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HSBC Poland Manufacturing PMI™

Manufacturing output grew at fastest pace for over six years in October.

Key findings:

- PMI rose to seventy-seven month peak of 55.6, third-highest in survey history.
- Supply chains under pressure as delivery times lengthened at survey-record rate.
- Input cost inflation remained sharp.

HSBC survey data compiled by Markit covering the Polish manufacturing sector suggested that business conditions improved at a marked rate in October. Production rose at the fastest pace since mid-2004, and suppliers' delivery times lengthened at the fastest rate since data were first collected in June 1998.

The headline HSBC Poland Manufacturing PMI™ is a composite single-figure indicator of manufacturing performance, tracking changes in 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 rose to 55.6 in October, the best outcome since May 2004 and the third-highest in the survey history.

Underpinning the strong performance of the sector in October was a sharp rise in new orders. The current sequence of continuous expansion now stretches to thirteen months, and the latest rate of growth was the fastest in nearly four years. New export orders rose at a sharper rate, as firms reported expansion into new markets.

Positive new order inflows led to a further acceleration in growth of manufacturing output in October to a seventy-seven month high. Production has risen every month since August 2009, and the latest rate of growth was also the fourth-fastest in the survey history.

Backlogs of work rose in October, despite faster growth of

production. This reflected demand oustripping capacity and shortages of raw materials at suppliers. Vendor performance deteriorated to the greatest extent seen in any period in the survey history.

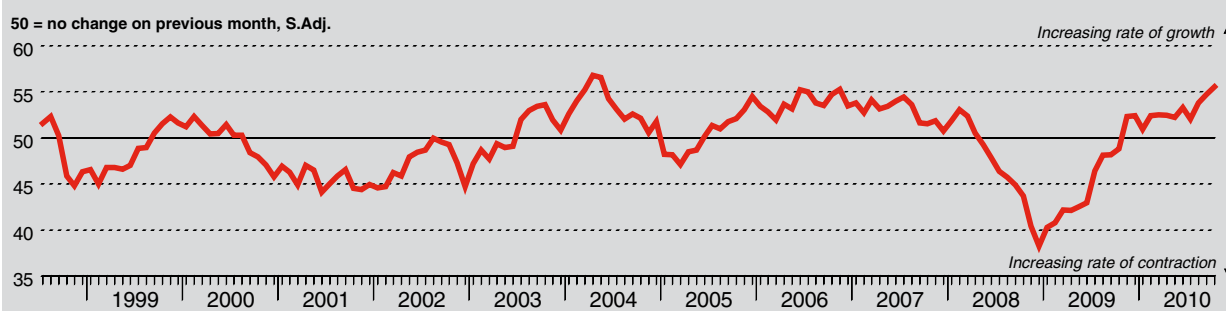
Polish manufacturers continued to add to their payrolls in October in an effort to boost capacity and manage workloads. Employment in the sector has risen four times in the past five months. Moreover, during the past two months the rate of job creation has been the sharpest in over two-and-a-half years.

Input buying by Polish manufacturers rose at the fastest rate since December 2005 in October. Meanwhile, input stocks in the sector fell on average for the thirty-fifth successive month. Inventories of final goods also declined, reflecting strengthening sales during the month.

Strong demand for inputs and supply shortages led average input prices paid by Polish manufacturers to rise sharply in October. The rate of input cost inflation reached a five-month high, and remained substantial in the context of historic data. Items reported as having become more expensive over the month included metals, paper, rubber and foodstuffs, and transport costs also increased.

October data signalled a further robust rate of output price inflation in Poland's manufacturing sector. The rate of charge inflation has been broadly stable since June. Anecdotal evidence directly linked higher output prices to rising cost pressures.

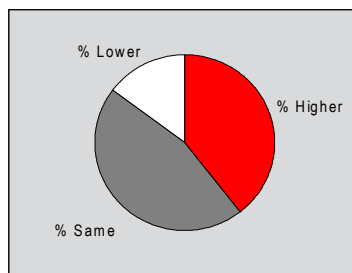
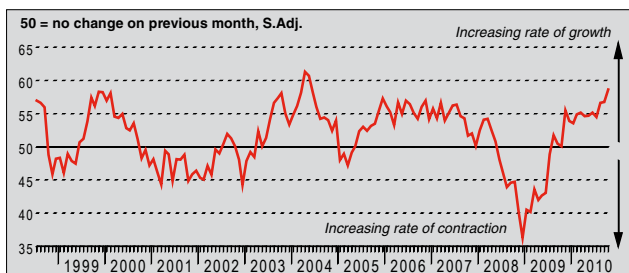
HSBC Poland Purchasing Managers' Index (PMI™)



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

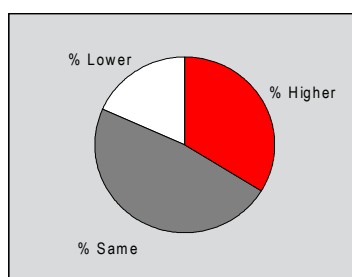
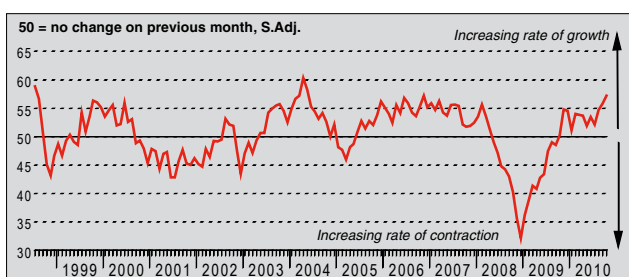
Q. Please compare your production/output this month with the situation one month ago.



Growth of manufacturing production in Poland remained marked in October. The seasonally adjusted Output Index remained well above the no-change mark of 50.0, and rose for the third month running. The latest figure signalled the strongest rate of expansion since May 2004. The Index was also at its fourth-highest level since the series started in June 1998. Production has risen continuously for fifteen months. The latest anecdotal evidence primarily linked rising output to higher levels of new orders.

New Orders Index

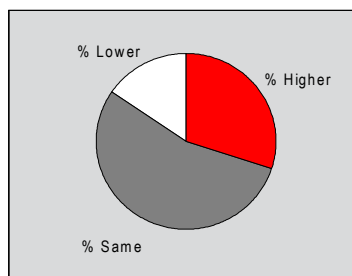
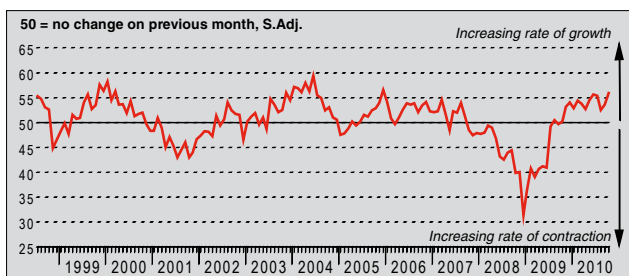
Q. Please compare the level of new orders received this month with the situation one month ago.



New orders received by Polish manufacturers rose for the thirteenth successive month in October. The rate of growth accelerated, as signalled by a further rise in the seasonally adjusted New Orders Index to a forty-seven month high. Around one-third of panellists reported higher new business volumes during the month, linked to a general improvement in demand. New order growth has strengthened for three months in a row.

New Export Orders Index

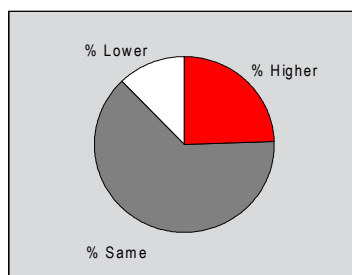
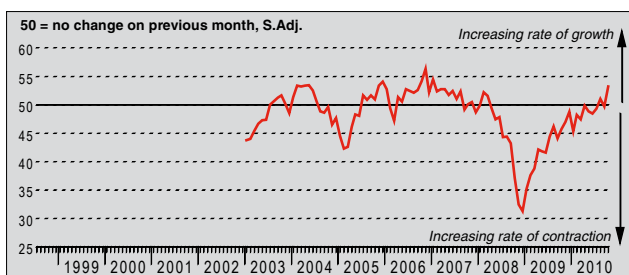
Q. Please compare the level of new export orders received this month with the situation of one month ago.



October data marked a sharp rise in new export contracts placed with Polish manufacturers. The current sequence of continuous growth now extends to thirteen months. Moreover, the rate of expansion accelerated for the second month running, to the fastest since December 2005. A number of companies reported that higher new export orders reflected expansion into new markets.

Backlogs of Work Index

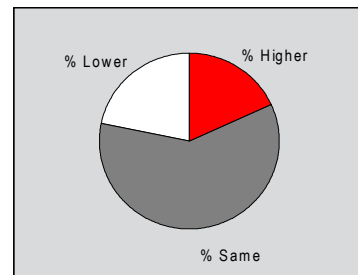
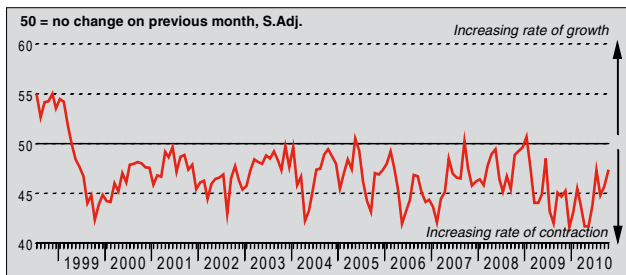
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Outstanding workloads in the Polish manufacturing sector rose at a robust pace in October, having declined marginally the previous month. The seasonally adjusted Backlogs of Work Index registered above the no-change threshold of 50.0 for the second time in three months. Moreover, the latest figure signalled the fastest rate of expansion since January 2007. Survey respondents linked rising backlogs to demand outstripping production capacity, shortages of raw materials and the introduction of new products.

Stocks of Finished Goods Index

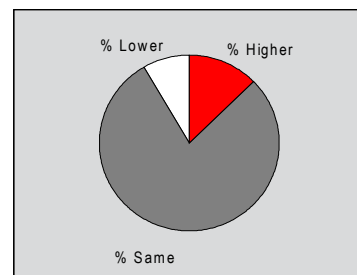
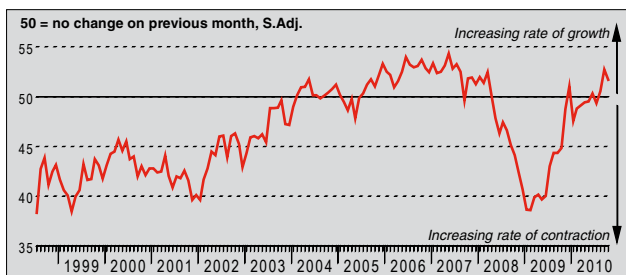
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The seasonally adjusted Stocks of Finished Goods Index remained below the no-change mark of 50.0 in October, indicating a further average contraction in post-production inventories at Polish manufacturers. The main reason given for declines was strengthening sales. Stocks have fallen on average every month since February 2009. However, the Index rose on the month, to signal a weaker rate of decline that was the second-slowest in 2010 so far.

Employment Index

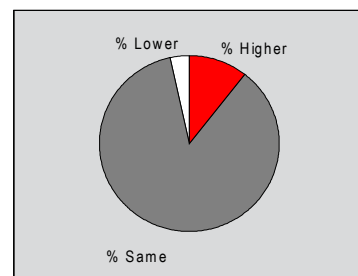
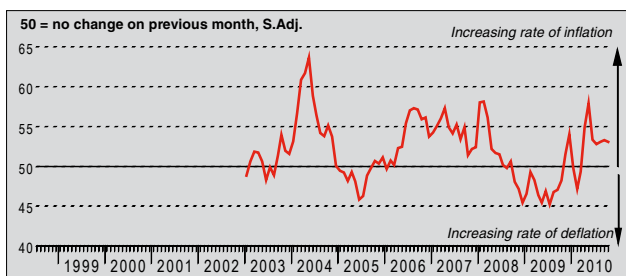
Q. Please compare the level of employment at your unit with the situation one month ago.



Manufacturing employment in Poland rose for the third consecutive month in October. The seasonally adjusted Employment Index moved down from September's thirty-eight month high, but remained well above its long-run trend level of 46.7. Recruitment of additional staff was attributed to rising output requirements and improved order forecasts.

Output Prices Index

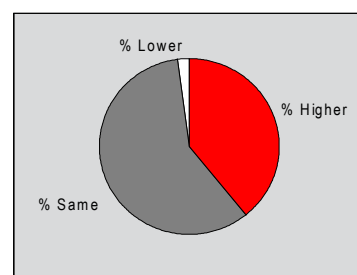
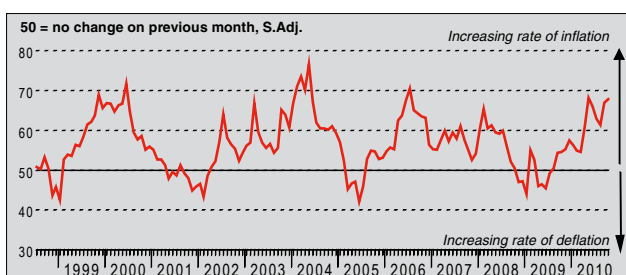
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Prices charged for Polish manufactured goods rose for the seventh month running in October. The seasonally adjusted Output Prices Index remained broadly stable for the fifth successive month, at a level indicative of a robust rate of inflation. The Index was also greater than its long-run average of 52.1 during the month. Anecdotal evidence widely linked higher output prices to rising costs for raw materials.

Input Prices Index

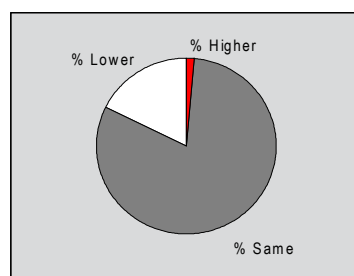
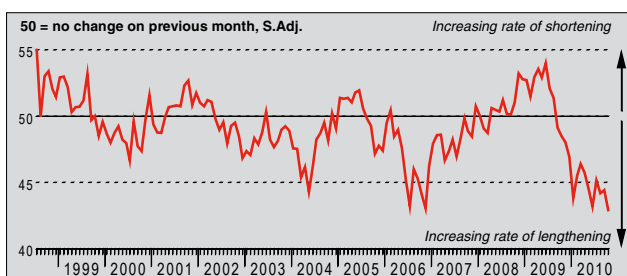
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input price inflation remained sharp compared to the survey's historic standards in October. Moreover, the seasonally adjusted Input Prices Index rose on the month and signalled the fastest rate of input cost inflation since May. Firms reported a range of inputs as having increased in price during the month, including metals, paper, rubber and foodstuffs, while transport costs also rose. Survey data indicated that average input prices have risen every month since August 2009.

Suppliers' Delivery Times Index

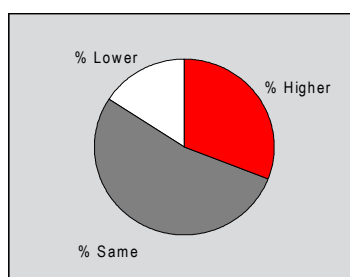
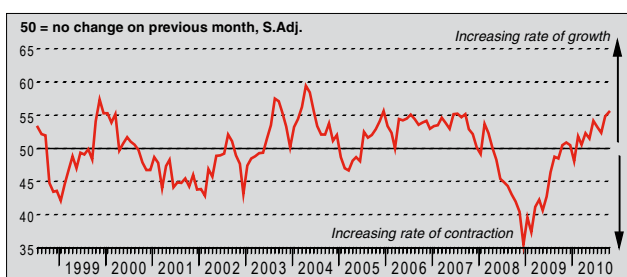
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Survey data indicated that pressure on suppliers to Polish manufacturers continued to grow in October. The seasonally adjusted Suppliers' Delivery Times Index remained well below the no-change mark of 50.0 and sank to a new record low, indicating a substantial lengthening of lead times. Delays have been reported on average every month since September 2009. Firms pointed to shortages of raw materials and transport difficulties in the latest period.

Quantity of Purchases Index

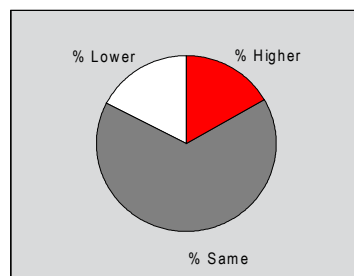
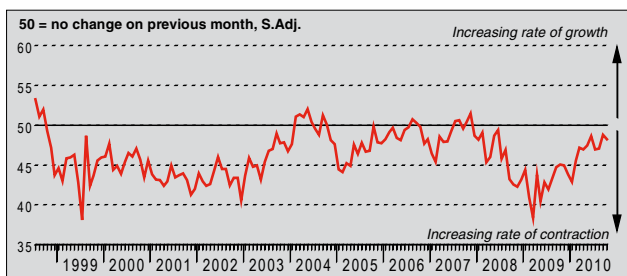
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Purchasing activity in the Polish manufacturing sector continued to rise strongly in October. The seasonally adjusted Quantity of Purchases Index rose for the second month running, and reached its highest since December 2005. Survey respondents primarily linked rising input volumes to higher output requirements. The volume of inputs purchased by manufacturers has risen continuously for the past nine months.

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 neutral level of 50.0 in October, signalling a further contraction in stocks of raw materials and semi-manufactured inputs at Polish manufacturers. Stocks of purchases have fallen every month since December 2007. That said, the rate of contraction remained modest, and slower than the average over the past twelve months.

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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