HSBC Purchasing Managers' Index™ Press Release
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compiled by markit

HSBC Poland Manufacturing PMI™

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

Summary

HSBC survey data compiled by Markit covering the Polish manufacturing sector suggested that business conditions improved at a marked rate in October. The headline HSBC Poland Manufacturing PMI™, a composite single-figure indicator of manufacturing performance, tracking changes in new orders, output, employment, suppliers' delivery times and stocks of purchases rose to 55.6 in October, the best outcome since May 2004 and the third-highest in the survey history. Any figure greater than 50.0 signals an overall improvement.

Underpinning the strong performance of the sector in October was a sharp rise in new orders. The latest rate of growth was the fastest in nearly four years. New export orders rose at a sharper rate.

Positive new order inflows led to a further acceleration in growth of manufacturing output in October to a seventy-seven month high. The latest rate of growth was also the fourth-fastest in the survey history.

Backlogs of work rose despite faster growth of production. This reflected demand outstripping 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.

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.

Comment

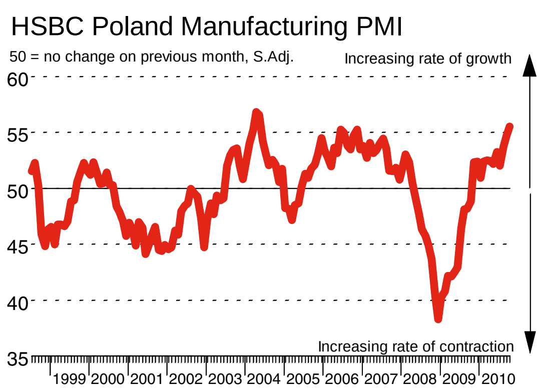
Commenting on the Poland Manufacturing PMI survey, Dr Murat Ulgen, HSBC Chief Economist, Central & Eastern Europe and sub-Saharan Africa, said:

"Manufacturing activity in Poland expanded for the twelfth consecutive month in October. Output, new orders, and new export orders all rose as well, and at an increasing pace vis-à-vis September. Despite showing some recent volatility, new orders and new export orders remain on a firm expansionary trend, abetting the impressive performance in the manufacturing sector. This is encouraging particularly because Poland's recovery to date has been buttressed more by domestic demand and Germany's strong performance could uplift foreign demand as well. The pace of improvement in October PMI survey was not uniform, however. Employment conditions continued to improve in October, but at a lower pace than last month, while backlogs of work accelerated following a brief contraction in previous month. Suppliers' delivery times deteriorated at its sharpest rate in survey history. On the other hand, input prices rose at a much faster pace than output prices in October, pushing the input/output price ratio higher for a second month and arguing for tighter margins by manufacturers. Overall, production momentum in Poland appears robust, but it's important to watch out for possible price pressures in the pipeline."

Key points

- 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.

Historical Overview



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Notes to Editors:

The HSBC Poland Report on Manufacturing 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: 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

HSBC:

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About Markit:

Markit is a leading, global financial information services company with over 1,900 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see www.markit.com.

About PMIs:

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