HSBC *Purchasing Managers' Index®* 2013

compiled by markit

Embargoed until: 09:00 (WARSAW), 1 October 2013

HSBC Poland Manufacturing PMI®

Polish manufacturing output continues to rise sharply

Key findings:

- Third successive above-trend rise in production
- Employment grows at fastest rate in more than six years
- New business growth remains broad-based across domestic and export markets

A further solid increase in new orders continued to drive output growth in the Polish manufacturing sector in September, according to the latest PMI data from HSBC and Markit. The rate of expansion in production remained historically strong, and firms expanded workforces at the fastest rate in over six years as a result. Firms raised their purchasing activity to support new workloads, and cost pressures remained relatively weak. Manufacturers continued to lower their own prices for final goods, however.

The headline HSBC Poland Manufacturing *PMI®* is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI signalled a third successive improvement of business conditions in the manufacturing sector in September. Moreover, the headline figure rose to 53.1, from 52.6, the highest since April 2011. The month-on-month gain reflected a faster rise in employment, a renewed deterioration in vendor performance and a weaker reduction of stocks of purchases. This was partially offset by slower expansions of both new orders and output. The average Q3 reading for the PMI (52.3) was the highest since Q2 2011.

The volume of new orders rose for the fourth month running in September. The rate of expansion eased to a three-month low, but was nevertheless strong in the context of historic survey data. Growth was supported by solid increases in client demand in both domestic and export markets.

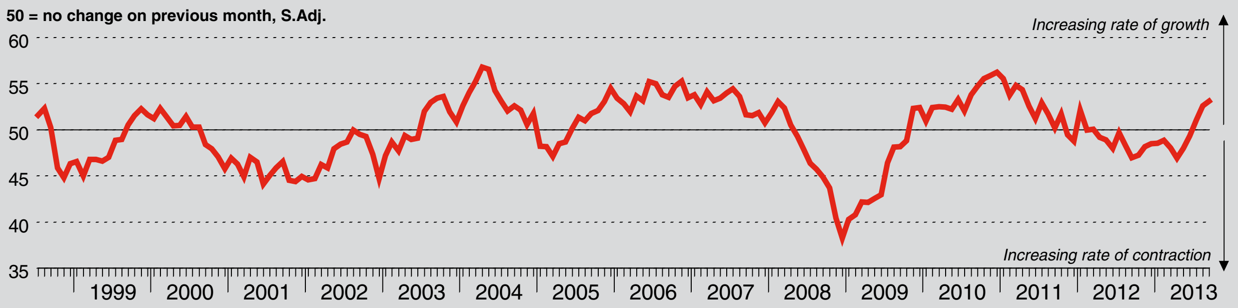
The rate of output growth was the second-fastest for 29 months in September, only slightly weaker than August's peak. Manufacturing backlogs continued to decline, however, as they have done since June 2011. That said, the rate of contraction was broadly unchanged from August and remained modest.

Sustained growth in new orders and output led to a faster increase in manufacturing employment in September. Moreover, the rate of job creation accelerated to the fastest since May 2007.

Firms also responded to improving demand by increasing their volumes of purchases for the third month running. Although stocks of purchases continued to decline, the rate of inventory depletion slowed to the weakest since February. Suppliers' delivery times lengthened for the first time in six months, and to the greatest extent since April 2012.

Input prices rose for the third month running in September, although the rate of inflation remained historically weak. Firms linked cost pressures to oil and paper prices. Meanwhile, prices charged for final manufactured goods fell for the tenth month running.

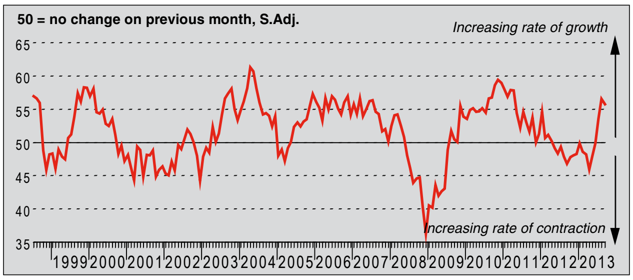
HSBC Poland *Purchasing Managers' Index®* (*PMI®*)

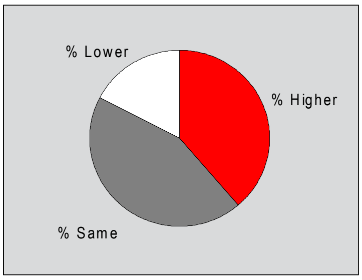


The HSBC Poland *Purchasing Managers' Index®* (*PMI®*) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, 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.

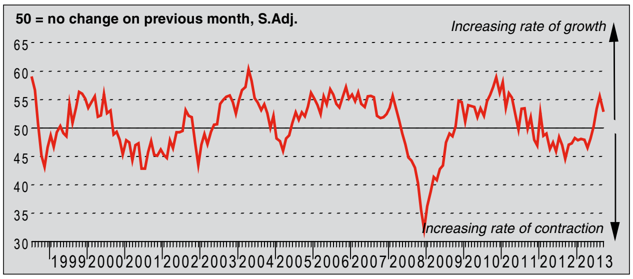


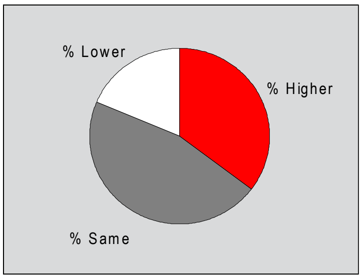


Poland's manufacturers raised output for the third month in succession in September. The rate of expansion eased slightly from August's 28-month record, but was sharp nevertheless. The seasonally adjusted Output Index remained well above its long-run average of 51.8. Firms mainly linked higher production to rising new business receipts.

New Orders Index

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

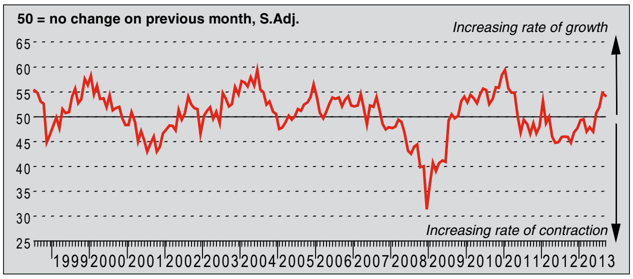


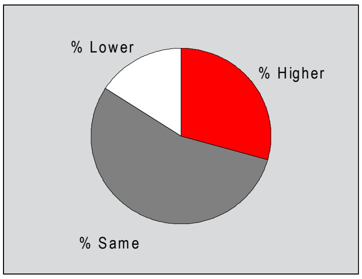


The seasonally adjusted New Orders Index remained above the no-change mark of 50.0 for the fourth month running in September, indicating growth of new work at Polish goods producers. The rate of expansion was the weakest since June, but strong in the context of historic data. Firms reported that new customers and improving demand from both domestic and export markets led to new order growth.

New Export Orders Index

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

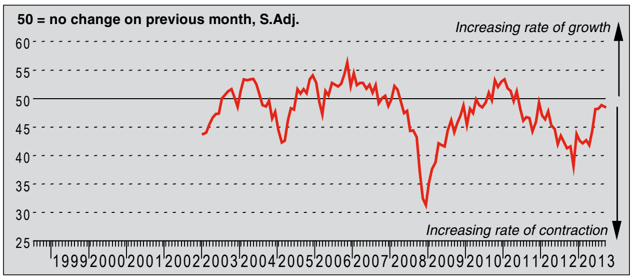


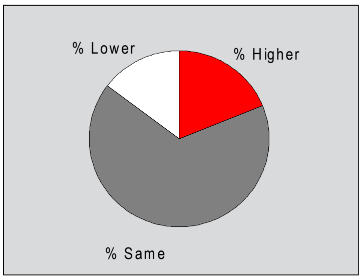


The current sequence of export growth in the Polish manufacturing sector was extended to four months in September. Moreover, the rate of expansion was strong, and only slightly weaker than August's 28-month peak. Anecdotal evidence mentioned new customers and improving demand in Asian and US markets.

Backlogs of Work Index

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

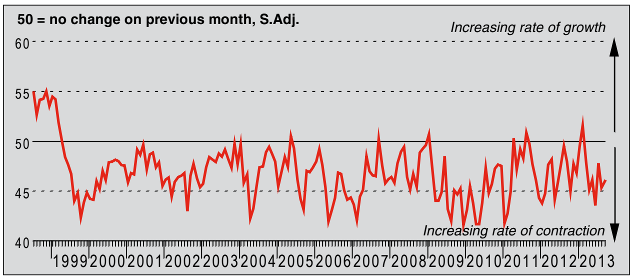


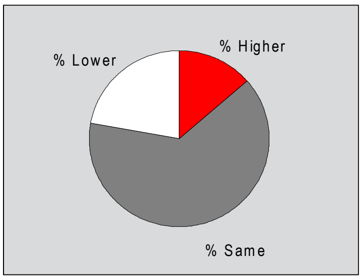


Goods producers in Poland continued to work through existing contracts in September, as backlogs declined for the twenty-eighth consecutive month. Reflecting the recent strength of new order growth, however, the pace of depletion remained only modest in the latest period. The seasonally adjusted Backlogs of Work Index has registered a broadly stable trend since June.

Stocks of Finished Goods Index

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

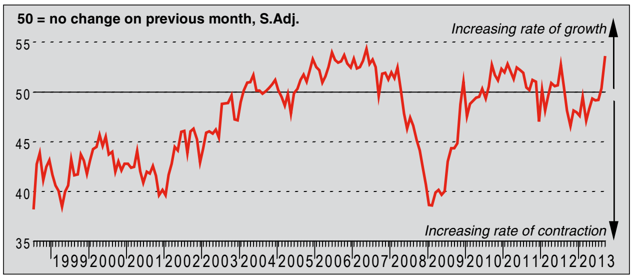


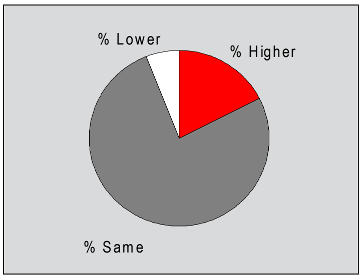


The seasonally adjusted Stocks of Finished Goods Index remained below the no-change mark of 50.0 for the seventh successive month in September, signalling declining post-production inventories in the Polish manufacturing sector. Anecdotal evidence linked the latest destocking to rising sales demand. The rate of contraction eased since August, but remained historically sharp.

Employment Index

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

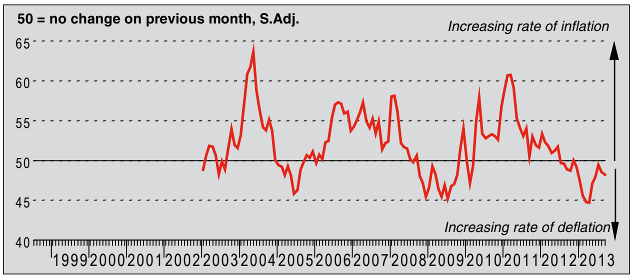


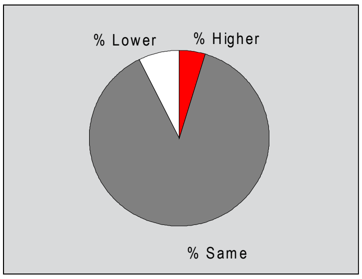


Manufacturing employment in Poland rose for the second month running in September. Moreover, the rate of job creation accelerated sharply, to the fastest registered since May 2007. The seasonally adjusted Employment Index rose to its fourth-highest level since data were first collected in June 1998. Firms linked recruitment to rising workloads and expanded product ranges.

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.

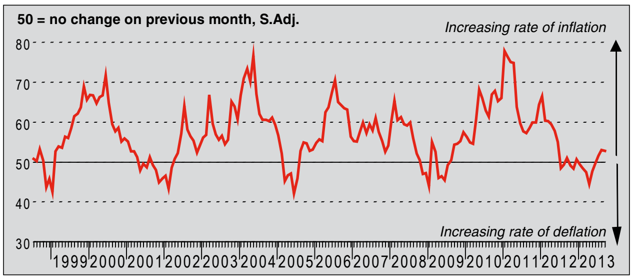


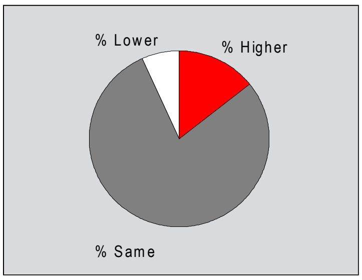


Output charges set by Polish manufacturers declined for the tenth consecutive month in September. Moreover, factory gate prices have not increased since June 2012. Firms linked lower output prices to pressure from clients for discounts, and reduced prices for some raw materials. That said, fewer than 8% of surveyed firms reported lowering their charges since August, and the overall rate of discounting was only modest as a result.

Input Prices Index

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

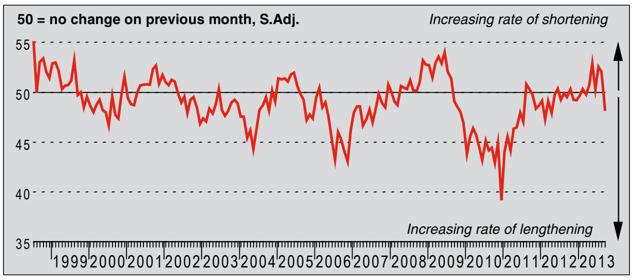


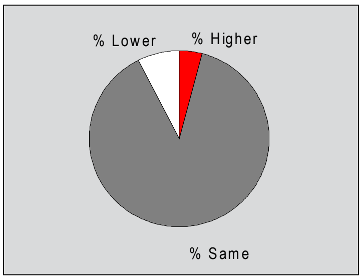


Polish manufacturers paid higher prices for their inputs, on average, in September compared with one month previously. Around 14% of firms reported growing cost pressures, linked to higher oil and paper prices in particular. But the overall rate of input price inflation was relatively weak, as the seasonally adjusted Input Prices Index remained well below its long-run average of 57.0.

Suppliers' Delivery Times Index

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

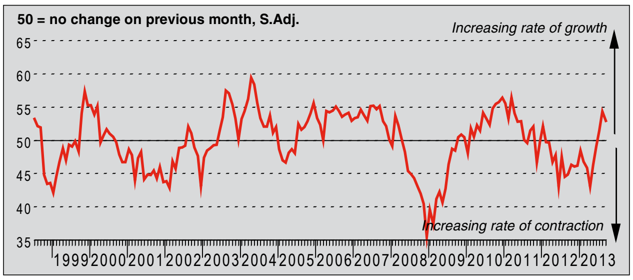


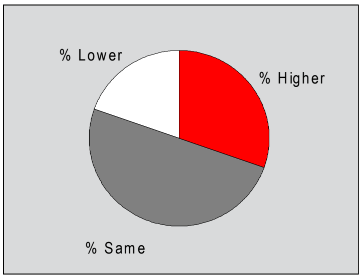


Average lead times for inputs in the Polish manufacturing sector lengthened in September. That followed a five-month period of shortening delivery times, the longest sequence of improvement in four years. Anecdotal evidence mainly attributed longer times to rising production demand and shortages of some raw materials at suppliers.

Quantity of Purchases Index

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

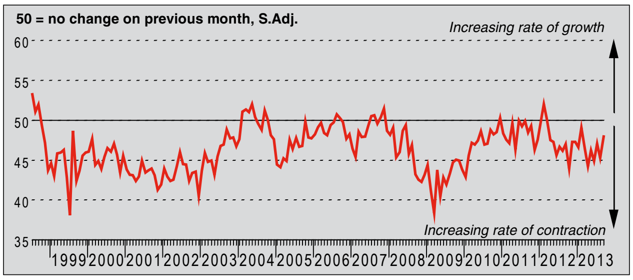


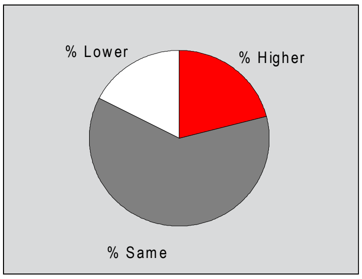


Purchasing activity by Polish manufacturers rose for the third month running in September. The seasonally adjusted Quantity of Purchases Index fell from August's 29-month high, but still signalled a robust rate of expansion. The main reason provided by survey respondents for higher input volumes was rising new orders.

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 remained below the no-change mark of 50.0 for the eighteenth consecutive month in September, signalling ongoing warehouse streamlining at Polish manufacturers. That said, the rate of stock depletion was the slowest since February, reflecting renewed growth in purchasing activity.

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 Markit's survey of the UK manufacturing 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