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HSBC Poland Manufacturing PMI™

Polish manufacturing output grew at faster rate in August.

Key findings:

- PMI rose to thirty-seven month high of 53.8.
- Production grew at fastest rate since March 2007.
- Cost inflationary pressures moderated further, but remained strong overall.

HSBC survey data compiled by Markit covering Polish manufacturing pointed to the strongest overall improvement in operating conditions in the sector for over three years in August. New orders and output both rose at faster rates, while firms added to their workforces on average. Input price inflation slowed further, but remained elevated by the historical standards of the survey.

The headline HSBC Poland Manufacturing PMI™ is a composite index derived from five indices – new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 represents an overall improvement in business conditions. The PMI posted 53.8 in August, up from July's six-month low of 52.1. The latest reading was the highest since July 2007, signalling a solid improvement. The current period of readings above 50.0 now stretches to ten months.

The upward movement in the PMI in August was the largest since November 2009. All five component indices contributed towards the gain, most notably new orders and output.

Growth of incoming new business in the Polish manufacturing sector strengthened in August. The rate of expansion equalled the recent high seen back in November 2009, and remained well above the long-run survey average. Domestic demand was a key contributing factor to the improved intake of new orders during the month, as growth of new export business slowed to the weakest since last October.

Driven by faster growth of new work, production increased at the fastest rate since March 2007. Manufacturing output in Poland has risen continuously since August 2009. The strong gain in new business also led to an increase in backlogs of work for the first time since March 2008.

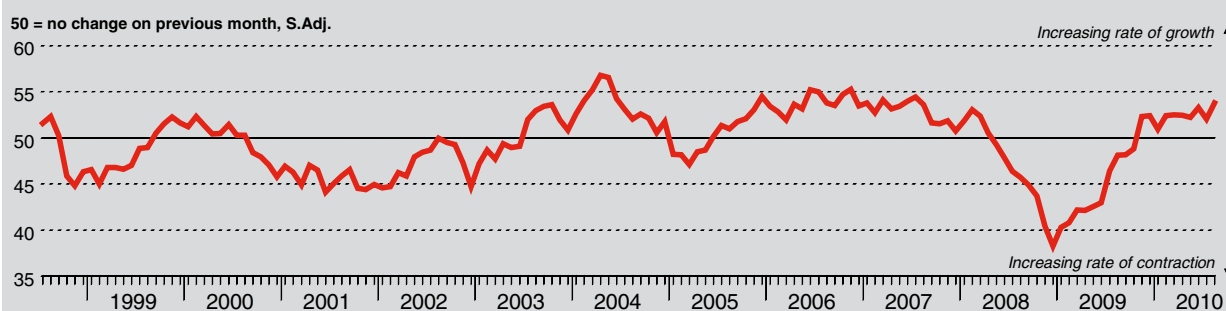
The underlying improvement in Polish manufacturing business conditions in August was illustrated by a rise in jobs in the sector. This was only the third time since May 2008 that employment had risen overall, although the pace of job creation was only marginal in August.

Manufacturers continued to raise their purchasing activity in August, extending the growth sequence seen since February. The latest increase contributed to pressure on suppliers, whose delivery times lengthened sharply during the month. Logistical difficulties associated with the recent flooding also led to delays.

A wide range of inputs were reported to have increased in price during August. These included steel, copper, plastics, oil, cereals, wood and paper. The overall rate of input cost inflation eased for the third month running, but remained sharp.

Sustained marked increases in average purchasing costs led manufacturers to raise their output prices in August. Charges have increased every month since April, and the rate of inflation in the latest period was solid.

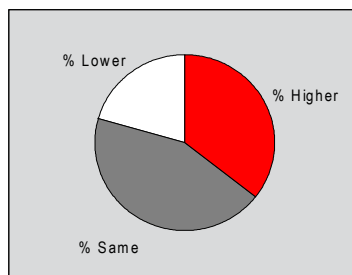
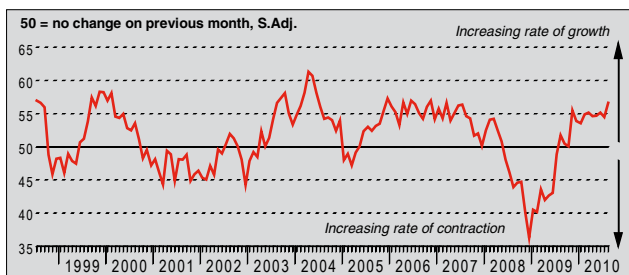
HSBC Poland Purchasing Managers' Index (PMI™)



The HSBC Poland Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index.

Output Index

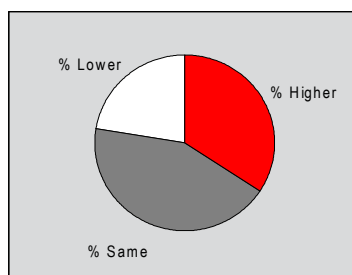
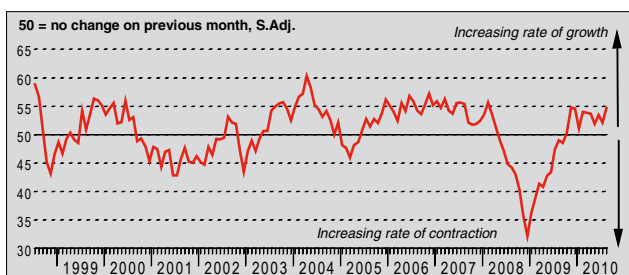
Q. Please compare your production/output this month with the situation one month ago.



Manufacturing production in Poland rose for the thirteenth successive month in August. Having eased to a six-month low in July, the seasonally adjusted Output Index rose during the month, indicating faster expansion. Moreover, the rate of growth signalled was the strongest since March 2007. Around 36% of survey respondents reported higher output during the month, largely attributing the gains to rising new order volumes. The Output Index remained well above its long-run trend level during the month.

New Orders Index

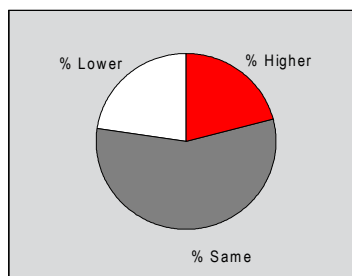
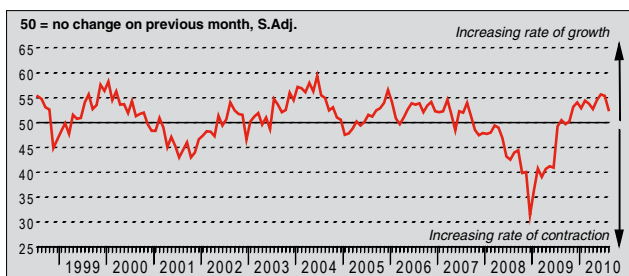
Q. Please compare the level of new orders received this month with the situation one month ago.



Growth of new orders received by Polish manufacturers accelerated in August. The rate of expansion equalled that seen in November 2009, and was the joint-highest in the current eleven-month sequence of continuous growth. Firms reported improving demand, the winning of new customers and strong domestic markets. More than one-third of firms surveyed reported higher intakes of new business during the month.

New Export Orders Index

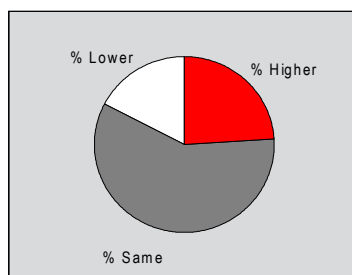
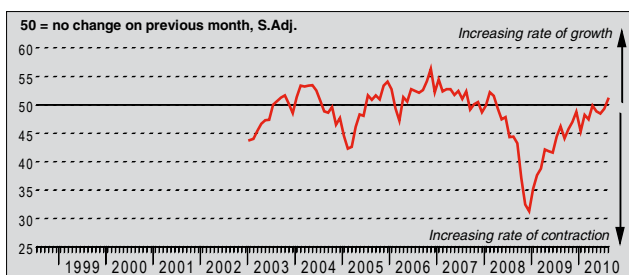
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The seasonally adjusted New Export Orders Index fell in August but remained above 50.0, signalling a slower rate of expansion in new export contracts received by Polish manufacturers. The latest figure indicated the weakest rate of growth since October 2009. Weak Italian demand and competition from other emerging European exporters were both mentioned as reasons for lower new export orders during the month.

Backlogs of Work Index

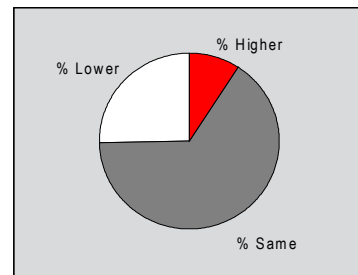
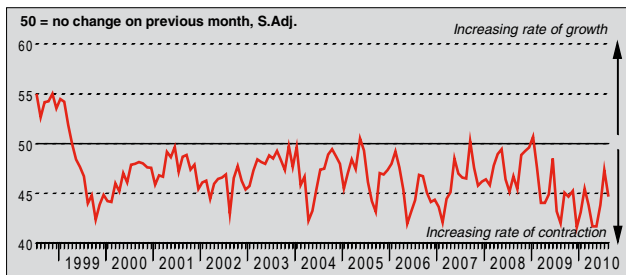
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Outstanding business across the Polish manufacturing sector rose in August. The seasonally adjusted Backlogs of Work Index moved above the no-change mark of 50.0 for the first time since March 2008, ending a twenty-eight month sequence of declining incomplete workloads. Firms mainly attributed rising backlogs to an excess of new orders over production capacity. There were also some reports of delayed delivery of inputs by suppliers.

Stocks of Finished Goods Index

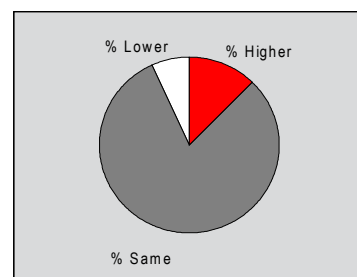
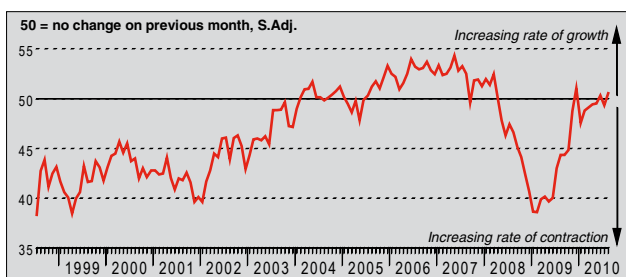
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The seasonally adjusted Stocks of Finished Goods Index remained below the no-change mark of 50.0 in August, indicating a contraction in final goods inventories at Polish manufacturers. The current sequence of decline now stretches to nineteen months. Where stocks fell compared to one month previously, rising sales volumes were reported as the main factor.

Employment Index

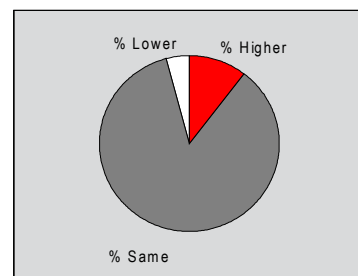
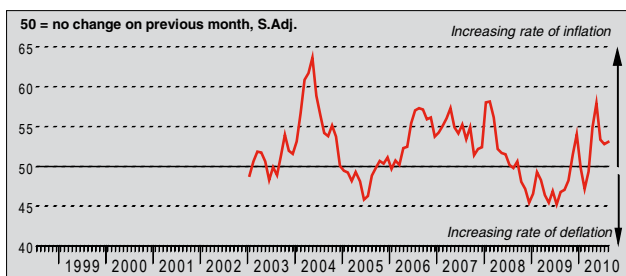
Q. Please compare the level of employment at your unit with the situation one month ago.



Manufacturing employment in Poland rose in August. The seasonally adjusted Employment Index registered above neutrality for only the third time in twenty-eight months, but the latest figure signalled only a marginal rate of job creation. According to respondents, recruitment was linked to higher output, new orders and efforts to boost capacity.

Output Prices Index

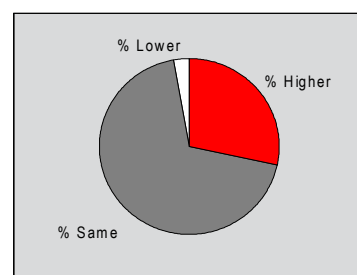
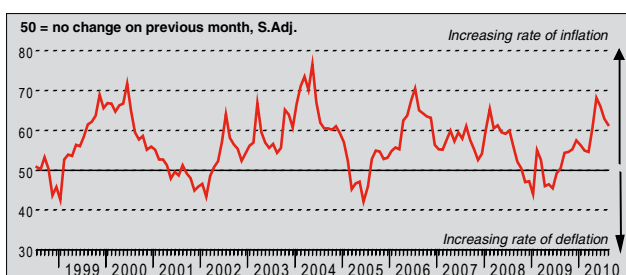
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Remaining above the no-change mark of 50.0, the seasonally adjusted Output Prices Index signalled a fifth successive month of rising prices charged for Polish manufactured goods. The rate of output price inflation was slightly stronger than in July and above the long-run series average, but still the second-slowest in the current sequence. Higher charges were primarily linked by panellists to rising raw material prices.

Input Prices Index

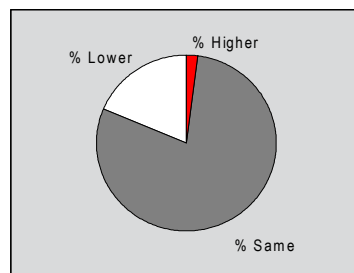
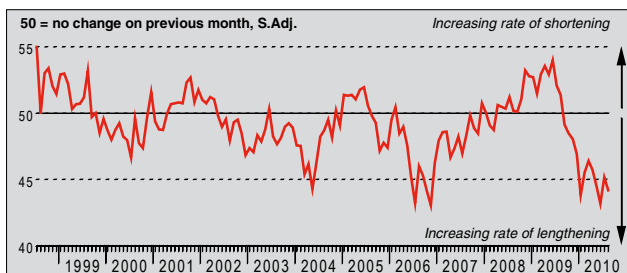
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



The rate of input price inflation faced by Polish manufacturers eased for the third successive month in August, but remained sharp in the context of historic survey data. The seasonally adjusted Input Prices Index fell further from May's forty-six month high, but was still above its long-run average of 56.7. Sources of inflationary pressure included steel, copper, paper, oil, timber, cereals and plastics. Average input prices have risen every month since August 2009.

Suppliers' Delivery Times Index

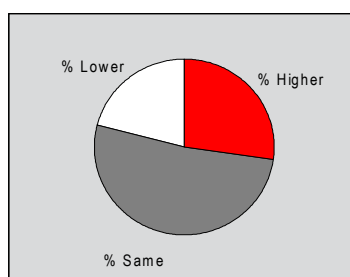
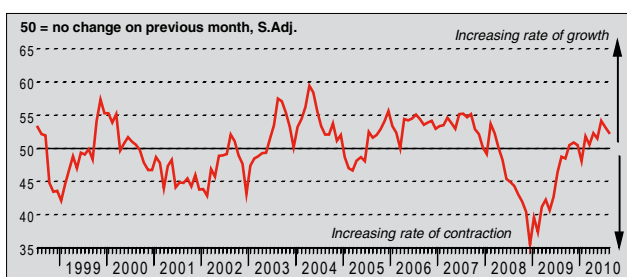
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Polish manufacturers continued to record longer delivery times from their suppliers on average in August. Extending the current sequence of sub-50 readings to one year, the seasonally adjusted Suppliers' Delivery Times Index remained well below its long-run trend of 49.3, signalling a relatively marked degree of delays. Strong demand for inputs and logistical difficulties linked to the recent flooding were both put forward as reasons for longer supplier delivery times in August.

Quantity of Purchases Index

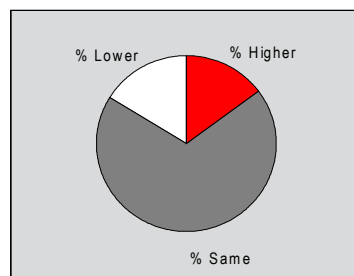
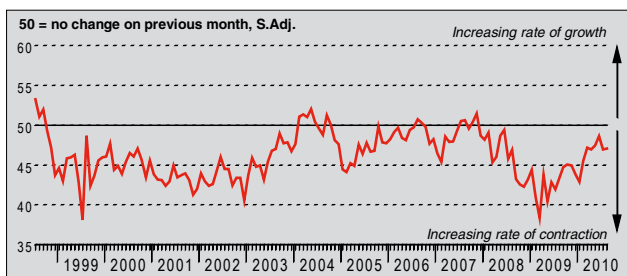
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Growth of purchasing activity at Polish manufacturers was maintained in August. Input volumes have risen ten times in the past eleven months. Higher purchases were linked to rising output and new orders, and planned investments. More than one-quarter of firms reported increased purchasing activity during the month (27.3%), although the rate of expansion was the weakest since May.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.



Pre-production inventories in the Polish manufacturing sector contracted on average in August. Input stocks have declined overall for the past thirty-three months. The seasonally adjusted Stocks of Purchases Index was little-changed from July, indicating a moderate rate of contraction. Over two-thirds of panellists reported no change in inventories compared to one month previously.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index™ 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 regional and industry contribution to Polish Industrial Production. 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

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