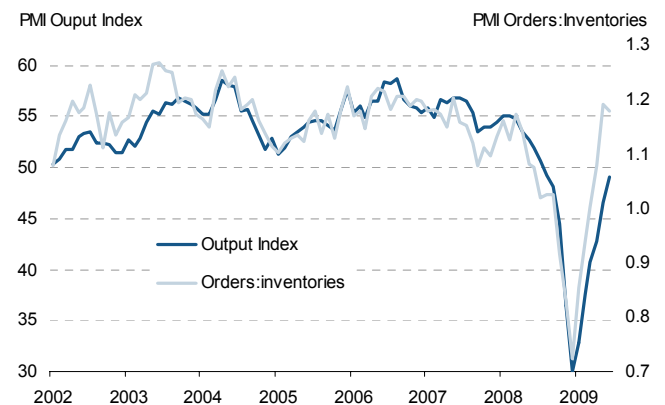


Chart 3: Eastern European output and stock cycle



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