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HSBC Poland Manufacturing PMI™

Polish manufacturing PMI at near four-year peak in September.

Key findings:

- PMI rose to forty-six month high of 54.7.
- Growth rates of new orders and employment both accelerated.
- Sharp rise in input price inflation.

HSBC survey data compiled by Markit covering Polish manufacturing suggested that growth momentum continued to build in September. The overall monthly improvement in business conditions was the strongest for nearly four years, and rounded off the best quarter since Q2 2007. Production also rose at the fastest rate in nearly four years, while employment growth was the strongest since July 2007. Meanwhile, cost inflationary pressures accelerated sharply during the month.

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 registered above neutrality for the eleventh successive month in September and, rising to 54.7, signalled the best rate of improvement in business conditions since November 2006. Driving this was a further marked increase in output, and sharper gains in both new business and employment.

The volume of incoming new work received by Polish manufacturers rose at the fastest rate since March 2007 in the latest period. New orders have increased every month since October 2009. The rates of growth in both total and export new contracts remained much greater than their respective long-run survey averages.

Stronger growth in new work led to a further marked increase

in production in the manufacturing sector in September. The rate of expansion accelerated fractionally to the sharpest since November 2006.

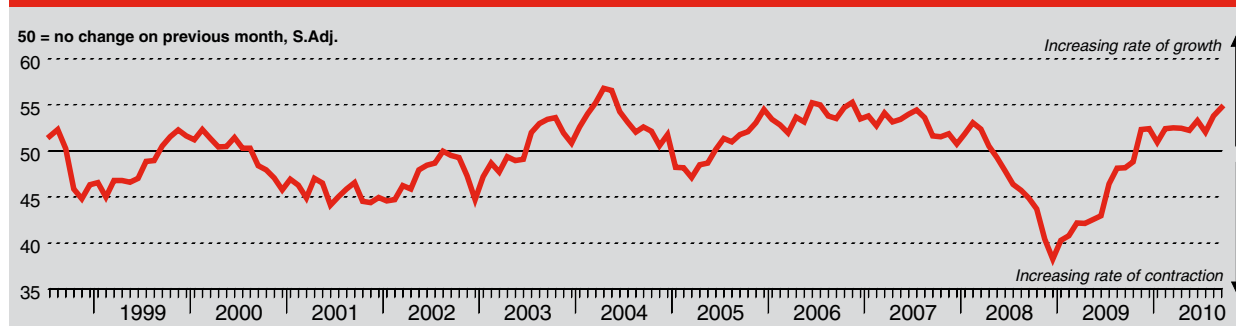
The sustained pace of production growth led to an overall decline in backlogs of work in September, despite faster gains in new orders. That said, the pace of contraction in outstanding business was only marginal. Meanwhile, firms raised their purchasing activity at the fastest rate since September 2007. This contributed to pressure on suppliers, whose delivery times rose sharply again during the month.

Growth of manufacturing employment in Poland was maintained in September, the first time that the workforce has risen for two or more successive months since April 2008. Moreover, the pace of job creation in the sector was the strongest since July 2007.

Improving demand was accompanied by rising inflationary pressures in September. The rate of input price inflation accelerated sharply, and remained substantial in the context of historic survey data. A wide range of items were reported as having increased in price during the month, including cereals, paper, metals and plastics.

Output price inflation was registered for the sixth successive month in September. The rate of increase accelerated to a three-month high, but remained weaker than that seen for input prices, reflecting competitive market pressures.

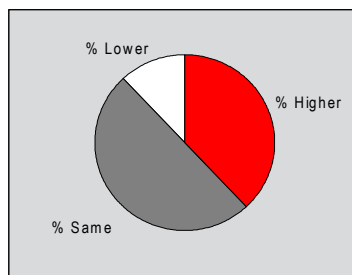
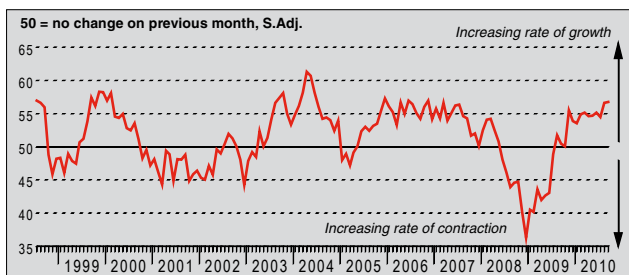
HSBC Poland Purchasing Managers' Index (PMI™)



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

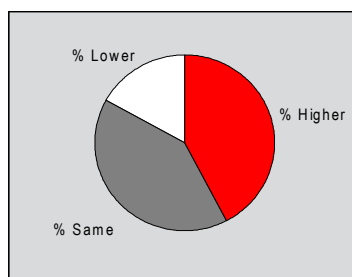
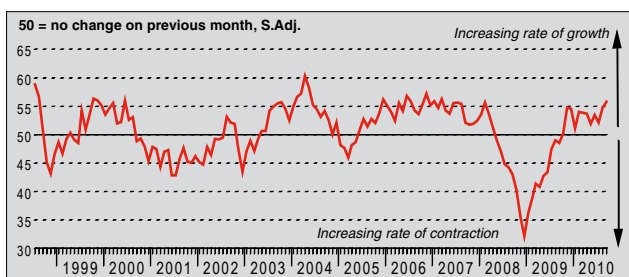
Q. Please compare your production/output this month with the situation one month ago.



The seasonally adjusted Output Index edged up to its highest since November 2006 in September, signalling marked growth of Polish manufacturing production during the month. Output growth has now been maintained for fourteen successive months. Underpinning the latest expansion was a further gain in new orders, according to many survey respondents. Over Q3 as a whole, output growth was the strongest since Q2 2006.

New Orders Index

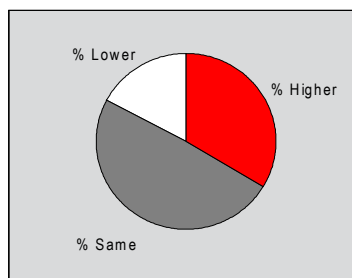
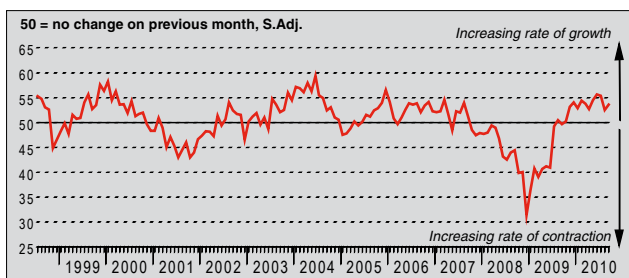
Q. Please compare the level of new orders received this month with the situation one month ago.



New order growth in Poland's manufacturing sector accelerated for the second month running in September. The seasonally adjusted New Orders Index improved to a forty-two month high, and has remained above the no-change mark of 50.0 for twelve successive months. New business growth in Q3 as a whole was the fastest since Q1 2008. Anecdotal evidence suggested that demand was supported by both domestic and export markets during the month.

New Export Orders Index

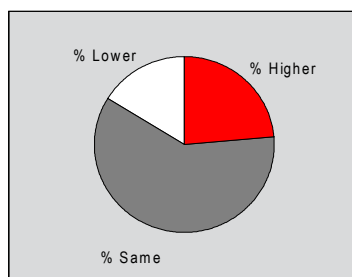
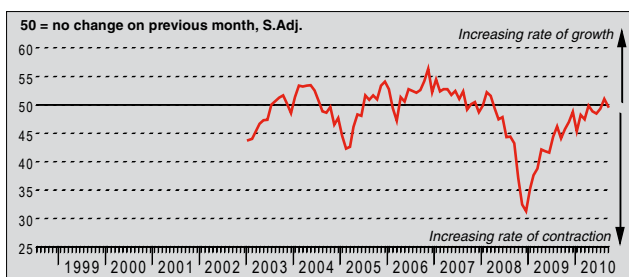
Q. Please compare the level of new export orders received this month with the situation of one month ago.



New order growth from export markets picked up in September, having eased to a ten-month low the previous month. The seasonally adjusted New Export Orders Index has signalled growth every month since last October, and remained comfortably above its long-run average during the latest period (50.6). Markets in Eastern Europe were cited as sources of export order growth during September. Some firms mentioned stiff competition from Asian producers.

Backlogs of Work Index

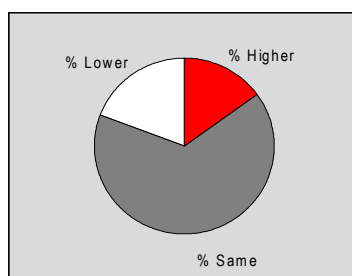
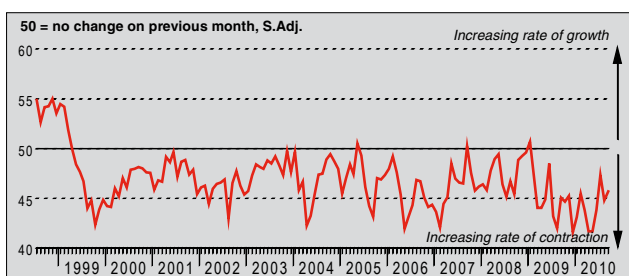
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The seasonally adjusted Backlogs of Work Index slipped below the no-change mark of 50.0 in September, indicating a decline in outstanding business at Polish manufacturers. With the exception of August, backlogs of work have fallen every month since April 2008. That said, the latest contraction was only marginal. Although new orders rose strongly, some firms reported that output had increased at a sufficiently marked pace to accommodate workloads.

Stocks of Finished Goods Index

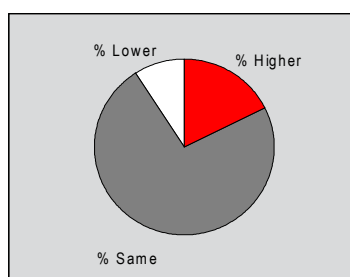
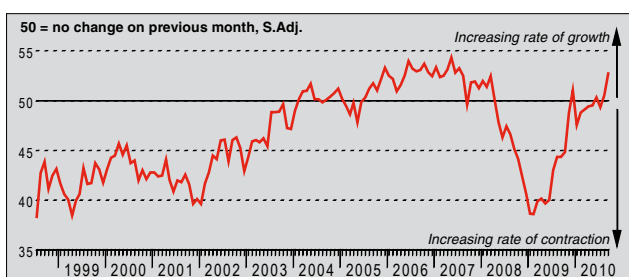
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



In line with the trend since February 2009, the overall level of finished goods held in stock at Polish manufacturers declined in September. The seasonally adjusted Stocks of Finished Goods Index remained below its long-run trend level of 47.0, indicating a relatively marked rate of contraction. The latest anecdotal evidence mainly linked falling stock levels to improving sales demand.

Employment Index

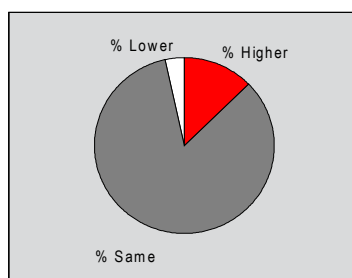
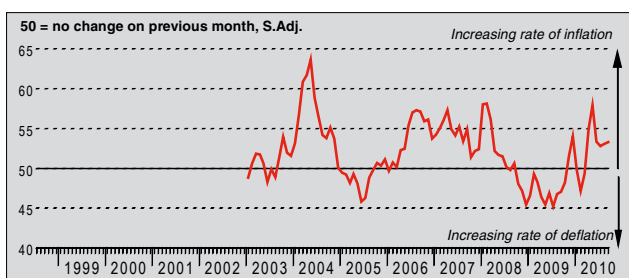
Q. Please compare the level of employment at your unit with the situation one month ago.



Polish manufacturing employment rose for the second month running in September. This was the first back-to-back monthly increase in jobs in the sector since April 2008. Moreover, the seasonally adjusted Employment Index signalled the fastest rate of expansion in the workforce since July 2007. Recruitment reflected investment in new capacity, rising new orders and greater current output requirements.

Output Prices Index

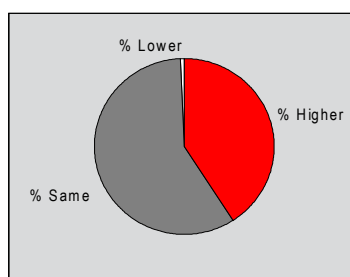
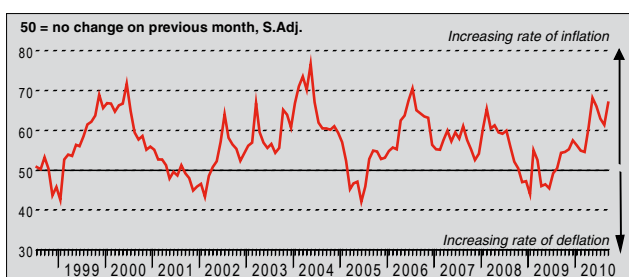
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Polish manufacturers raised their selling prices in September. The current sequence of charge inflation now stretches to six months. The seasonally adjusted Output Prices Index improved to a three-month high, and was above its long-run trend (since January 2003) of 52.1. Firms primarily attributed higher tariffs to rising raw material prices, although competitive pressures were reported as having restricted pricing power during the month.

Input Prices Index

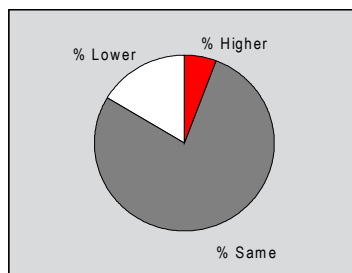
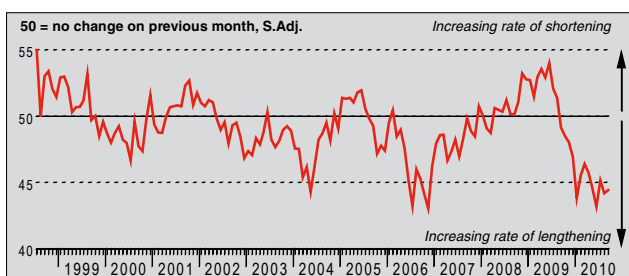
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



September data signalled further marked increases in input prices paid by Polish manufacturers. The seasonally adjusted Input Prices Index rose sharply to a four-month high, and was at its second-highest level since July 2006. Cereals, paper, copper, steel, tin, nickel and plastics were all reported as sources of inflationary pressure during the month. Average input prices have risen continuously since August 2009.

Suppliers' Delivery Times Index

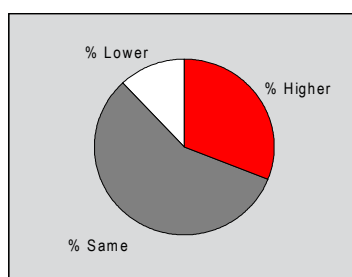
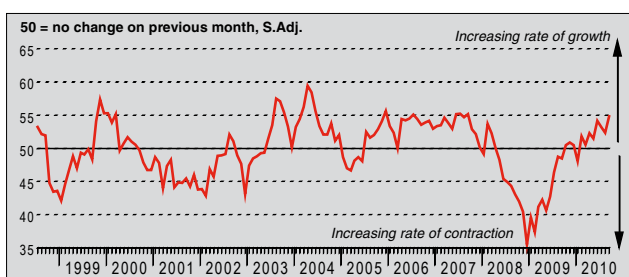
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



The seasonally adjusted Suppliers' Delivery Times Index remained at an historically low level in September, indicating a further marked lengthening in the average time taken to ship inputs to Polish manufacturers. Anecdotal evidence from survey respondents reported that delays resulted from suppliers failing to keep pace with demand for inputs. That said, more than three-quarters of the panel reported no change in supplier performance during the month.

Quantity of Purchases Index

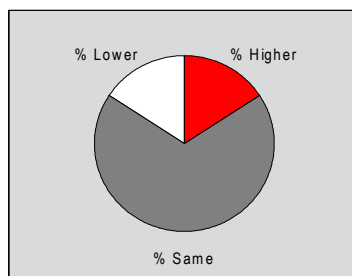
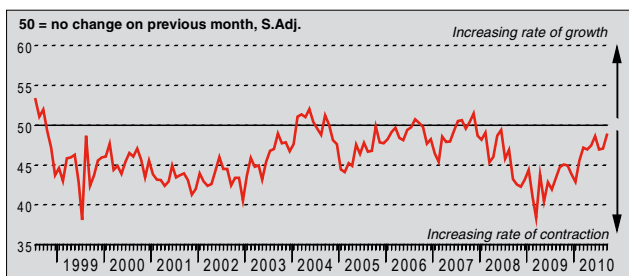
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



The volume of inputs purchased by Polish manufacturers rose for the eighth month running in September. Moreover, the seasonally adjusted Quantity of Purchases Index moved higher, to signal the fastest rate of expansion since September 2007. The main reasons given by survey respondents for greater purchasing volumes included output growth and new orders.

Stocks of Purchases Index

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



The seasonally adjusted Stocks of Purchases Index remained below the no-change mark of 50.0 in September, indicating a further overall decline in raw materials and semi-manufactured components held in stock in the Polish manufacturing sector. The current sequence of contraction now extends to thirty-four months. However, the rate of contraction in the latest period was the slowest since June 2008.

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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