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HSBC Poland Manufacturing PMI™

Polish manufacturing sector saw further solid improvement in April.

Key findings:

- Output growth remained strong despite softer gain in new orders.
- Pressure on suppliers eased slightly.
- Input price inflation slowed for third month running, but remained sharp.

April's HSBC survey data, compiled by Markit, signalled a further strong improvement in manufacturing business conditions in Poland. New orders, output, employment and purchasing all continued to expand, albeit at rates that were either unchanged or slightly weaker than in March. There was evidence of a slackening of supply chain pressures, as input delivery times lengthened to the weakest extent in over a year. Input price inflation eased for the third month running, but remained sharp nonetheless.

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 fell slightly in April, to 54.4 from 54.8. This was marginally weaker than the average for the first quarter of 2011, but nevertheless comfortably above the long-run average of 50.0. The headline index has signalled an overall improvement in business conditions for eighteen months running. The fall in the PMI reflected softer gains in new orders and employment, and a less marked lengthening of suppliers' delivery times.

New order growth eased in April, but was only slightly weaker than the strong trend achieved over 2011 so far. The current sequence of continuous expansion now stretches to nineteen months. Firms reported a broad-based improvement in new

order intakes across both domestic and export markets.

Output growth was unchanged from March's sharp pace. A combination of new orders and efforts to cut backlogs resulted in the latest strong rise in production. Overall, the level of outstanding business in the manufacturing sector declined for the first time in seven months, partly reflecting reports of investment in new capacity.

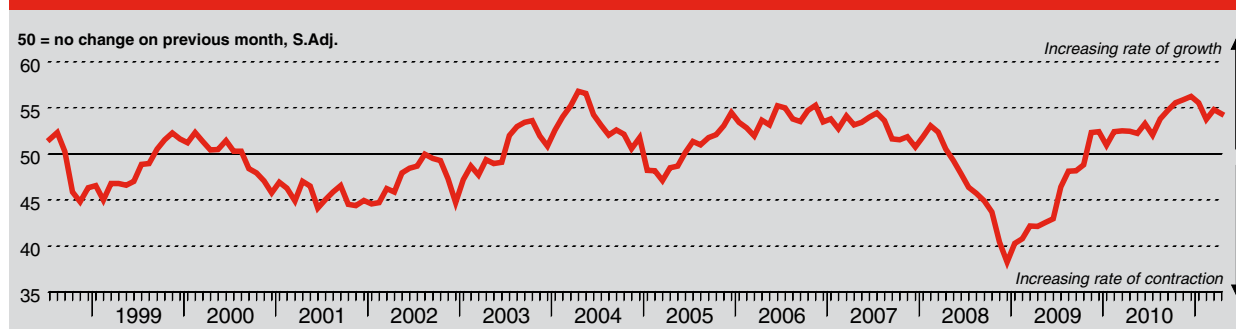
To support rising workloads and in anticipation of future demand, Polish manufacturers expanded their workforces in April. This brought the current sequence of job creation to nine months. The rate of growth eased compared to March, but was favourable in the context of historic survey data.

Purchasing activity by Polish manufacturers rose in April, albeit at a slightly weaker rate. Correspondingly, suppliers' delivery times continued to lengthen, but to the smallest extent in over a year.

Average input prices continued to rise rapidly in April, reflecting growing demand for a wide range of inputs such as metals, chemicals, foodstuffs, fuel and paper. The rate of input cost inflation in the latest period was the fifth-fastest over the survey history, but slowed further from January's record.

In response to further sharp increases in their costs, manufacturers raised their output prices in April. The rate of charge inflation eased to a three-month low, but was still one of the sharpest indicated by the survey to date.

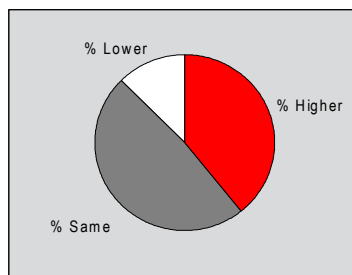
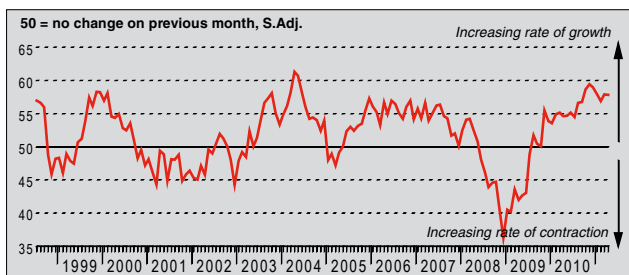
HSBC Poland Purchasing Managers' Index (PMI™)



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

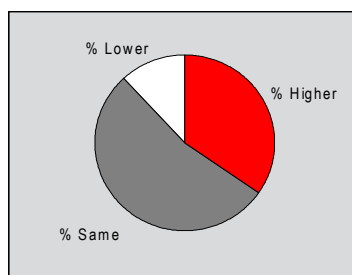
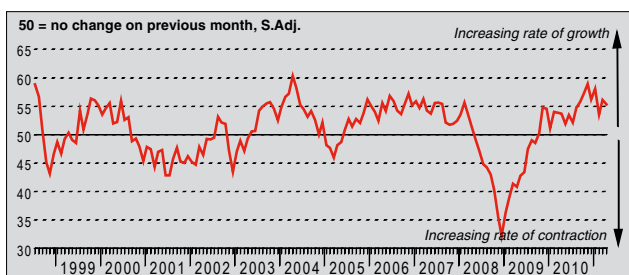
Q. Please compare your production/output this month with the situation one month ago.



Output growth in the Polish manufacturing sector was maintained at a marked pace in April. The seasonally adjusted Output Index was unchanged from March, remaining well above its historic average. The current sequence of expansion now stretches to twenty-one months. Anecdotal evidence primarily linked higher output levels to intakes of new work, and also to the improved supply of raw materials in some cases.

New Orders Index

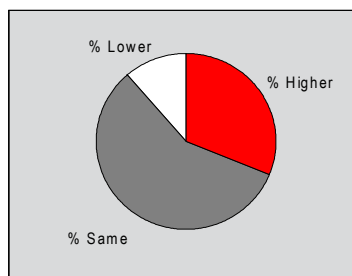
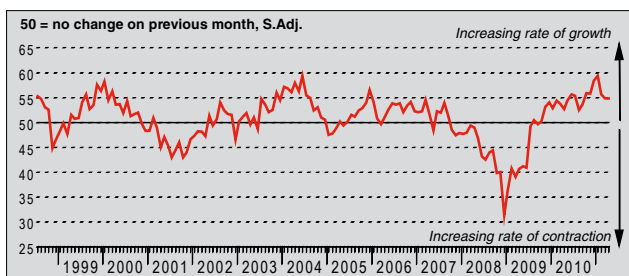
Q. Please compare the level of new orders received this month with the situation one month ago.



The rate of new order growth slowed for the second time in 2011 so far in April, but remained sharp overall. The seasonally adjusted New Orders Index remained well above its long-run average of 51.0, and has signalled growth of new work for the past nineteen months. Firms reported further improvements in demand from both domestic and export markets.

New Export Orders Index

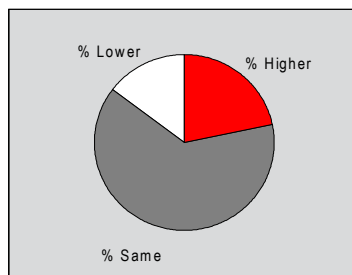
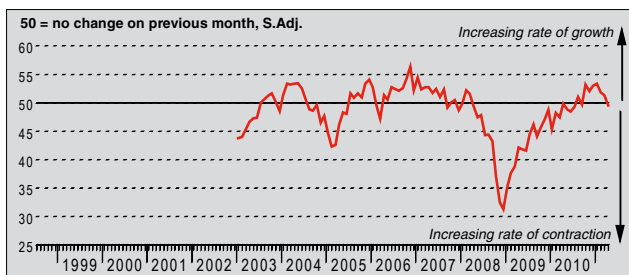
Q. Please compare the level of new export orders received this month with the situation of one month ago.



In line with the pattern for total new business, new export orders rose for the nineteenth consecutive month in April. The rate of expansion was unchanged from March's six-month low, but nevertheless remained strong overall. The seasonally adjusted New Export Orders Index remained well above its long-run average during the latest period.

Backlogs of Work Index

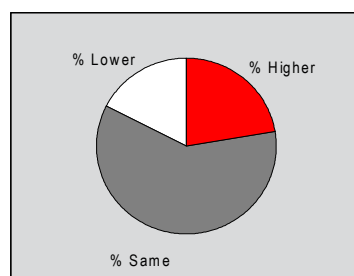
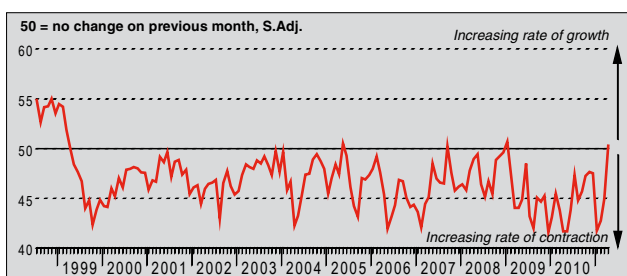
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The overall level of outstanding business held at Polish manufacturers declined slightly in April. That ended a six-month sequence of expansion. Those firms that reported lower backlogs during the month put forward investment in production capacity as a key reason. Where outstanding business rose, this was commonly linked to growth of new orders.

Stocks of Finished Goods Index

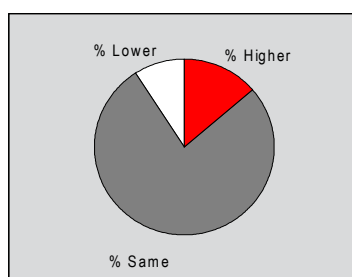
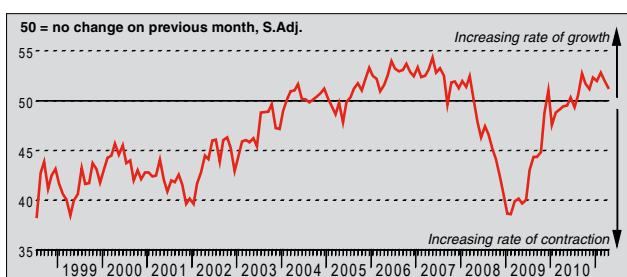
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Polish manufacturers' inventories of final products expanded on average in April. The seasonally adjusted Stocks of Finished Goods Index posted a record month-on-month increase, rising above the no-change mark of 50.0 for the first time since January 2009. That said, the latest reading signalled only a marginal rate of growth. Some firms reported replenishing warehouse levels in anticipation of future sales demand.

Employment Index

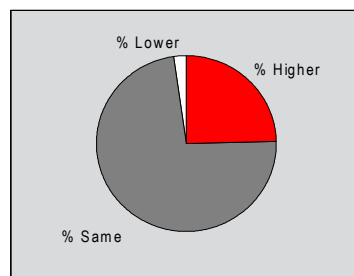
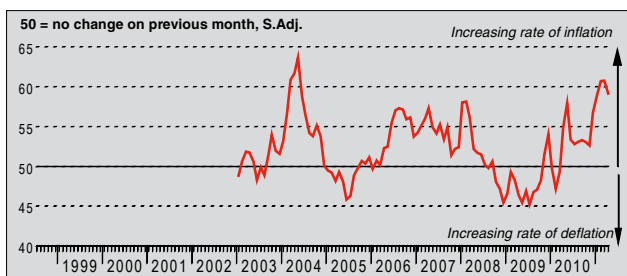
Q. Please compare the level of employment at your unit with the situation one month ago.



Manufacturing employment in Poland rose for the ninth month running in April. Firms reported the need to invest in additional staff in response to rising capacity requirements and anticipated improvements in market conditions. The rate of job creation weakened for the second successive survey period, to the weakest since last November. That said, the seasonally adjusted Employment Index remained well above its long-run average of 46.9.

Output Prices Index

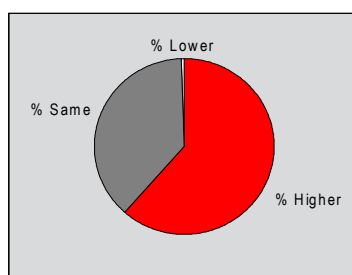
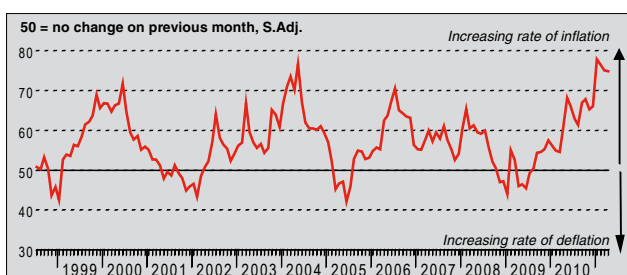
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



April marked a thirteenth straight month-on-month rise in prices charged for Polish manufactured goods. The seasonally adjusted Output Prices Index fell from March's near-seven year high, signalling a slower rate of inflation. But the latest figure was nonetheless the sixth-highest in the series history. Prior to April, output price inflation had accelerated for four successive months. Firms attributed higher charges to rising costs for raw materials and fuel in particular.

Input Prices Index

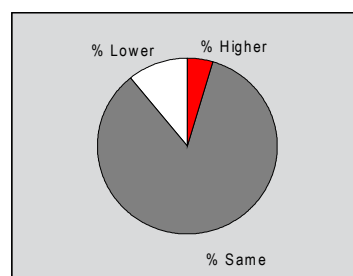
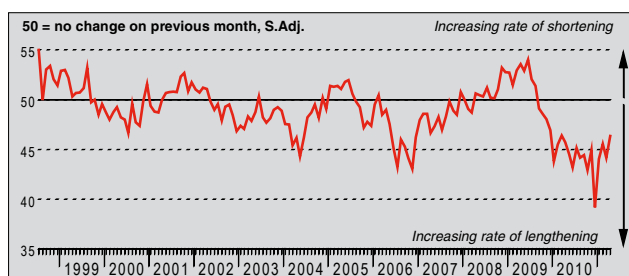
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Prices paid by Polish manufacturers for their inputs rose at a rapid rate in April. The seasonally adjusted Input Prices Index remained at an elevated level, despite falling for the third month running from January's record high. The latest figure was the fifth-highest in the series history. Companies reported a wide range of sources of rising prices, including metals, fuel, foodstuffs, rubber, chemicals and paper. For the fourth successive survey period, a majority of respondents reported higher average input prices than one month previously.

Suppliers' Delivery Times Index

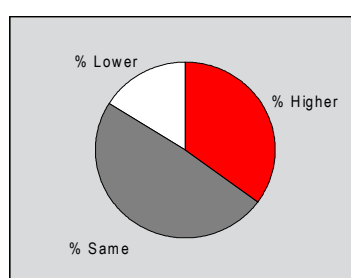
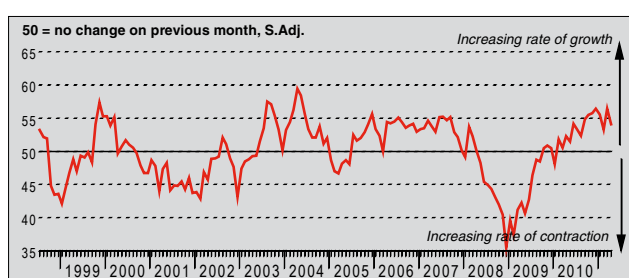
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



The performance of firms supplying Polish manufacturers with raw materials and other inputs continued to worsen on average in April. Latest data signalled lengthening suppliers' delivery times for the twentieth month in a row. Firms linked delays to economic growth and raw material shortages. That said, the rate of deterioration lessened somewhat since March, as the seasonally adjusted Suppliers' Delivery Times Index improved to a thirteen-month high.

Quantity of Purchases Index

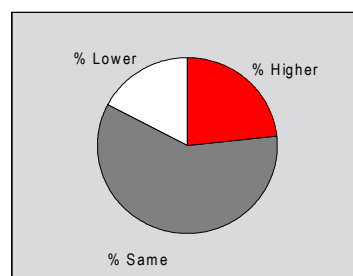
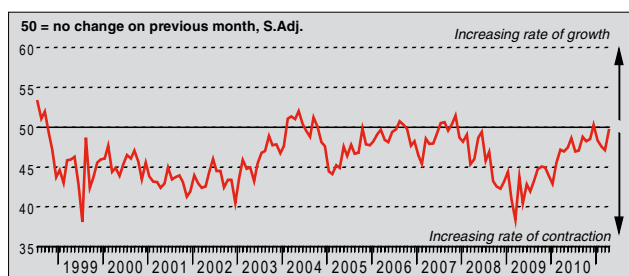
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Purchasing activity in the Polish manufacturing sector rose for the fifteenth consecutive month in April. The seasonally adjusted Quantity of Purchases Index fell on the month, to signal a weaker rate of growth, but one that was solid nonetheless. Around 35% of companies reported ordering greater volumes of inputs during the month, compared to 16% that cut purchases. Higher input orders were attributed to rising output requirements and expectations of future increases in prices.

Stocks of Purchases Index

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



Pre-production stocks declined on average for the fourth month running in April. The seasonally adjusted Stocks of Purchases Index was only slightly below the no-change mark of 50.0, however, indicating a marginal rate of contraction. Where inventories fell, this was mainly linked either to output growth or difficulties in securing sufficient quantities of raw materials.

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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