

Embargoed until: 09:00 (WARSAW), 2 November 2011

HSBC Poland Manufacturing PMI®

Manufacturing output rises at fastest rate in three months in October

Key findings:

- Stronger expansion reflects resumption of new business growth...
- ...but new export orders fall for fifth consecutive month
- Input price inflation at five-month high, driven by currency pressures

HSBC PMI® survey data for October, compiled by Markit, signalled that Poland's manufacturing sector avoided contraction at the start of the final quarter. Output expanded at the fastest rate in three months, as new business returned to growth despite ongoing weakness in export markets. This supported further employment growth in the sector, though data showed that backlogs were cleared at a rapid rate, suggesting a downside risk to sustained output growth if new orders fail to build on October's rise. Meanwhile, inflationary pressure on firms' input costs continued to build, reflecting the weak zloty.

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 from September's 50.2 to 51.7, and was greater than the long-run average of 50.0. That said, it was below the trend over the current two-year period of improvements in business conditions (53.2).

October's improvement in business conditions was underpinned by a rise in incoming new work compared with one month previously. That followed a fractional decline in September. The domestic economy supported growth in new orders as new contracts from export markets fell for the fifth successive month, albeit at a slower rate.

Manufacturing output in Poland rose for the twenty-seventh successive month in October, and at the fastest rate since July. The pace of expansion was stronger than the increase in new business and, reflecting this, the volume of outstanding work fell at the fastest rate since September 2009. Backlogs have declined every month since June.

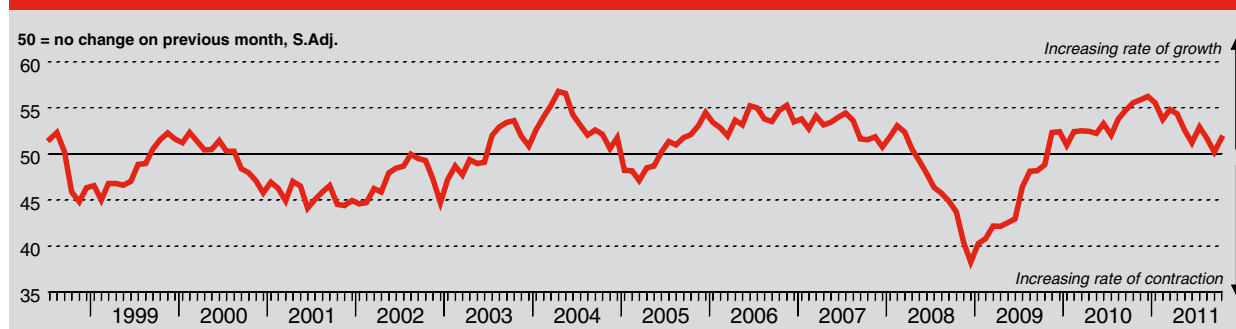
Poland's manufacturing sector continued to create jobs in October. The workforce expanded for the fifteenth successive month and, in line with the trend for output, at the fastest pace since July.

Purchasing activity by manufacturers rose for the second month running in October, and at a slightly faster pace. Suppliers' delivery times lengthened for the first time in three months as a result, albeit only marginally.

Polish manufacturers' input prices rose sharply in October. Many firms highlighted recent zloty weakness as having led to higher import costs. The rate of input cost inflation was the fastest in five months, and greater than the survey's long-run average. That said, it was weaker than the trend over the current 27-month sequence of rising prices.

Prices charged by Polish manufacturers rose for the nineteenth month in succession in October. The rate of inflation accelerated from September's marginal pace, and was sharp in the context of historic survey data. Firms commented on raising charges in response to higher raw material prices, which in turn were generated by currency pressures.

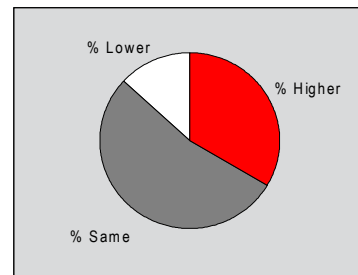
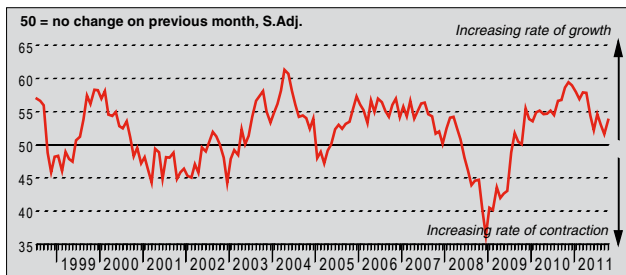
HSBC Poland Purchasing Managers' Index® (PMI®)



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.

Output Index

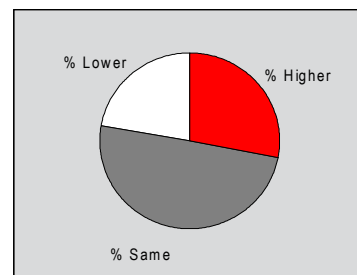
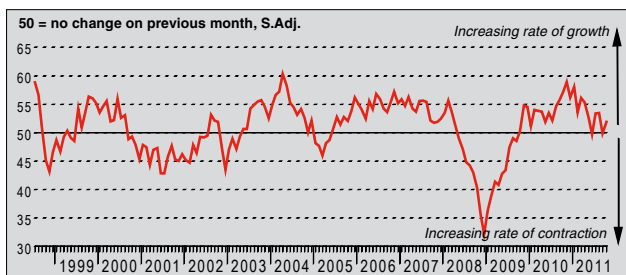
Q. Please compare your production/output this month with the situation one month ago.



Growth of Polish manufacturing output was maintained for the twenty-seventh successive month in October. Having slowed to a 23-month low in September, the rate of expansion accelerated to a three-month high in the latest period. October marked only the third occasion in 2011 so far that the seasonally adjusted Output PMI had risen month-on-month. Firms mainly linked production growth to higher new orders.

New Orders Index

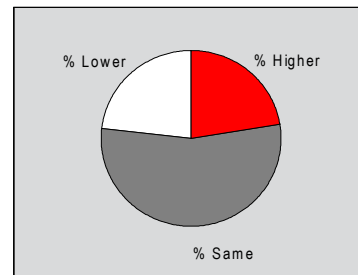
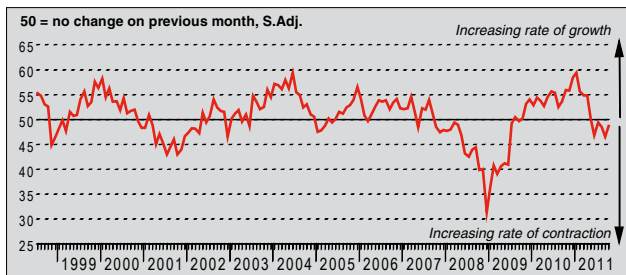
Q. Please compare the level of new orders received this month with the situation one month ago.



The volume of new work received by Polish manufacturers rose in October. That followed a marginal fall in September. That said, the seasonally adjusted New Orders Index was still at its third-lowest level in 17 months. Firms generally attributed higher incoming new business to improving demand for their goods.

New Export Orders Index

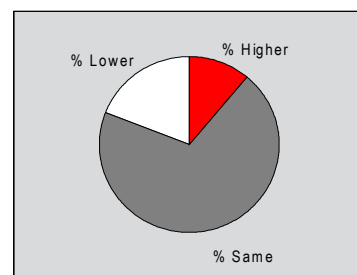
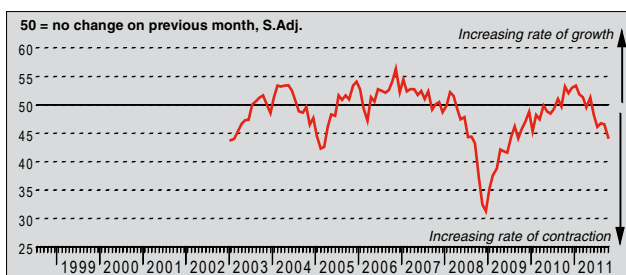
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The seasonally adjusted New Export Orders Index remained below the no-change mark of 50.0 in October, indicating a further contraction in new work from export markets at Polish manufacturers. The current sequence of decline now extends to five months. That said, the overall rate of contraction slowed since September. Of those firms reporting higher new export orders during the month, some mentioned favourable exchange rates.

Backlogs of Work Index

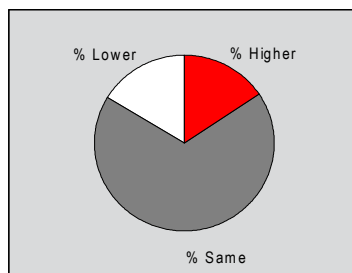
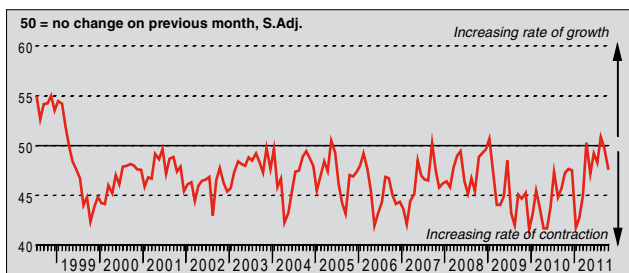
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The volume of incomplete work in Poland's manufacturing sector declined for the fifth successive month in October. Moreover, the rate of contraction accelerated, as signalled by a fall in the seasonally adjusted Backlogs of Work Index. The latest figure indicated the fastest pace of contraction since September 2009. Survey respondents reported free capacity, either from recent plant expansions or from a lack of incoming new work.

Stocks of Finished Goods Index

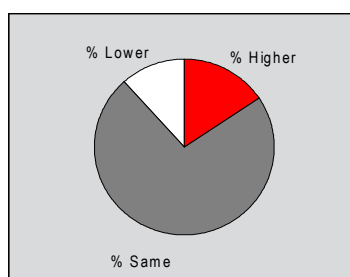
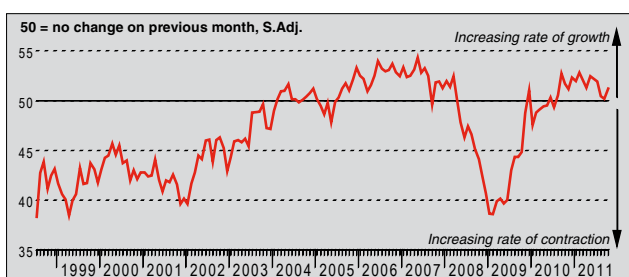
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Post-production inventories in the Polish manufacturing sector continued to decline in October. Moreover, the seasonally adjusted Stocks of Finished Goods Index fell since the previous month, and indicated the strongest contraction since May. Anecdotal evidence linked falling inventory levels to rising sales and efforts to control costs.

Employment Index

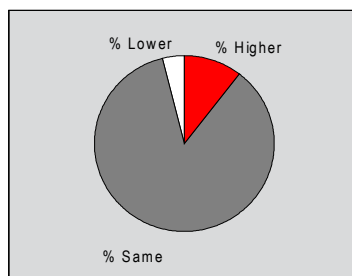
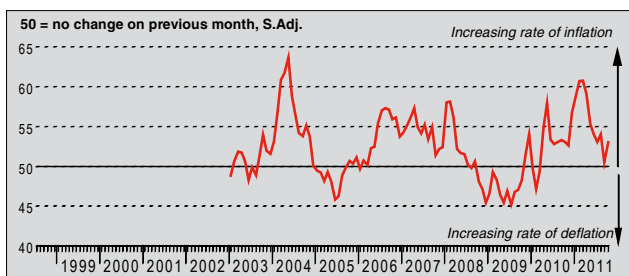
Q. Please compare the level of employment at your unit with the situation one month ago.



Polish manufacturing employment rose for the fifteenth successive month in October. Having signalled a marginal rate of job creation in the previous two months, the seasonally adjusted Employment Index improved to a three-month high in the latest period. Recruitment was linked to rising output requirements and new projects.

Output Prices Index

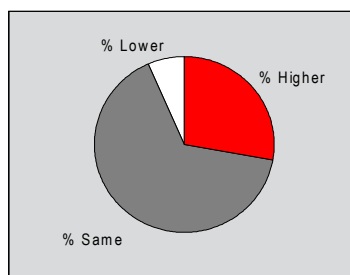
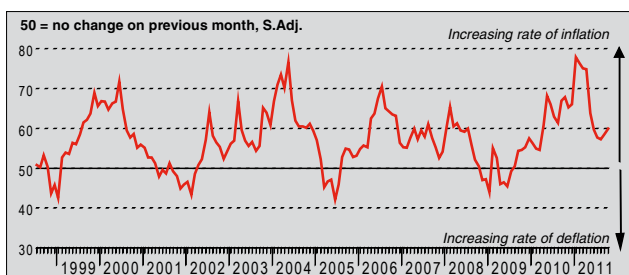
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Output price inflation accelerated in October, having slowed sharply the previous month. The seasonally adjusted Output Prices Index remained above the no-change mark of 50.0 for the nineteenth successive month, and rebounded from September's 18-month low. A number of survey respondents linked higher output prices to rising raw material costs. The Index was higher than its long-run average of 52.5 during the month.

Input Prices Index

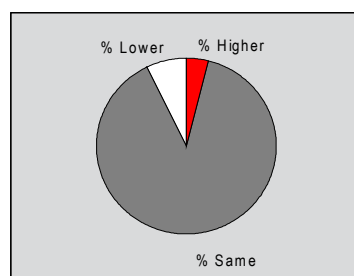
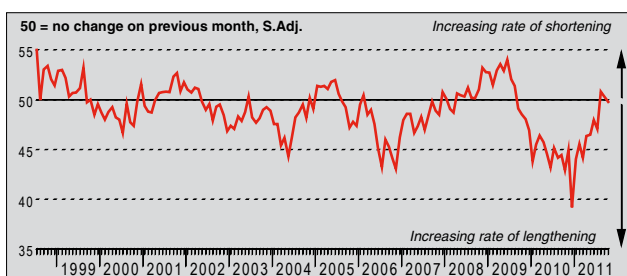
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input price inflation in the Polish manufacturing sector remained sharp in October. The seasonally adjusted Input Prices Index rose for the second month running from August's 17-month low, and signalled the fastest rate of inflation since May. It was also above its long-run average of 57.5 during the month. Anecdotal evidence widely linked inflationary pressure to higher import prices generated by the weaker zloty exchange rate.

Suppliers' Delivery Times Index

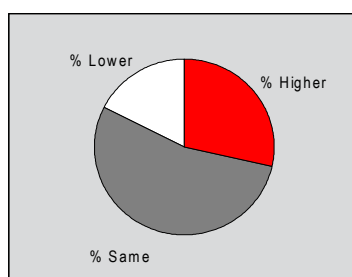
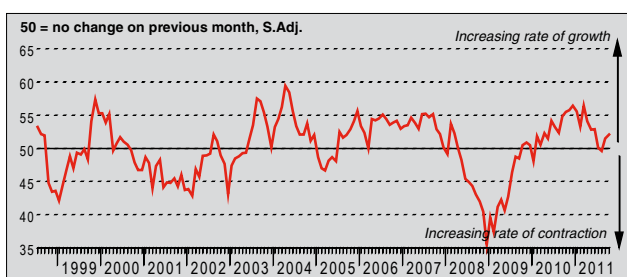
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Following two months of marginal improvement, the performance of suppliers to Polish manufacturers deteriorated in October. That said, the seasonally adjusted Suppliers' Delivery Times Index was only just below the no-change mark of 50.0, signalling only a fractional lengthening in average lead times.

Quantity of Purchases Index

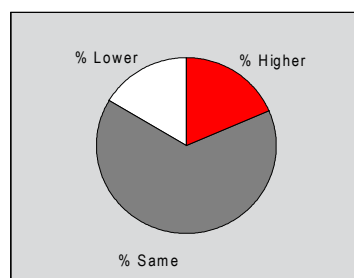
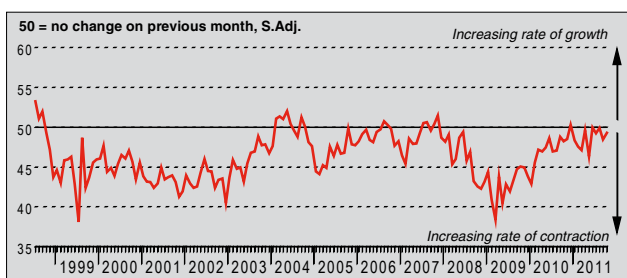
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Growth of purchasing activity in the Polish manufacturing sector was maintained for the second month running in October. The rate of expansion improved slightly from September's modest pace, and was sharp in the context of historic survey data. Firms directly linked higher input volumes to rising output requirements and, in some cases, efforts to replenish stocks. That said, the rate of growth was weaker than the trend shown throughout the first half of 2011.

Stocks of Purchases Index

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



The seasonally adjusted Stocks of Purchases Index was just below the no-change threshold of 50.0 in October, indicating a marginal fall in inventories of inputs at Polish manufacturers. The current sequence of decline now stretches to four months. Some firms reported allowing stocks to fall in order to reduce costs, citing high input prices exacerbated by exchange rate movements.

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

The intellectual property rights to the HSBC Poland Manufacturing *PMI* provided herein is owned by Markit Economics 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. *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.