

Embargoed until: 09:00 (WARSAW), 1 April 2011

## HSBC Poland Manufacturing PMI™

Polish manufacturing sector regained momentum in March.

### Key findings:

- PMI rebounded from February's six-month low to post 54.8.
- Output, new orders and purchases all grew at faster rates.
- Price pressures remained substantial.

The latest HSBC survey data compiled by Markit signalled a faster pace of manufacturing expansion in Poland in March. Having slowed in February, the rates of growth for output, new orders and input purchases all accelerated in the latest period. This generated further employment growth in the sector and put more pressure on suppliers, whose delivery times continued to lengthen substantially. Meanwhile, input and output prices both continued to rise rapidly on average.

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. Rising to 54.8, the PMI regained positive momentum after slipping to a six-month low of 53.8 the previous month. The trend level over the current seventeen-month sequence of growth, of 53.6, is well above the historic average for the series (49.9).

The higher PMI reading in March reflected faster growth of new orders and output, and a more substantial lengthening of suppliers' delivery times. New business rose for the eighteenth month running, and at a strong rate compared to the historic survey trend. Anecdotal evidence reported improving domestic demand, while growth of new export orders remained robust despite easing to the weakest since last September.

Production growth was maintained for the twentieth consecutive

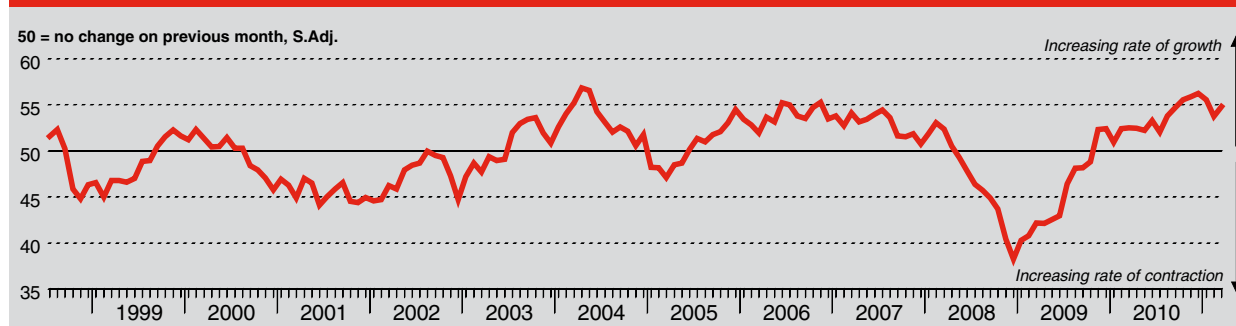
month in March. Having slowed for three successive months from last November's six-and-a-half year high, the rate of growth accelerated in the latest period.

Underlining the positive direction of the sector in March was a faster increase in purchasing activity by manufacturers. The rate of expansion equalled December's six-and-a-half year high, and the current sequence of growth was extended to fourteen months. Suppliers' delivery times continued to lengthen at a marked rate as a result. Manufacturers' stocks of purchases continued to decline on average, however, as new purchases were directed to current output requirements.

Backlogs of work rose in March, as they have every month since last October. This led manufacturers to continue expanding their workforces, as employment grew for the eighth successive month. The rate of job creation eased slightly, but was nevertheless strong in the context of historic survey data.

Input price inflation in the Polish manufacturing sector remained rapid in March. The rate of inflation slowed for the second month running from January's survey record, but was nevertheless the fourth-highest in nearly thirteen years of data collection to date. Survey respondents reported a wide range of inputs up in price, including metals, fuel, chemicals and wood products. As a direct result of greater costs incurred by manufacturers, output price inflation accelerated for the fourth month running in March to the highest since May 2004.

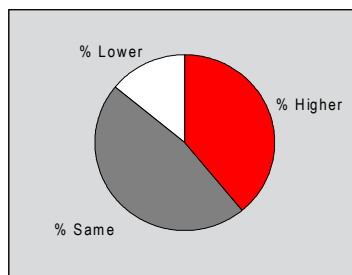
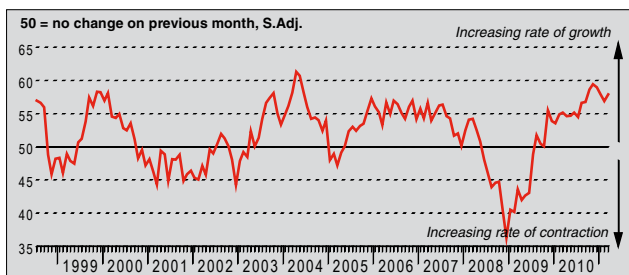
HSBC Poland Purchasing Managers' Index (PMI™)



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

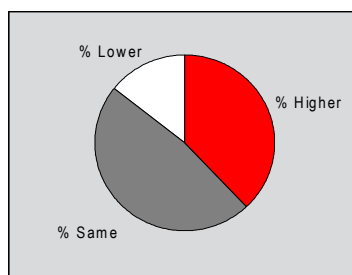
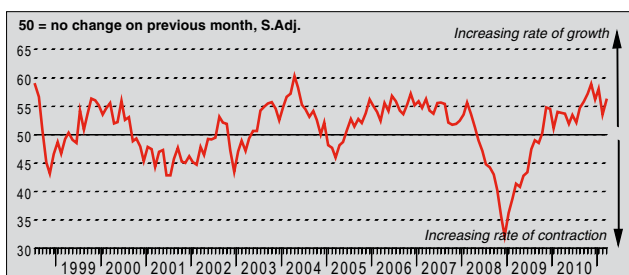
Q. Please compare your production/output this month with the situation one month ago.



Output growth in Poland's manufacturing sector remained sharp in March. The seasonally adjusted Output Index moved up from February's five-month low, and signalled a rate of expansion that remained well above the long-run survey average. The latest anecdotal evidence widely linked output growth to intakes of new work. The current sequence of rising production now stretches to twenty months. Growth over the first quarter as a whole was slightly weaker than in Q4 2010, however.

### New Orders Index

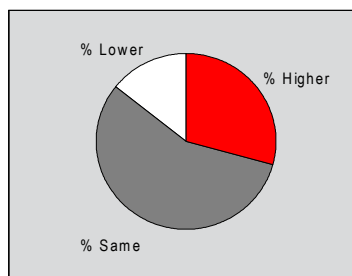
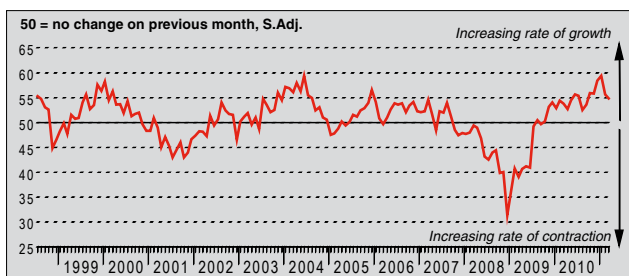
Q. Please compare the level of new orders received this month with the situation one month ago.



Having slowed sharply in February, the pace of expansion in new business received by Polish manufacturers accelerated in March. The seasonally adjusted New Orders Index failed to reach January's level, but was nevertheless above the trends seen over the past twelve months and the survey history. New business has risen continuously since October 2009. Some firms highlighted positive domestic demand in particular as being a driver of new orders.

### New Export Orders Index

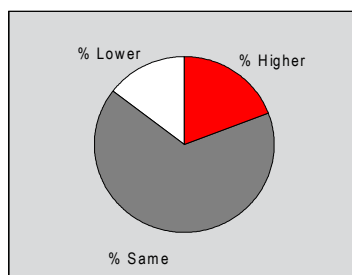
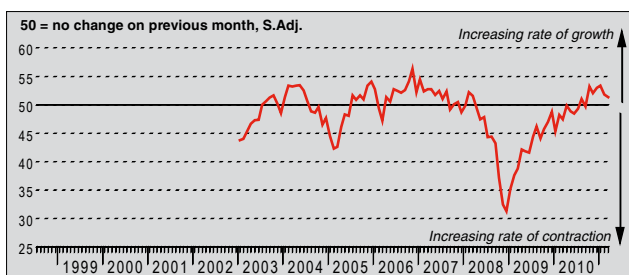
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The volume of new export orders in the Polish manufacturing sector rose for the eighteenth successive month in March. The seasonally adjusted New Export Orders Index remained well above its long-run average of 50.8, but eased further from January's record high to signal the slowest rate of expansion since last September.

### Backlogs of Work Index

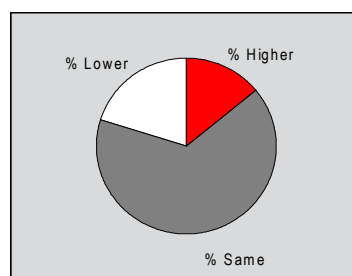
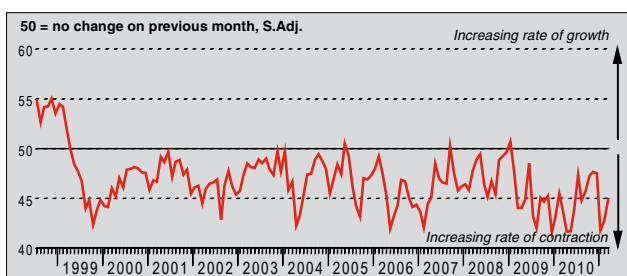
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



New order growth was sufficiently robust to generate a further rise in incomplete workloads in March. The seasonally adjusted Backlogs of Work Index remained above the no-change mark of 50.0 for the sixth successive month, but the latest figure signalled the slowest rate of expansion over this sequence. Firms mainly linked rising levels of outstanding business to intakes of new work.

## Stocks of Finished Goods Index

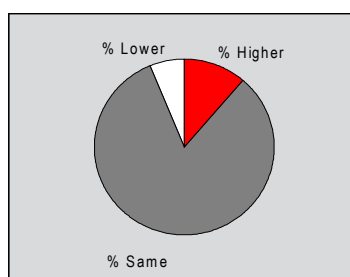
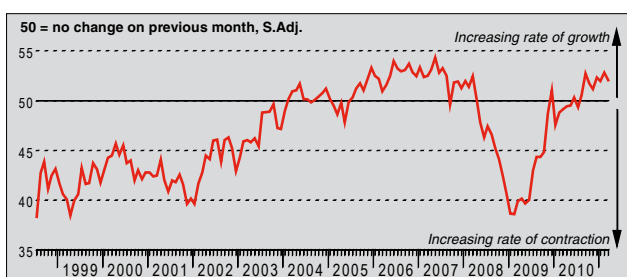
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The overall level of finished goods held in stock in the Polish manufacturing sector declined for the twenty-sixth successive month in March. The rate of contraction remained relatively sharp, despite slowing to the weakest in 2011 so far. Where inventories declined – at around one-fifth of companies – this was mostly attributed to better-than-expected sales.

## Employment Index

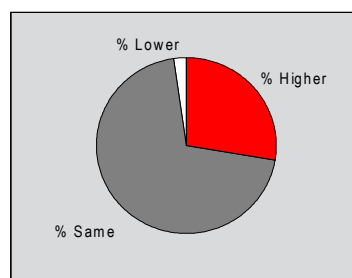
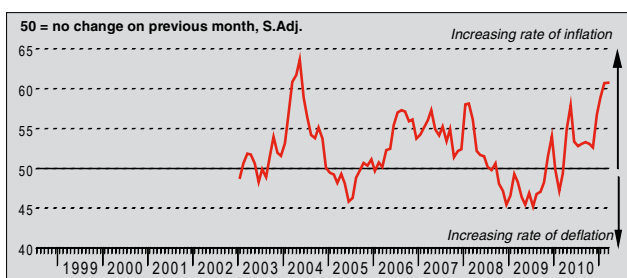
Q. Please compare the level of employment at your unit with the situation one month ago.



Polish manufacturers continued to recruit additional staff in March. Employment in the sector has risen every month since last August. Firms raised headcounts to cope with rising workloads. The rate of job creation slowed slightly from February, but was nevertheless stronger than the average for the current sequence. The seasonally adjusted Employment Index was well above its long-run trend of 46.9.

## Output Prices Index

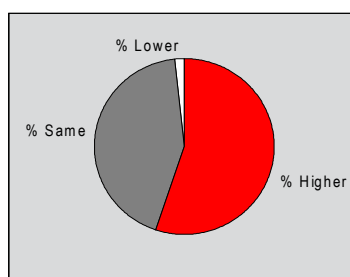
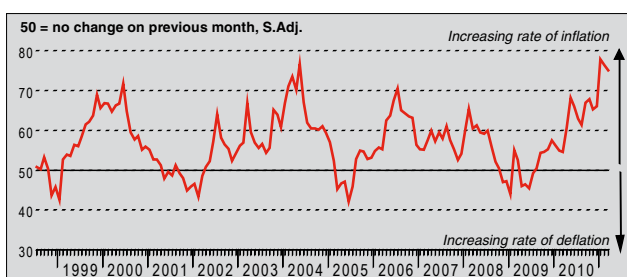
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Manufacturers in Poland increased their output prices at a faster rate in March. The seasonally adjusted Output Prices Index rose for the fourth successive month to its highest since May 2004. The latest figure was also the fourth-highest since the series started in January 2003. The latest anecdotal evidence directly linked higher output prices to the rising cost of raw materials. The current sequence of output price inflation now extends to twelve months.

## Input Prices Index

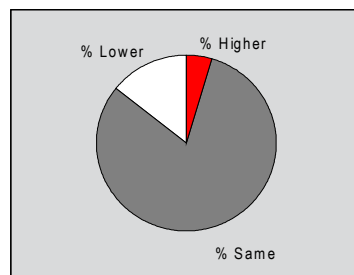
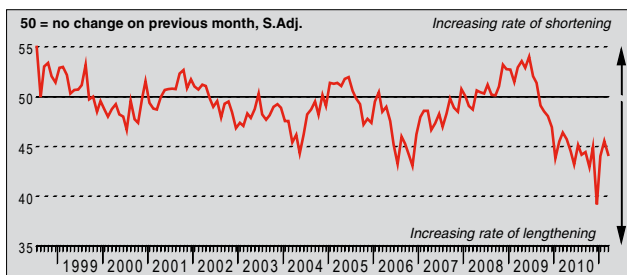
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



March data signalled another substantial rise in average input prices paid by Polish goods producers. The seasonally adjusted Input Prices Index eased for the second month running from January's record high, but was nevertheless the fourth-highest in the survey history. A wide range of items were reported up in price during the month, including metals, fuel, chemicals, plastics, wood and paper. The current sequence of rising input prices now stretches to twenty months.

## Suppliers' Delivery Times Index

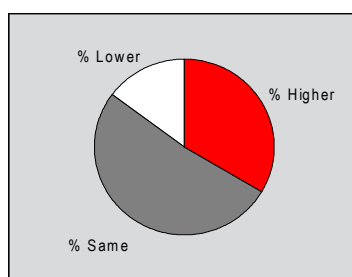
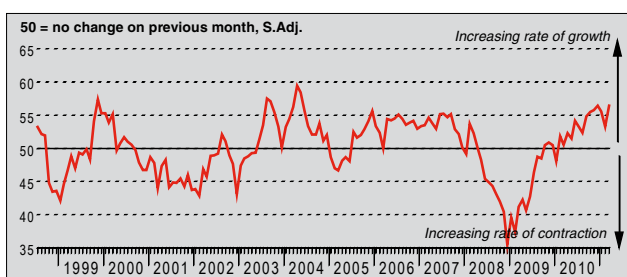
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Pressure on supply chains remained intense in March. The seasonally adjusted Suppliers' Delivery Times Index remained well below the no-change mark of 50.0, signalling longer lead times, and was at its ninth-lowest level to date. Longer delivery times mainly reflected shortages of raw materials. Times have lengthened every month since September 2009.

## Quantity of Purchases Index

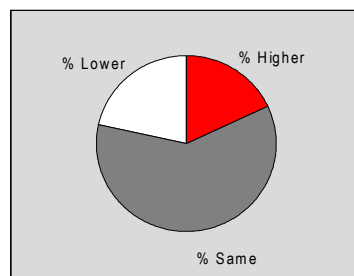
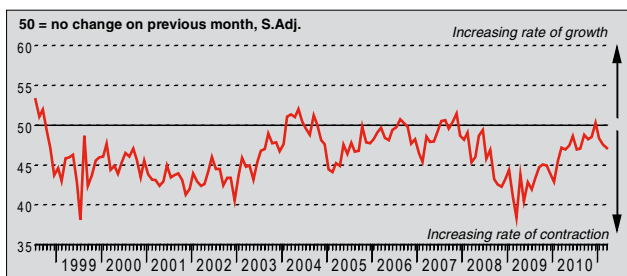
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Purchasing activity by Polish manufacturers increased for the fourteenth month in a row in March. Moreover, the momentum lost in the previous month was regained, as the seasonally adjusted Quantity of Purchases Index rebounded to a three-month high. Around one-third of panellists reported higher input volumes during the month, linked to rising output requirements.

## Stocks of Purchases Index

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



Although purchases rose strongly in March, data indicated that these were channelled to current workloads as the volume of inputs held in stock at manufacturers declined further. The seasonally adjusted Stocks of Purchases Index fell further during the month, and signalled the fastest rate of decline since last August. That said, the Index remained above its long-run survey average of 46.3.

## 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.

## Warning

The intellectual property rights to the HSBC Poland Manufacturing PMI™ provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.