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## HSBC Poland Manufacturing PMI™

Growth of new export orders accelerated to record pace in January.

### Key findings:

- PMI fell for first time since July 2010, but remained strong at 55.6.
- Survey-record rise in new export orders.
- Input price inflation surged to record rate.

Poland's manufacturing economy continued to expand at a rapid rate at the start of 2011, according to the latest HSBC survey data compiled by Markit. The stand-out figures from the latest survey were series-record increases in new export orders and input prices. Output continued to rise sharply, generating further job creation and capacity pressures in the sector.

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 eased to 55.6, from December's near-record 56.3, signalling a slight moderation in the overall pace of growth, but the latest figure was still the joint-fifth highest in more than twelve-and-a-half years of data collection to date.

The slight fall in the headline PMI masked a faster gain in new orders received by Polish manufacturers in January. The rate of growth just failed to match November's high, but was still sharper than in any other period since May 2004. Data suggested that the export market was a key driver of growth, as new export orders rose at the fastest rate in the survey history.

Manufacturing output growth remained sharp in the context of historic survey data in January, despite easing to a four-month low. The current sequence of expansion now stretches to eighteen months.

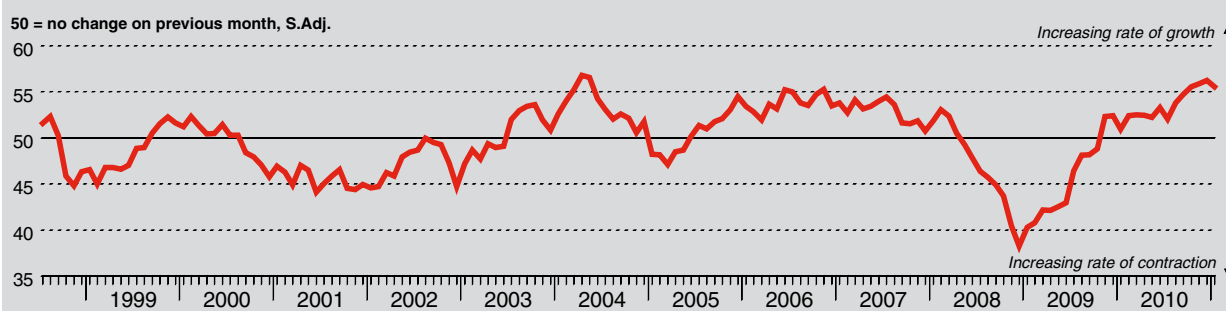
Inflationary pressures in the Polish manufacturing sector surged in January. Input cost inflation accelerated rapidly, to the fastest indicated by the survey to date. Firms reported a combination of rising raw material prices at suppliers and the effects of recent VAT hikes. Upward pressure on energy prices was also widely mentioned.

The record increase in average input prices registered in January led to a marked increase in prices charged for manufactured goods. Output prices in the Polish manufacturing sector rose at the fastest rate since June 2004, extending the current inflationary sequence to ten months.

Faster gains in new work led to a further build-up of capacity pressures in January. Backlogs of work increased for the fourth consecutive month, and at the strongest rate since January 2007. The latest accumulation of incomplete business transpired despite a sixth successive monthly expansion of the workforce.

Pressure on manufacturers' suppliers also remained acute at the start of the year. Suppliers' delivery times lengthened markedly, linked to a combination of strong demand, supply shortages and extreme winter weather conditions. The volume of inputs ordered by manufacturers continued to increase at a marked rate, continuing the trend seen in the final quarter of 2010. Despite this, stocks of purchases contracted further as firms ramped up production.

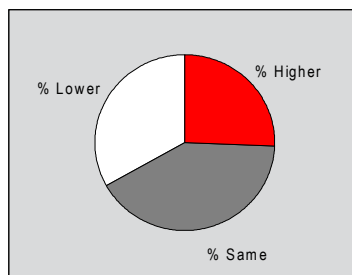
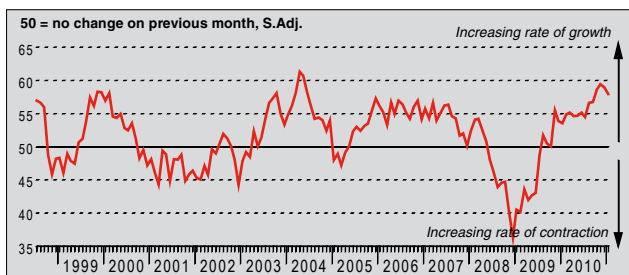
HSBC Poland Purchasing Managers' Index (PMI™)



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

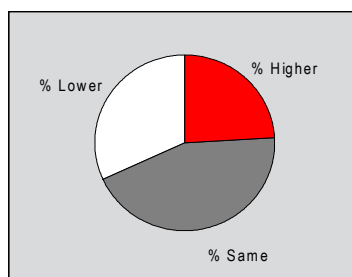
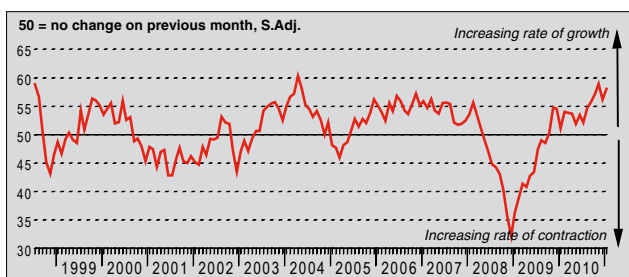
Q. Please compare your production/output this month with the situation one month ago.



Polish manufacturing production increased for the eighteenth successive month in January. Higher output was primarily linked by firms to rising new order volumes. The rate of expansion slowed for the second month running from November's twelve-and-a-half-year high to a four-month low, but remained marked in the context of historic survey data.

## New Orders Index

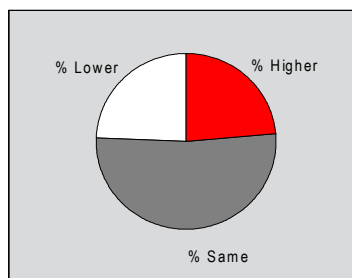
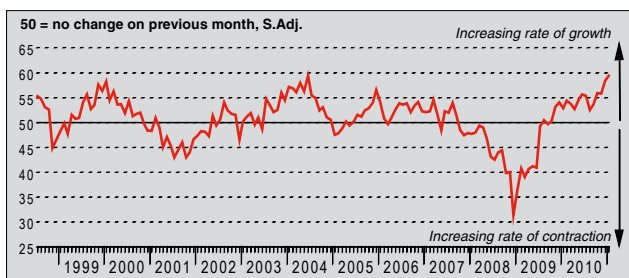
Q. Please compare the level of new orders received this month with the situation one month ago.



The volume of incoming new work received by Polish manufacturers expanded rapidly in January. The rate of growth picked up from December's three-month low, and was the second-fastest since May 2004. New order intakes have risen every month since October 2009. Survey respondents generally mentioned improving underlying demand for their goods.

## New Export Orders Index

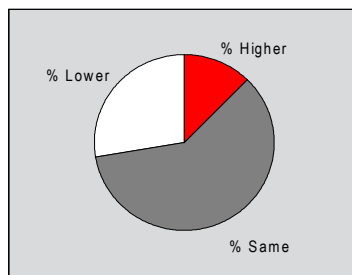
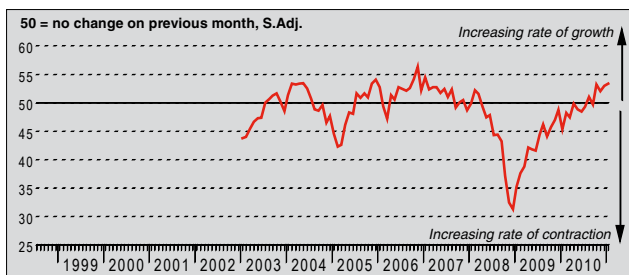
Q. Please compare the level of new export orders received this month with the situation of one month ago.



New export business taken by Polish manufacturers rose at the fastest rate in the survey history in January. The seasonally adjusted New Export Orders Index moved up for the second month running, and just surpassed the previous peak set in June 2004. The current sequence of continuous growth now stretches to sixteen months.

## Backlogs of Work Index

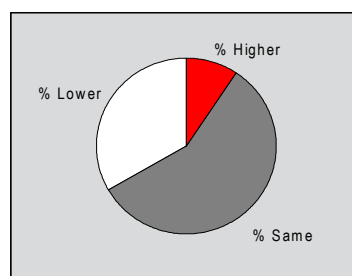
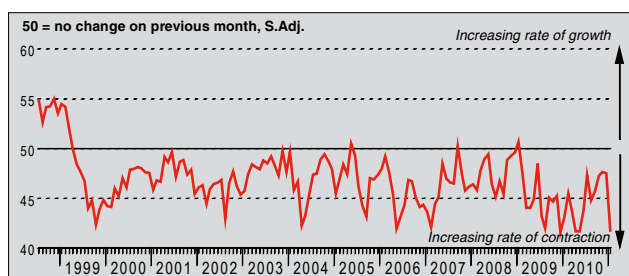
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Outstanding business in the Polish manufacturing sector rose for the fourth successive month in January. Moreover, the rate of expansion signalled by the seasonally adjusted Backlogs of Work Index was the fastest since January 2007. Instances of rising incomplete work were mostly attributed by survey respondents to larger order books.

## Stocks of Finished Goods Index

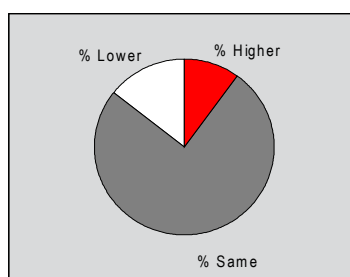
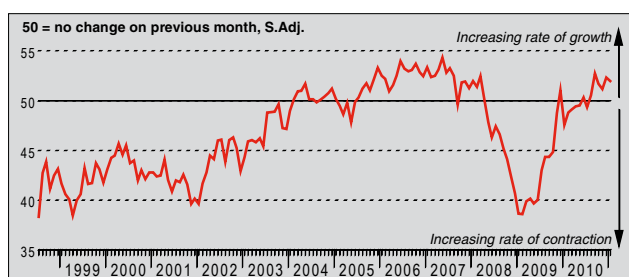
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Polish manufacturers continued to streamline their stocks of finished products in January. Inventories of final goods have now contracted continuously over a two-year period. Moreover, the latest rate of decline was the fastest since last May. Some firms reported deliberate efforts to clear out existing stock during the month.

## Employment Index

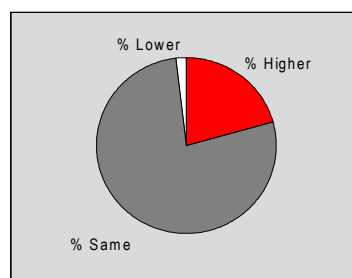
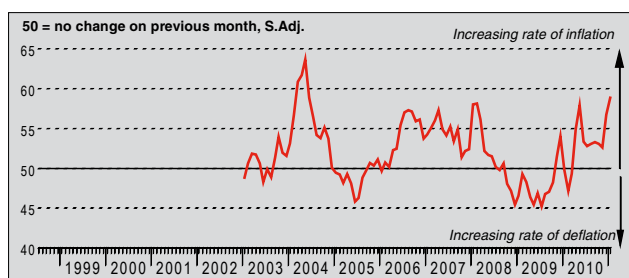
Q. Please compare the level of employment at your unit with the situation one month ago.



Polish manufacturers added to their workforces in January, as the seasonally adjusted Employment Index remained above the no-change mark of 50.0 for the sixth successive month. The rate of job creation was broadly in line with the trend seen over this sequence, and favourable in comparison with historic survey data.

## Output Prices Index

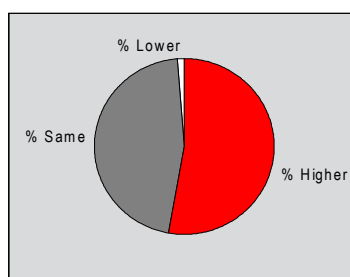
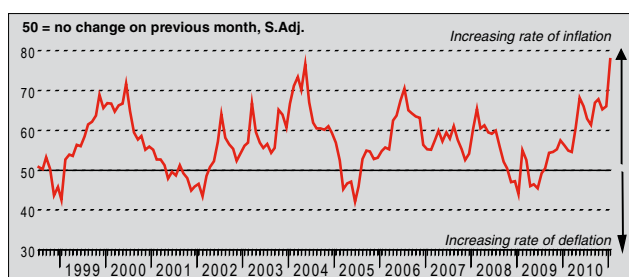
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Average prices charged by Polish manufacturers rose sharply in January. The seasonally adjusted Output Prices Index built upon December's surge, improving to its highest since June 2004. The latest figure was also the joint-fourth highest in the series to date. Manufacturers widely reported passing on the higher cost of purchases – both through tax hikes and wider commodity price pressures – to customers.

## Input Prices Index

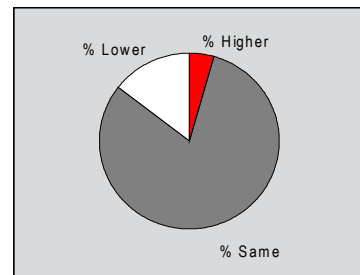
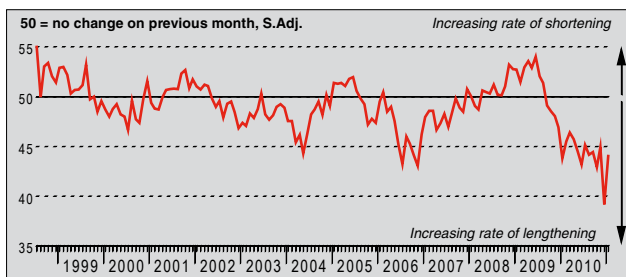
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



The rate at which Polish manufacturers' average input prices increased soared in January. The seasonally adjusted Input Prices Index rose to a survey-record high, beating the previous peak set in May 2004. Moreover, the month-on-month movement in the Index was the largest to date. Around 53% of firms reported greater cost burdens during the month, blaming this on a combination of rising prices for raw materials and higher VAT. A wide range of items were reported as up in price, including metals, chemicals, oil products and energy.

## Suppliers' Delivery Times Index

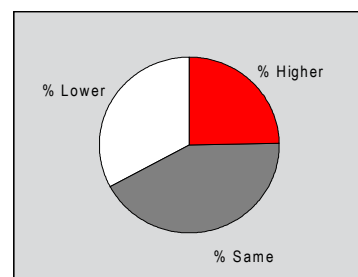
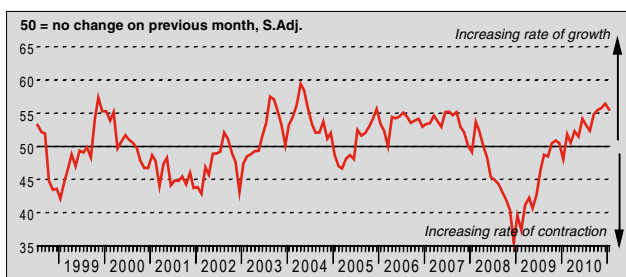
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Vendor performance in the Polish manufacturing sector continued to deteriorate in January. The seasonally adjusted Suppliers' Delivery Times Index rose sharply from December's record low, but still indicated a marked increase in the average time taken to ship manufacturers' purchases. Suppliers' delivery times have lengthened on average every month since September 2009.

## Quantity of Purchases Index

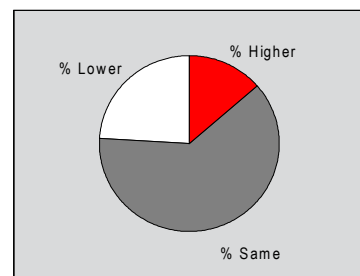
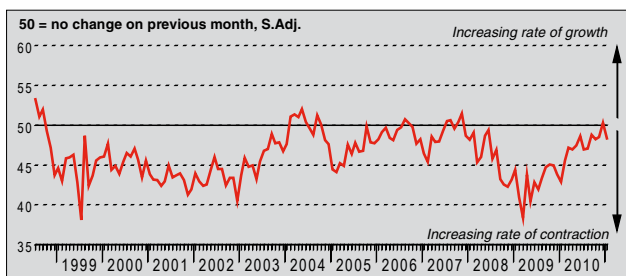
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Growth of purchasing activity by Polish manufacturers remained marked in January, reflecting faster gains in new orders. Average input volumes have risen continuously for twelve months. The rate of growth eased slightly since December, but was broadly in line with the trend over Q4 – which was the strongest quarter of purchasing growth since Q2 2004.

## Stocks of Purchases Index

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



Having expanded marginally in December, the overall level of inputs held in stock at Polish manufacturers declined in January. Though modest, the latest contraction was the thirty-seventh in the past thirty-eight months. Firms partly linked falling input stocks to rising output requirements. The seasonally adjusted Stocks of Purchases Index was above its long-run trend level of 46.3 during the latest period.

## 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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