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HSBC Poland Manufacturing PMI™

Growth rate of Polish manufacturing sector accelerated further in November.

Key findings:

- PMI rose further to 55.9, third-highest in survey history.
- New order growth quickened for fourth successive month, to 79-month high.
- Employment growth maintained.

Poland's manufacturers continued to experience a marked improvement in operating conditions in November, according to the latest HSBC survey data compiled by Markit. Growth rates for output and new orders both accelerated further, supporting sustained job creation and purchasing activity. Inflation of both input and output prices remained above historic survey averages, but softened slightly since October.

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 55.9 in November, from 55.6 in October. The latest figure pointed to the best overall performance of the sector since May 2004, and was the third-highest reading since the series started in June 1998.

The latest upward movement in the PMI, the fourth in successive months, was mainly driven by sharper increases in new orders and output. New orders received by Polish manufacturers increased at the fastest rate since April 2004. The latest growth spurt extended the current period of continuous expansion to fourteen months. Data suggested that total new business receipts were supported by both domestic and external markets. The volume of new export orders rose at a sharp rate that was broadly unchanged from October's near five-year peak.

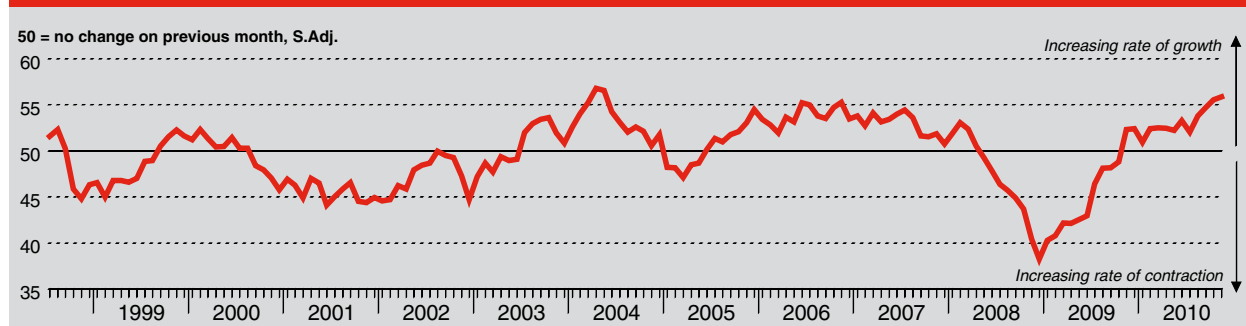
Polish manufacturing production increased at the third-fastest rate in the twelve-and-a-half-year history of the series in November. Only in April and May 2004 were faster rates of expansion indicated. November's rise in output was the sixteenth in successive months. However, stocks of final products were eroded further as sales shipments gathered pace. Final goods inventories have not expanded overall since January 2009.

Backlogs of work increased for the third time in four months in November. This mainly reflected pressure on capacity from current market conditions, but also transport-related issues.

Polish manufacturers increased headcounts in November, as they sought to control current workloads and prepared for new contracts. Employment in the sector has risen for four months in a row, although the latest increase was the slowest since August. Companies also stepped up purchasing efforts, with input orders rising at the fastest rate since May 2004. Consequently, suppliers' delivery times continued to lengthen sharply.

Upward pressure on firms' input prices was maintained in November, albeit at a softer pace. The overall rate of inflation remained greater than the long-run survey trend, as firms reported a wide range of raw materials as up in price. These included metals, plastics, rubber and chemicals. Manufacturers passed on higher input prices to customers, as average output prices rose for the eighth month running.

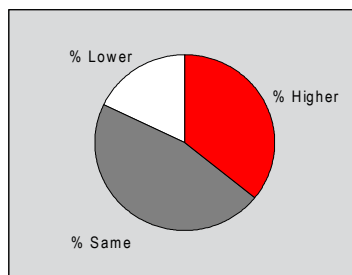
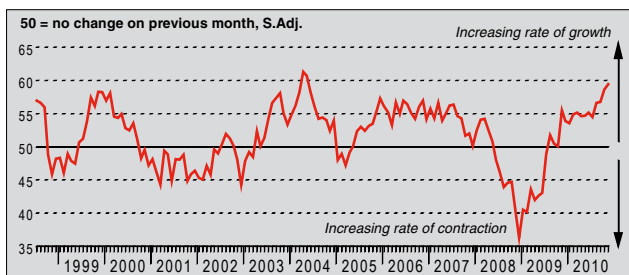
HSBC Poland Purchasing Managers' Index (PMI™)



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

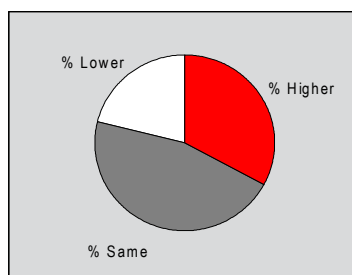
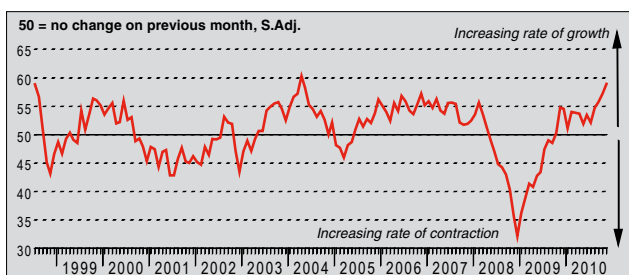
Q. Please compare your production/output this month with the situation one month ago.



Output rose at one of the fastest rates in the survey history in November. The seasonally adjusted Output Index rose for the fourth month in a row, to its third-highest level in twelve-and-a-half years of data collection. The rate of growth signalled in November was the strongest since May 2004. The current sequence of continuous expansion now stretches to sixteen months. Firms linked gains in production to healthy order book growth amid an improved economic situation.

New Orders Index

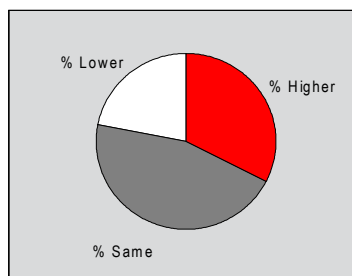
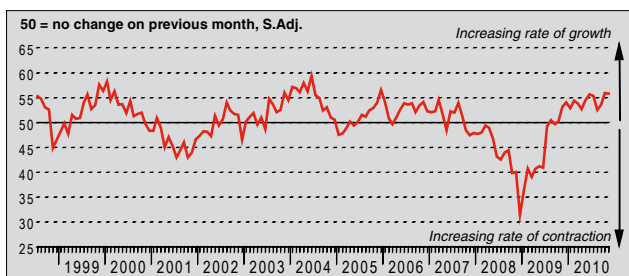
Q. Please compare the level of new orders received this month with the situation one month ago.



New order growth accelerated for the fourth month in succession in November. The rate of expansion was the fastest since April 2004, and the joint-third strongest in the survey history. New business in the Polish manufacturing sector has increased every month since October 2009. The latest anecdotal evidence linked new order growth to strengthening domestic and external demand, and the winning of new customers.

New Export Orders Index

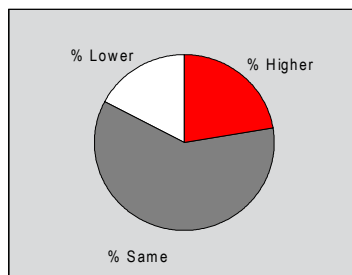
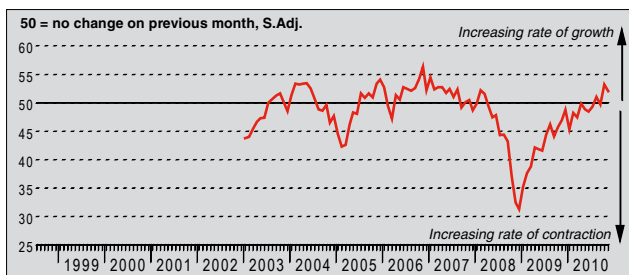
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The volume of new export business received by Polish manufacturers continued to rise sharply in November. The seasonally adjusted New Export Orders Index was only fractionally lower than October's fifty-eight month high, and remained well above its long-run trend level of 50.7. New business from export markets has risen continuously since October 2009. Some firms linked export growth to the strength of German demand for Polish-manufactured goods.

Backlogs of Work Index

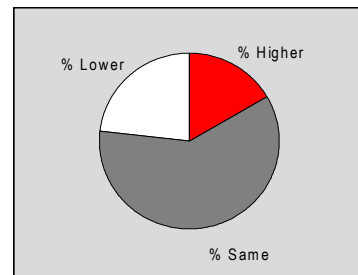
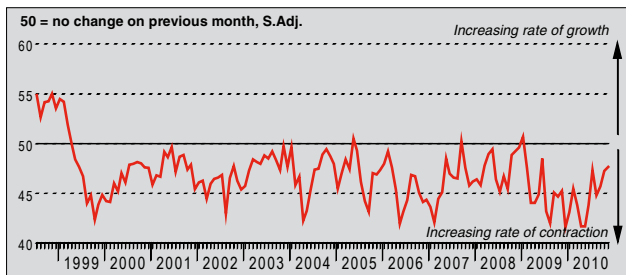
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Marked growth of new orders imparted further pressure on operating capacity in the Polish manufacturing economy in November. Consequently, the volume of outstanding business rose for the third time in four months. The main reason given for higher backlogs was strengthening market conditions, although some firms mentioned transport and weather-related disruptions to production. The seasonally adjusted Backlogs of Work Index fell slightly on the month, signalling a slightly weaker rate of increase than one month previously.

Stocks of Finished Goods Index

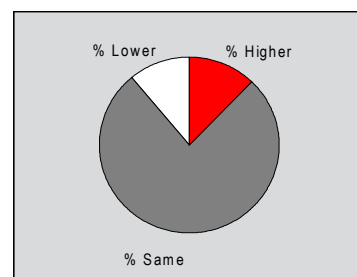
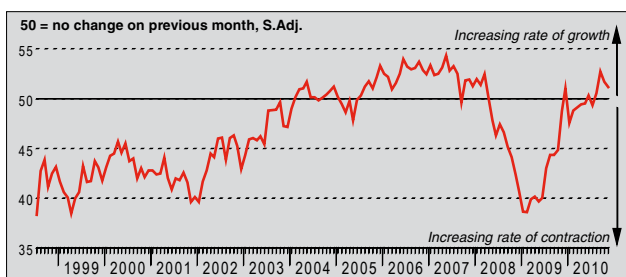
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Inventory de-stocking in the Polish manufacturing sector continued in November. The seasonally adjusted Stocks of Finished Goods Index remained below the no-change mark of 50.0 for the twenty-second successive month. Firms linked falling warehouse stocks of final goods to the current strength of sales demand and pressure on production capacity. That said, the overall rate of inventory decline was the weakest since June 2009.

Employment Index

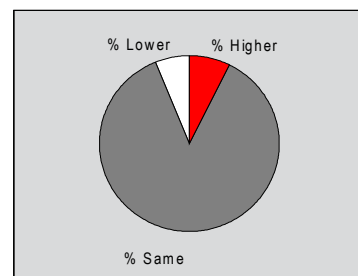
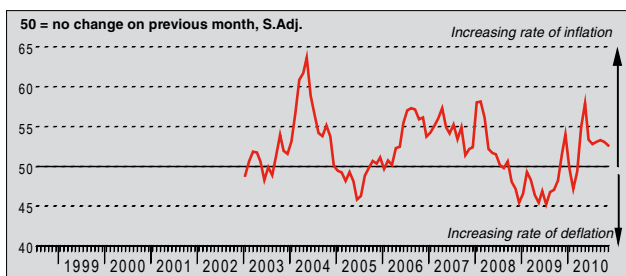
Q. Please compare the level of employment at your unit with the situation one month ago.



Polish manufacturing employment increased further in November. The seasonally adjusted Employment Index remained above the no-change mark of 50.0 for the fourth consecutive month, and has signalled job creation in the sector five times in the past six months. Firms reported that they had taken on more staff in order to increase capacity. That said, the rate of workforce growth in the latest period was the weakest in three months.

Output Prices Index

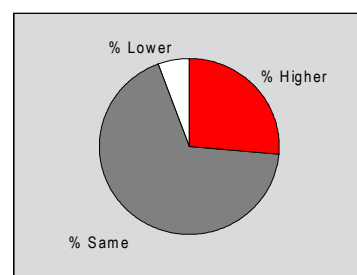
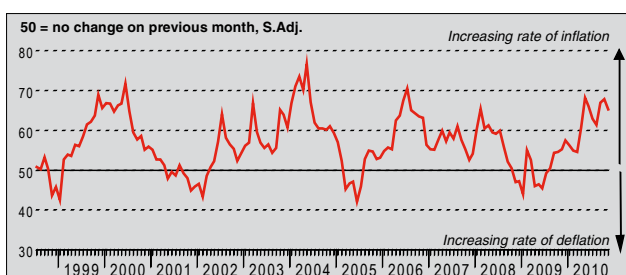
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Polish manufacturers raised their output prices for the eighth month running in November. Higher charges were primarily linked to rising raw material prices. The rate of output price inflation eased during the month to the slowest in the current sequence, but the seasonally adjusted Output Prices Index nevertheless remained above its long-run trend level of 52.1.

Input Prices Index

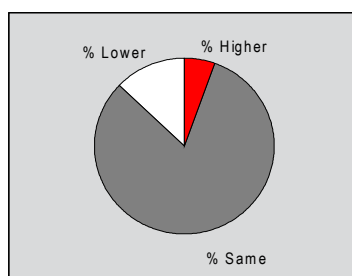
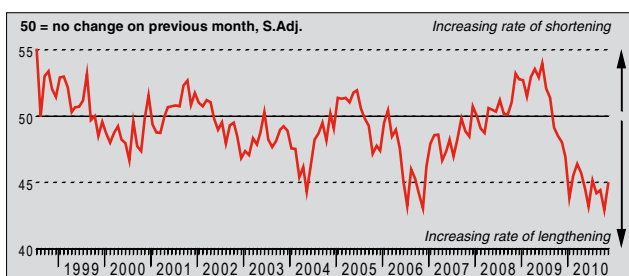
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input price inflation eased to a three-month low in November, but remained strong in the context of historic survey data. More than one-quarter of respondents reported higher average input prices than one month previously, versus less than 6% that reported falls. The latest anecdotal evidence highlighted rising global commodity prices, listing rubber, plastics, chemicals, oil-based items and metals as having become more expensive.

Suppliers' Delivery Times Index

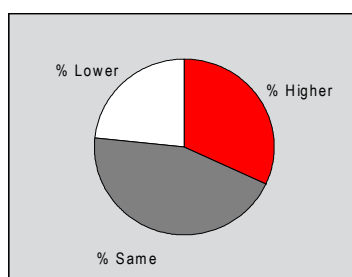
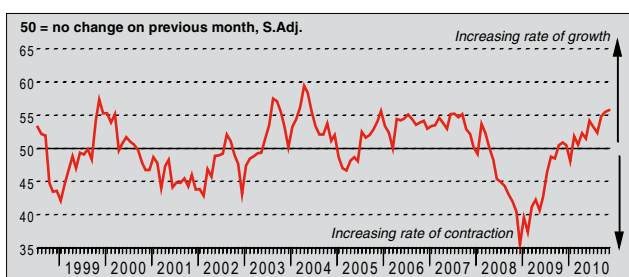
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



The average time taken to deliver inputs to Polish manufacturers lengthened further in November. The current sequence of deteriorating vendor performance now extends to fifteen months. The degree to which times lengthened moderated from October's survey record, but remained substantial overall. Firms mainly attributed delayed receipts of purchases to transport difficulties.

Quantity of Purchases Index

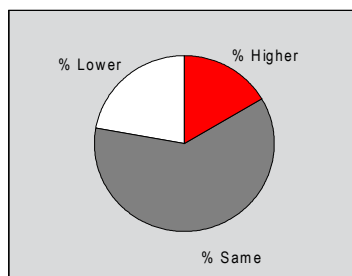
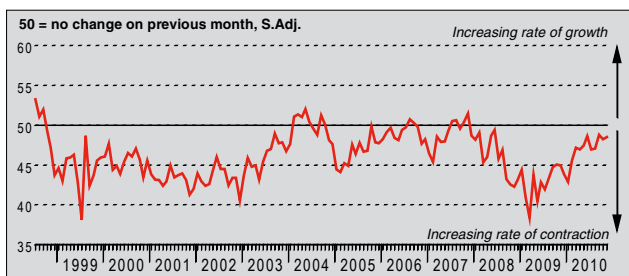
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Growth of purchasing activity remained sharp in November. Moreover, the seasonally adjusted Quantity of Purchases Index rose for the third month running, and signalled the fastest rate of expansion since May 2004. Firms linked rising input volumes to higher output requirements and incoming new business. Purchasing activity in the sector has risen continuously since February.

Stocks of Purchases Index

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



Remaining below 50.0 in November, the seasonally adjusted Stocks of Purchases Index signalled a further overall contraction in Polish manufacturers' pre-production inventories. The average level of inputs held in stock has fallen every month for the past three years. That said, the rate of contraction remained modest, and eased slightly since October.

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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