HSBC *Purchasing Managers' Index*® 2011

compiled by markit

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HSBC Poland Manufacturing PMI®

Domestic demand driving Polish manufacturing expansion in August

Key findings:
- Overall new orders rise in spite of further decline in new export business
- Output growth eases
- Purchases of inputs fall marginally

HSBC *PMI*® survey data for August, compiled by Markit, signalled an ongoing strengthening business climate in Poland's manufacturing sector. Output growth slowed for the third time in four months, however, primarily reflecting a third successive monthly decline in new export orders as the domestic market continued to underpin expansion. Job creation slowed to a crawl, while input price inflation eased for the seventh month in succession.

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 resumed a downward course in August, but remained above the no-change mark of 50.0 for the twenty-second month running. The latest figure of 51.8, down from July's three-month high of 52.9, was the second-weakest since January 2010 but greater than the long-run average of 50.0. The downward movement in the PMI reflected the output, employment and suppliers' delivery times components.

New business growth was maintained for the second month running in August, at a rate little-changed from that seen in July. Data indicated that the domestic market had underpinned expansion, as new export business declined for the third month running despite a weakening of the zloty during the month.

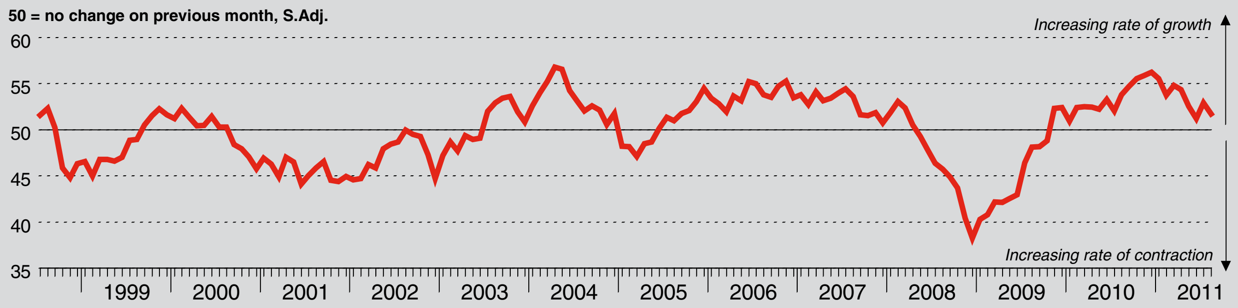
Polish manufacturers raised output for the twenty-fifth consecutive month in August. The rate of growth was solid, albeit the second-weakest since October 2009. Manufacturers made inroads into backlogs of work for the third successive survey period.

As has been the case since August 2010, manufacturing employment in Poland rose during the latest survey period. That said, the rate of jobs growth eased for the third successive month to a marginal pace.

The volume of inputs ordered by Polish goods producers declined for the first time in 19 months in August, albeit only marginally. But manufacturers' input stocks were broadly unchanged during the month and data signalled a slight improvement in supplier performance, as input delivery times fell compared with the previous month for the first time in two years.

August data signalled a further moderation in inflationary pressure on firms' input costs. Input price inflation slowed for the seventh month running from January's record high, to the weakest since March 2010. The latest easing took the rate broadly in line with its historic survey average. Firms reported that the weaker zloty had contributed to upward pressure on input prices during the month. Meanwhile, prices charged for manufactured goods rose at the strongest rate in three months, extending the current sequence of output price inflation to 17 months.

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. *Purchasing Managers' Index*® and *PMI*® are registered trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

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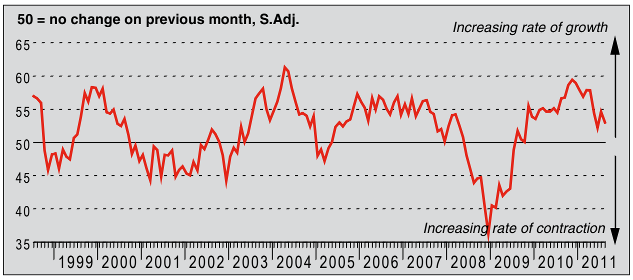
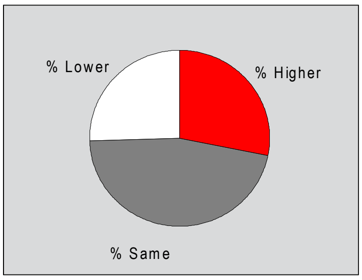
Output Index

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

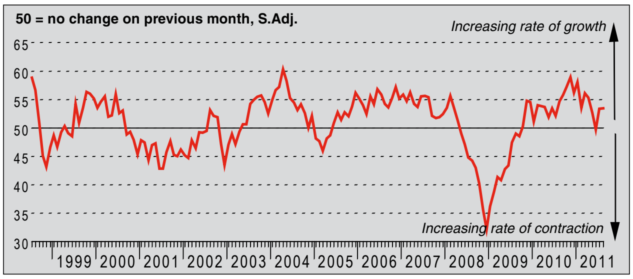


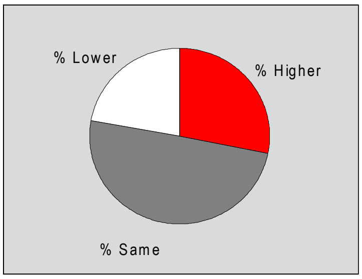


Manufacturing production in Poland rose for the twenty-fifth successive month in August. The rate of growth slowed from July's three-month high, but remained stronger than the long-run trend for the survey. Growth over the third quarter so far has been weaker than the trend for Q2. Where output rose, firms linked this to higher intakes of new orders.

New Orders Index

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

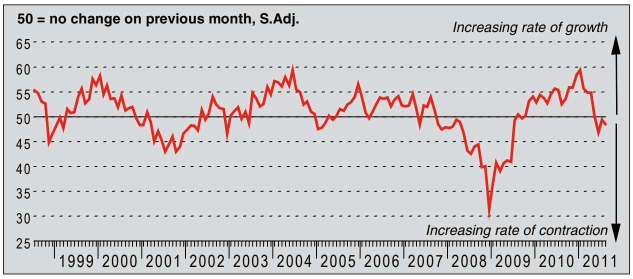


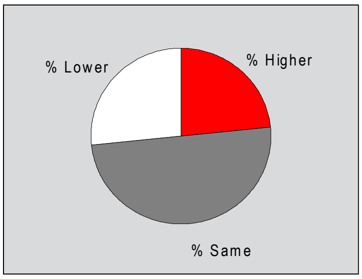


New business growth was maintained for the second month running in August following June's marginal fall. Prior to that, new orders had risen for 20 successive months. The seasonally adjusted New Orders Index was little-changed from July, and above its long-run average. Around 28% of survey respondents reported greater volumes of new work, compared with 22% that stated declines.

New Export Orders Index

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

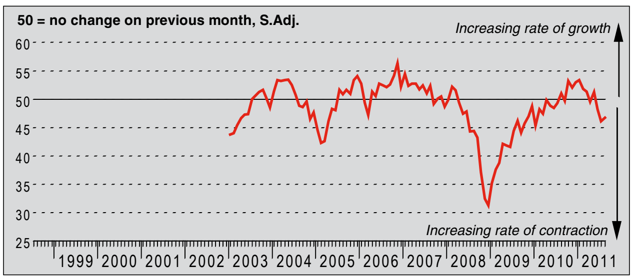


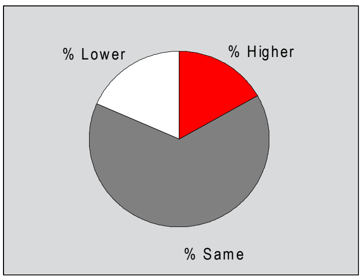


The volume of new orders received from export markets declined for the third month running in August. The rate of contraction was sharper than in July, but weaker than in June. Around 27% of survey respondents reported lower new export orders, linked to weakening international demand and infrequent orders from clients based in other countries.

Backlogs of Work Index

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

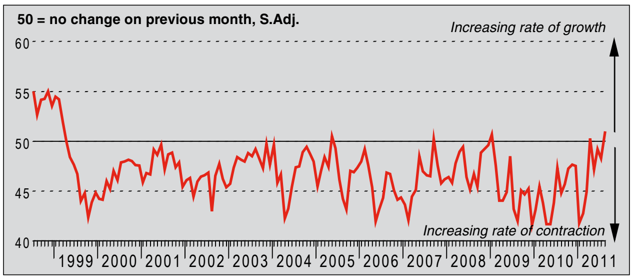


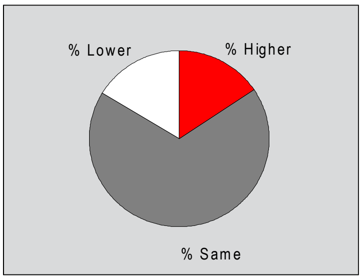


Outstanding business at Polish manufacturers declined for the fourth time in five months in August. The seasonally adjusted Backlogs of Work Index rose slightly from July, but still signalled the second-fastest rate of contraction since January 2010. Firms linked lower backlogs to improved productivity, softer market conditions and better availability of inputs.

Stocks of Finished Goods Index

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

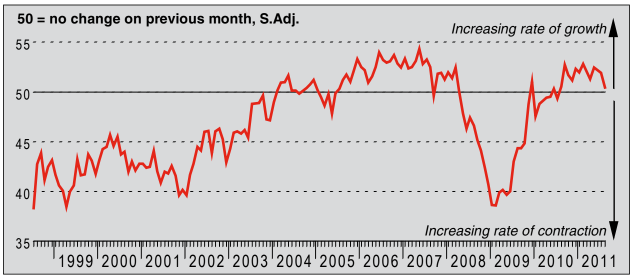


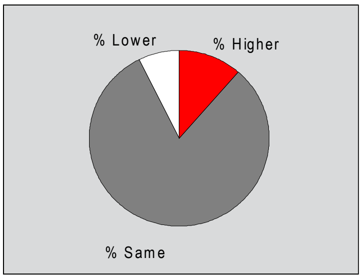


The seasonally adjusted Stocks of Finished Goods Index moved above 50.0 in August, signalling overall growth of post-production inventories at Polish manufacturers. It was only the second time in the past two-and-a-half years that the Index had risen above the no-change level. That said, the pace of expansion signalled by the latest figure was only marginal.

Employment Index

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

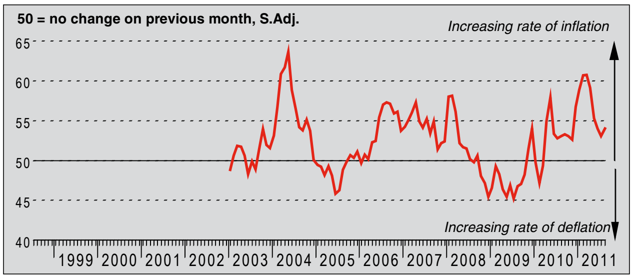


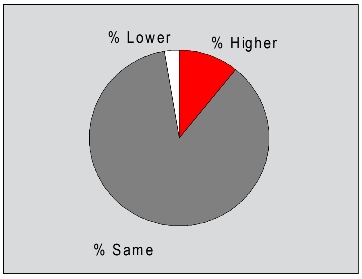


Employment growth in Poland's manufacturing sector slowed to a marginal pace in August. The current run of job creation now stretches to 13 months, but the latest rate of expansion was the weakest in this sequence. Around 11% of firms reported hiring additional staff, linked to higher new orders and output requirements. The seasonally adjusted Employment Index remained well above its long-run average during the month.

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.

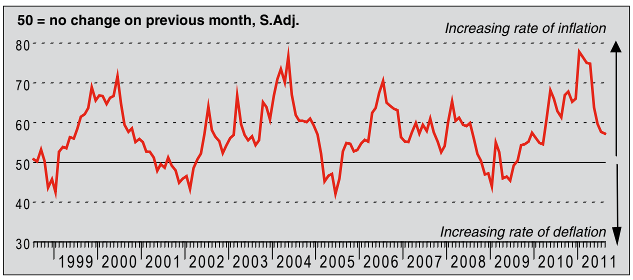


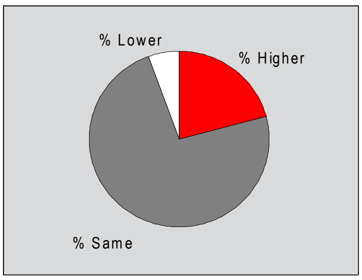


Output prices charged by Polish manufacturers rose for the seventeenth successive month in August. The rate of inflation accelerated from July's eight-month low, as signalled by a rise in the seasonally adjusted Output Prices Index to its highest since May. Those firms reporting higher charges linked the increases to rising prices for raw materials.

Input Prices Index

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

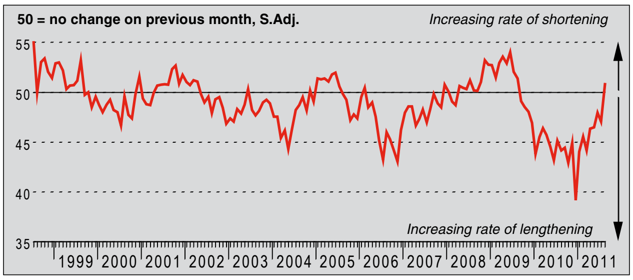


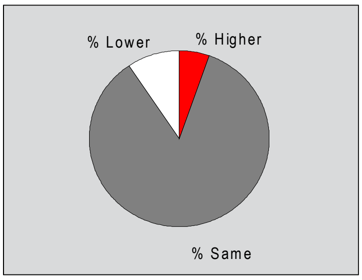


Cost pressures eased further in the latest survey period. The seasonally adjusted Input Prices Index fell for the seventh successive month from January's record high, equalling the record sequence of consecutive falls seen over August 2006-February 2007. The overall rate at which manufacturers' average input prices increased was the weakest since March 2010, and broadly in line with the survey's historic trend. Firms linked higher input prices to a combination of rising raw material prices and the weaker zloty.

Suppliers' Delivery Times Index

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

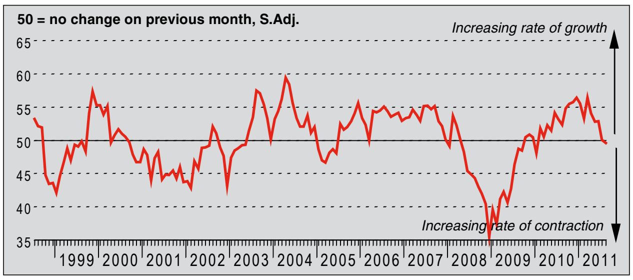


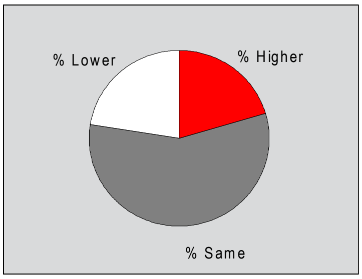


August data signalled a slight overall improvement in the performance of vendors supplying Polish manufacturers. This ended a 23-month period of lengthening delivery times. That said, the majority of firms (85%) reported that times were unchanged from July. Where companies experienced delays, there was mention of the impact of higher fuel costs.

Quantity of Purchases Index

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

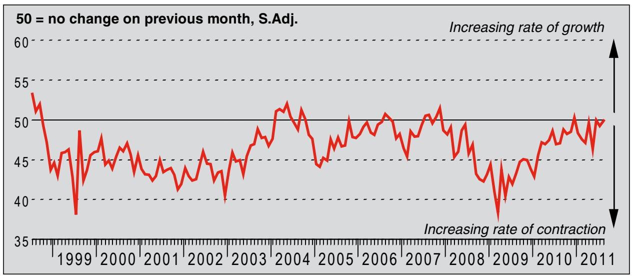


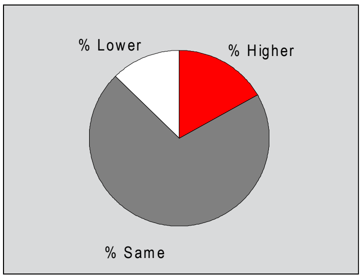


The seasonally adjusted Quantity of Purchases Index slipped below the no-change mark of 50.0 in August, signalling a fall in the volume of inputs purchased by Polish manufacturers. Prior to the latest period, purchasing activity had risen continuously since February 2010. That said, the rate of contraction indicated in August was only marginal. Where input volumes fell, this was linked to reduced output requirements.

Stocks of Purchases Index

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





The level of inputs held in stock in the Polish manufacturing sector held broadly constant in August compared with one month previously. The seasonally adjusted Stocks of Purchases Index rose since July to fractionally below the no-change mark of 50.0. Higher stocks were linked to expected output growth, while lower inventories reflected reduced production.

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 industry contribution to Polish GDP. 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