HSBC Purchasing Managers' Index® Press Release
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compiled by markit

HSBC Poland Manufacturing PMI®

Faster new business growth drives record gain in employment

Summary

The manufacturing upturn in Poland regained momentum in January. The overall improvement in business conditions in the sector was the strongest in three years, with output, new orders, employment and purchasing activity all expanding at faster rates. Notably, the rate of workforce growth was the strongest since the survey started in June 1998. Meanwhile, inflationary pressures remained subdued.

The headline HSBC Poland Manufacturing *PMI®* is a composite single-figure indicator of manufacturing performance. The PMI registered above the neutral threshold for the seventh month in a row in January. Having fallen to 53.2 in December, the headline figure rebounded in the opening month of the year to post 55.4. That signalled the strongest overall improvement in operating conditions at Polish goods producers since January 2011.

New business growth accelerated in January, having slowed in the final month of 2013. The latest increase was the strongest since January 2011, and one of the fastest in the fifteen-and-a-half-year survey history. Data indicated strengthening demand from both domestic and export markets. Improving demand in European markets was reported by survey respondents. New export order growth picked up from December, but remained weaker than October's survey-record pace.

One key finding from the latest survey was a record rate of job creation in the manufacturing sector, and a sixth successive month of workforce expansion. The sharp rate of employment growth was mainly linked to higher workloads and new orders.

Output growth regained momentum in January, having increased at the slowest pace in five months in December. The rate of expansion in the latest period was the fastest since April 2011. Backlogs of work continued to decline, albeit only marginally.

As well as recruiting additional staff, Polish goods producers stepped up their purchasing activity in January. The volume of inputs ordered rose at the fastest pace since March 2011, and the joint-fastest rate since May 2004. Despite this strengthening in demand for inputs, suppliers' delivery times lengthened only marginally.

The rate of input price inflation eased for the third month running in January, to a marginal pace. The weak nature of inflationary pressures in the sector was underlined by a further fall in output prices charged for final goods.

Comment

Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska-Giner, Economist, Central & Eastern Europe at HSBC, said:

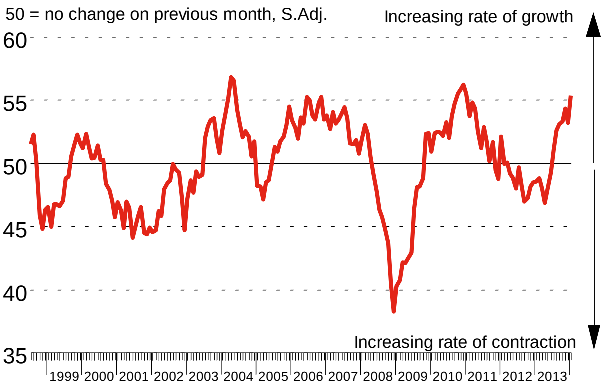
"January manufacturing PMI marks a very strong start to 2014 with the index at a three year high. Importantly the latest improvement is broadly based. Output, new orders and employment indices all rose sharply in January. New orders were supported by rising new export orders. Declining stock of inputs was offset by rising purchases of materials. In contrast, rising production output was still matched by falling stock of finished goods. The record high rate of job creation in January is a particularly positive indicator, implying stability of the current improvement. The above-expectation PMI reading will also fit in with recent upbeat comments from policymakers, including several MPC members, on a positive GDP growth outlook. For the time being improving manufacturing activity does not lift inflationary pressure. Input prices rose marginally in January while output prices fell for the fourteenth month in a row. "

Key points

- Manufacturing PMI improves to 55.4
- Employment rises at survey-record pace
- New order growth at three-year high

Historical Overview

HSBC Poland Manufacturing *PMI®*



Sources: Markit, HSBC.

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Notes to Editors:

The HSBC Poland Manufacturing PMI 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: 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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About PMI:

Purchasing Managers' Index® (PMI®) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics