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HSBC Poland Manufacturing PMI®

Survey-record increase in new export orders

Key findings:

- New business from export markets expands at fastest rate in 15-year survey history
- · Output growth remains strong
- · Input price inflation at 16-month high

A survey-record increase in new export business was the highlight of October's survey of Polish manufacturers. This supported further strong growth of both total new orders and output. Manufacturers accommodated higher workloads through increasing employment at a solid rate and raising input volumes, and backlogs continued to fall as a result. Inflationary pressure on input costs picked up, but prices charged for final manufactured goods continued to fall.

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 remained above the no-change mark of 50.0 for the fourth month running in October, indicating an ongoing upturn in business conditions in the Polish manufacturing sector. Moreover, the headline figure rose for the sixth month in a row to 53.4, the highest since April 2011. The upward movement in the PMI reflected stronger growth of new orders, which in turn reflected a surge in new export business. The other components of the PMI all exerted positive contributions except for stocks of purchases.

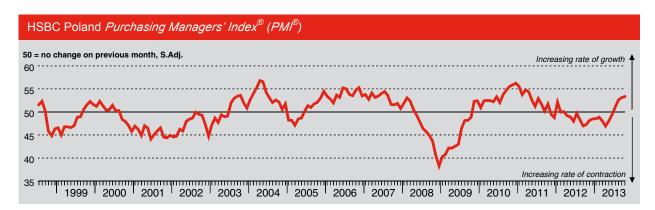
New export orders received by Polish manufacturers rose for the fifth month running in October, the longest sequence of growth

in nearly two-and-a-half years. Moreover, the rate of expansion accelerated sharply to the fastest indicated since the survey began in June 1998. The rate of growth of total – domestic and export – new orders also accelerated since September, and was the second-fastest in two-and-a-half years.

Manufacturing output in Poland rose for the fourth month running in October, and at an historically strong rate. To support rising workloads, firms expanded workforces for the third month in a row. The rate of job creation eased since September, but was solid nonetheless and contributed to a further decline in outstanding business. Backlogs of work fell at the fastest pace since May.

The volume of inputs held in stock by Polish manufacturers declined for the nineteenth month in a row in October, and at a faster pace than one month previously. This, combined with the sharp rise in new orders, led to a further increase in the volume of new inputs purchased. The rate of purchasing growth remained strong in the context of historic survey data, and this led to a further lengthening of suppliers' delivery times.

Survey data indicated a faster rate of input price inflation in October. The rate of inflation hit a 16-month high, as firms reported higher prices for paper and rising tax burdens in particular. That said, input price inflation remained weaker than the long-run survey average. Meanwhile, manufacturers cut their prices for the eleventh month running, mainly citing competitive pressures.



The HSBC Poland *Purchasing Managers' Index*® (*PMl*P) 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 *PMl*P 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.

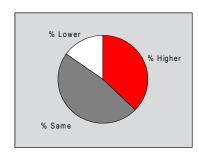




Output Index

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

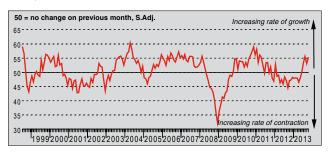


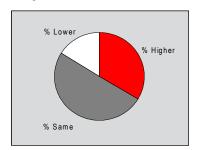


Production growth at Polish manufacturers was maintained at a strong rate in October. The seasonally adjusted Output Index eased to a three-month low but was nonetheless at the third-highest level in two-and-a-half years, and well above its long-run average of 51.8. Firms linked higher output to improving domestic and export demand, new products and new customers. Output has risen for four months in a row.

New Orders Index

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



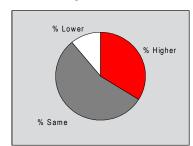


The volume of new orders received by Polish manufacturers increased for the fifth consecutive month in October. The rate of growth accelerated since September, and was just short of August's 29-month record. Firms reported strengthening demand, the launch of new products and winning new clients. The seasonally adjusted New Orders Index was well above its long-run average of 50.8 in the latest period.

New Export Orders Index

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



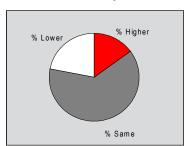


October data signalled a surge in the volume of new export business received by Polish goods producers. The seasonally adjusted New Export Orders Index rose sharply to the highest reading since the survey began in June 1998, as around one-third of respondents reported higher incoming business from export markets. October also marked the fifth successive increase in new export orders in the sector.

Backlogs of Work Index

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

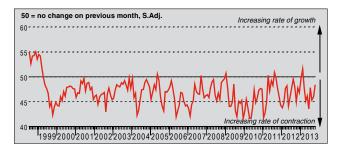


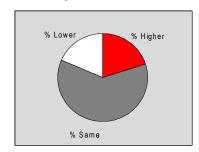


The seasonally adjusted Backlogs of Work Index remained below the no-change mark of 50.0 for the twenty-ninth month running in October, indicating a further reduction in the level of outstanding business held at Polish manufacturers. Moreover, the rate of decline accelerated since September to the fastest in five months. Firms partly linked lower backlogs to improving production efficiency.

Stocks of Finished Goods Index

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



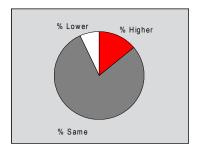


Post-production inventories held by Polish manufacturers declined for the eighth successive month in October. Lower stocks were mainly attributed by survey respondents to increasing sales, which were partly achieved through price discounts. That said, the rate of reduction was the slowest over the current sequence of decline.

Employment Index

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



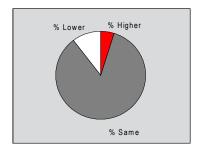


Polish manufacturing employment rose for the third month running in October. The rate of job creation eased from September's peak, but was nevertheless the second-fastest registered in 75 months. Recruitment was linked by survey respondents to higher output requirements, new contracts and new product development. Twice the number of firms reported hiring growth as those that cut workforces.

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.

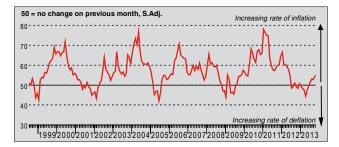


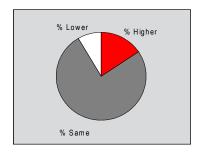


Goods producers in Poland cut their prices in October. The current sequence of discounting now stretches to 11 months, and the rate of reduction in the latest period was the fastest since May. Firms linked lower output prices either to competitive pressure or, in some cases, lower prices for some foodstuffs. Factory gate prices have not risen since June 2012.

Input Prices Index

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



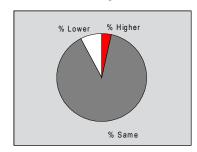


Cost pressures in the Polish manufacturing sector built up in October. Average input prices rose for the fourth month running, and the rate of inflation accelerated to a 16-month high. Sources of higher input costs included paper and taxes. The seasonally adjusted Input Prices Index remained below its long-run average of 57.0, however.

Suppliers' Delivery Times Index

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



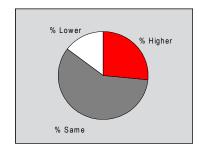


The performance of firms supplying inputs to Polish manufacturers worsened for the second consecutive month in October, reflecting the recent strength of new order inflows and resulting pressure on vendor capacity. That said, the seasonally adjusted Suppliers' Delivery Times Index was at a level indicative of only a modest lengthening in times.

Quantity of Purchases Index

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

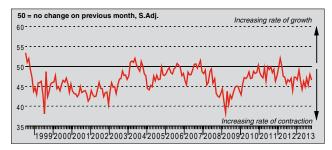


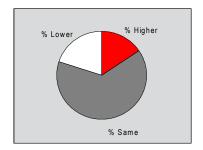


Purchasing activity by Polish goods producers rose for the fourth month running in October, following a 17-month sequence of contraction. Firms linked greater input volumes to new orders and rising workloads. The rate of expansion was strong in the context of historic survey data, but eased to a three-month low in the latest period.

Stocks of Purchases Index

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





Manufacturers in Poland continued to cut their inventories of inputs, on average, in October. The rate of contraction accelerated slightly in the latest period, and was broadly in line with the trend shown over the current 19-month sequence of destocking. Firms linked lower inventories to higher output and sales, and improved stock management.

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.

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