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HSBC Poland Manufacturing PMI®

Polish manufacturing new orders fell in June.

Key findings:

- Decline in new business for first time since September 2009.
- Input price inflation eased to fifteen-month low.
- Employment and output growth maintained.

HSBC PMI® survey data for June, compiled by Markit, signalled a further overall improvement in manufacturing business conditions in Poland. This was despite a marginal fall in the volume of incoming new work received. Output and employment continued to expand, while inflationary pressures eased further from January's record.

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 moved down for the third month running in June, registering 51.2. That was the lowest since January 2010, and contrasted with strong improvements signalled at the end of last year. Four of the PMI's components influenced the fall in the Index in June, the exception being stocks of purchases. The PMI has now remained in positive territory for twenty months in a row, however, and remained above its historic average of 50.0.

Polish manufacturing production continued to rise in June, marking the twenty-third successive month of growth. However, the rate of expansion slowed further, to the weakest since October 2009. Moreover, data suggested that the pace of output growth would ease closer to stagnation in the third quarter, as the volume of incoming new work fell for the first time since September 2009. New export orders registered the fastest rate

of decline since June 2009.

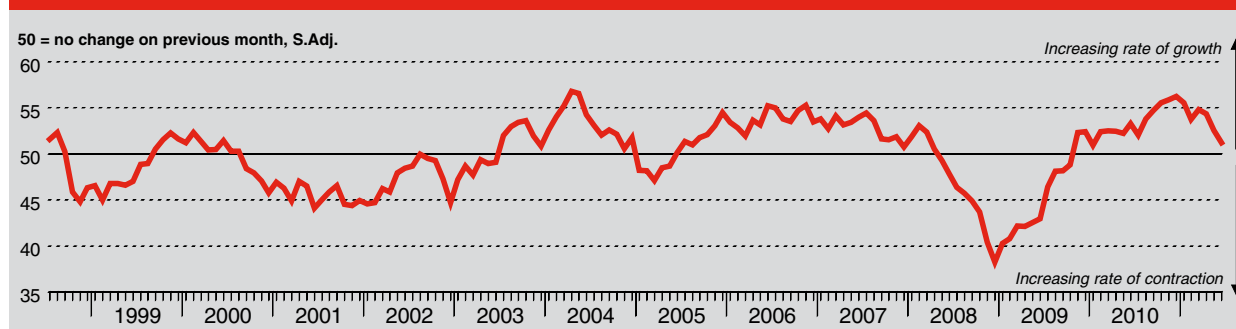
Despite the overall fall in new business in the sector, Polish manufacturers continued to expand their workforces. The current eleven-month run of job creation is the second-longest in the survey history. Moreover, the rate of workforce growth remained faster than the series average. But the fall in new orders did relieve pressure on capacity, as backlogs of work declined for the second time in three months.

Inflationary pressure on manufacturers' input prices eased further in June. Input cost inflation slowed for the fifth month running since reaching a survey-record high in January. The latest increase in average input prices was the weakest since March 2010. That said, the rate of inflation remained greater than the long-run survey average. Firms reported higher prices for oil-related products and other raw materials during the month.

The slowdown in input price inflation led to a weaker rise in prices charged for Polish manufactured goods in June. The current sequence of rising output prices now stretches to fifteen months, but the rate of inflation in the latest period was the slowest since last November.

Purchasing growth by manufacturers was maintained for the seventeenth successive month in June. Suppliers' delivery times lengthened further, but to the weakest extent since November 2009. Meanwhile, manufacturers' stocks of purchases were unchanged compared with May.

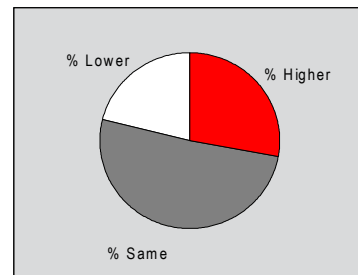
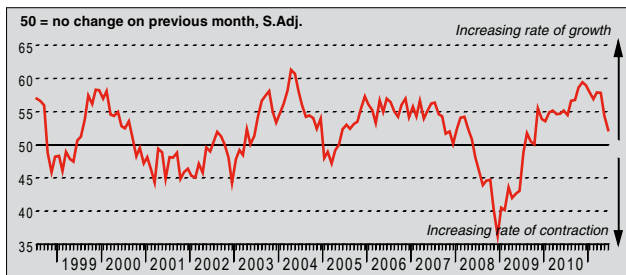
HSBC Poland Purchasing Managers' Index® (PMI®)



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

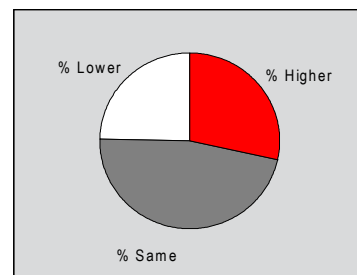
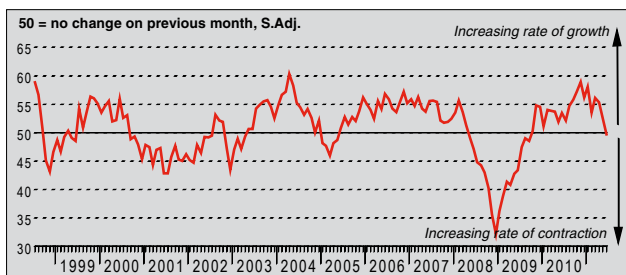
Q. Please compare your production/output this month with the situation one month ago.



The rate of growth of Polish manufacturing production slowed further in June. Since April the seasonally adjusted Output Index has declined by 5.6 points, the largest two-month fall since that registered over November-December 2008. The latest figure signalled the weakest rate of output growth since October 2009, but was nevertheless still greater than the long-run survey average. The current sequence of output growth now stretches to nearly two years.

New Orders Index

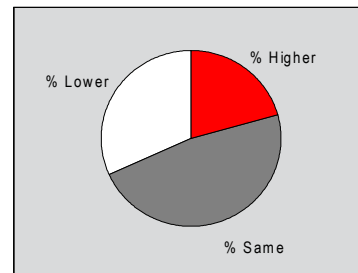
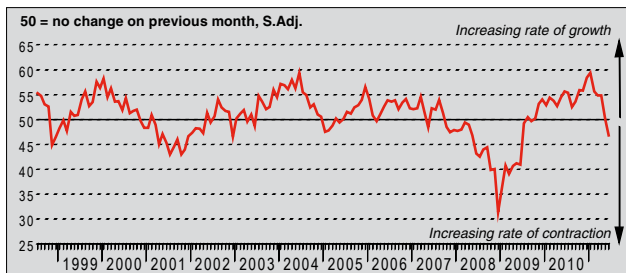
Q. Please compare the level of new orders received this month with the situation one month ago.



The volume of new orders received by Polish manufacturers declined marginally in June. The seasonally adjusted New Orders Index dipped below the no-change mark of 50.0, bringing to an end a twenty-month sequence of expansion. That said, the latest figure was indicative of only a marginal rate of contraction. Around one-quarter of firms reported lower intakes of new work than one month previously, mainly attributing the declines to weakening demand.

New Export Orders Index

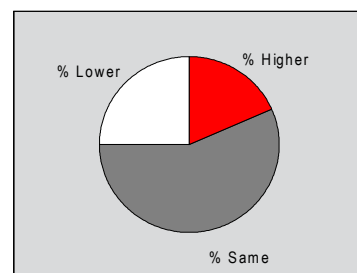
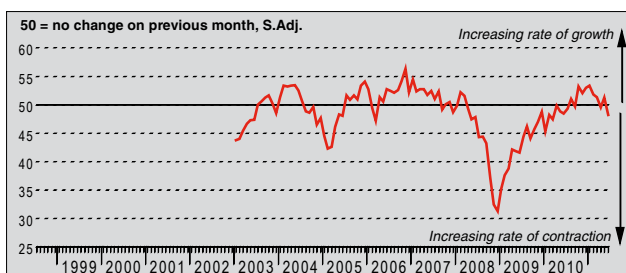
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The seasonally adjusted New Export Orders Index fell for the second month running in June, moving below the no-change mark of 50.0. That signalled the first decline in new export business at Polish manufacturers for twenty-one months. Moreover, the rate of decline was the sharpest since June 2009. Firms linked lower new export orders to worsening demand, as well as the loss of business to low-cost foreign competitors.

Backlogs of Work Index

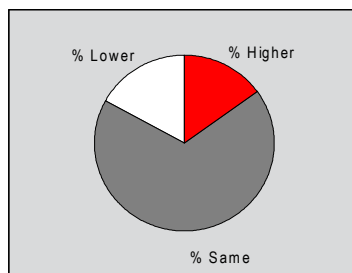
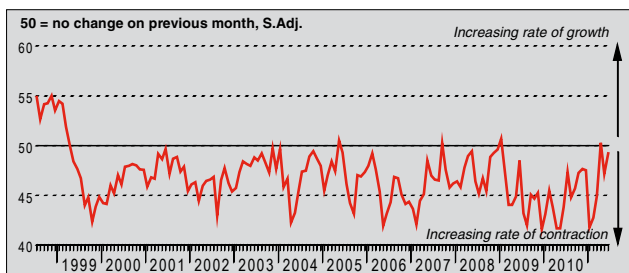
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Backlogs of work in the Polish manufacturing sector declined for the second time in three months in June. Moreover, the pace of contraction was the fastest since March 2010. The seasonally adjusted Backlogs of Work Index was also slightly lower than its long-run average of 48.6. One-quarter of survey respondents reported lower levels of outstanding business during the month, linked to reduced pressure from order books.

Stocks of Finished Goods Index

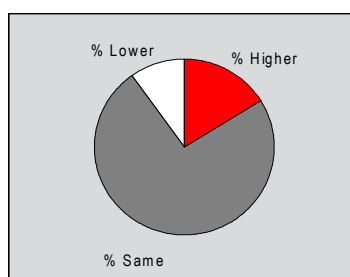
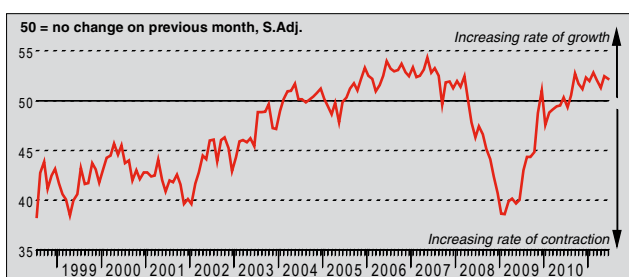
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Inventories of completed goods in the Polish manufacturing sector declined for the second month running in June. However, the seasonally adjusted Stocks of Finished Goods Index was only fractionally below the no-change mark of 50.0, indicating a marginal rate of contraction. A number of companies reported that they had aimed to control stock levels during the month, with 17% in total stating declines.

Employment Index

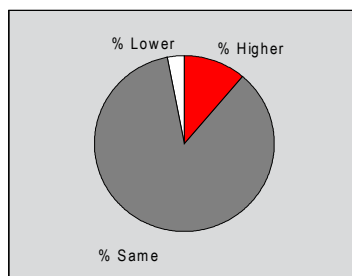
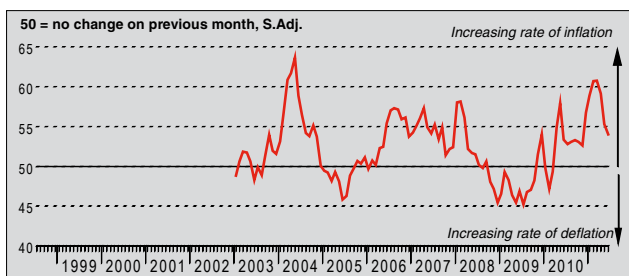
Q. Please compare the level of employment at your unit with the situation one month ago.



Manufacturing employment growth in Poland was maintained in June. The seasonally adjusted Employment Index has signalled job creation in the sector every month since August 2010, and the latest figure was higher than the long-run survey average. The current eleven-month sequence of job creation is the second-longest in the history of the series.

Output Prices Index

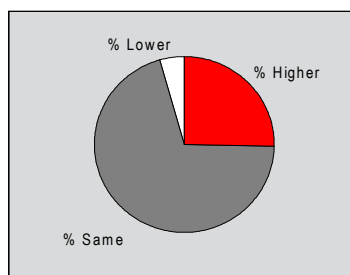
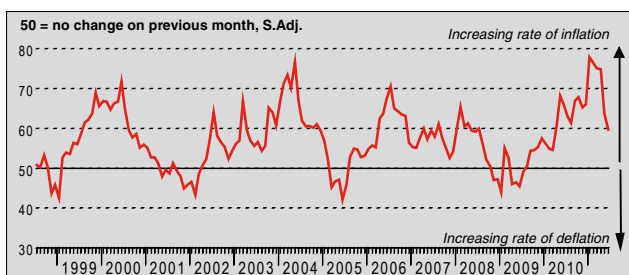
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Polish manufacturers increased their prices charged for the fifteenth successive month in June. Firms attributed higher output prices to rising costs for raw materials and packaging. The rate of inflation slowed further from March's eighty-two month high, however. The seasonally adjusted Output Prices Index pointed to the slowest rise in charges since last November, but was nevertheless above its long-run average of 52.5.

Input Prices Index

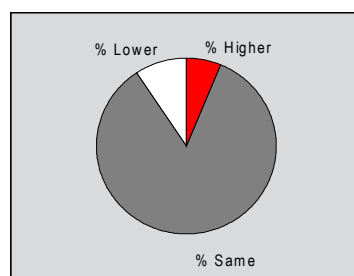
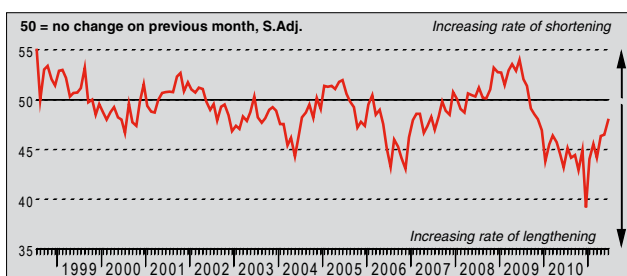
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Inflationary pressure on firms' input prices slowed further in June. The seasonally adjusted Input Prices Index fell for the fifth successive month from January's record high. The latest figure signalled the weakest rate of input cost inflation since March 2010. That said, the Index was still above its long-run average of 57.5, indicating that input price inflation remained relatively strong. Firms reported higher prices for paper, transport, rubber and other raw materials during the month.

Suppliers' Delivery Times Index

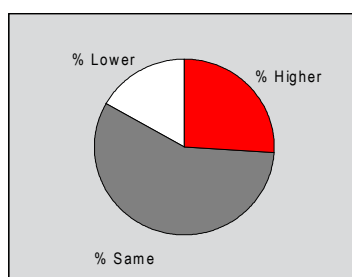
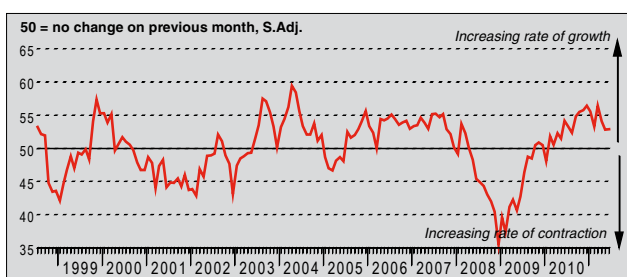
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Suppliers' delivery times continued to deteriorate in June, reflecting ongoing supply shortages. Vendor performance has worsened every month since September 2009. That said, the recent moderation of growth of demand in the sector lifted pressure on suppliers somewhat during the latest period. The seasonally adjusted Suppliers' Delivery Times Index signalled the weakest increase in times since November 2009.

Quantity of Purchases Index

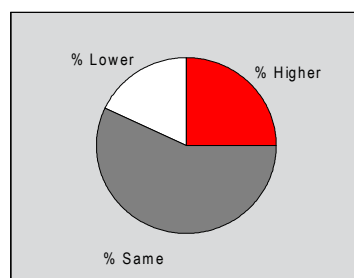
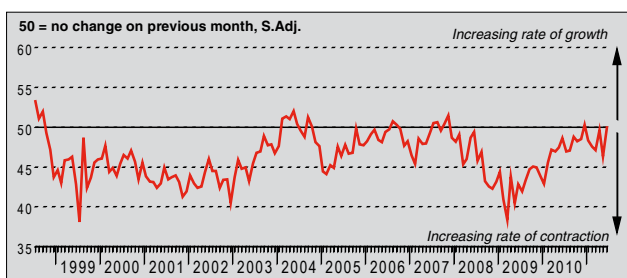
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Growth of purchasing activity by Polish manufacturers was maintained for the seventeenth consecutive month in June. Firms linked higher input volumes to rising output requirements and the planned introduction of new products. The rate of expansion was little-changed from May's nine-month low, but remained solid in the context of historic survey data.

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 equalled the no-change mark of 50.0 in June, signalling a constant level of inputs held in stock at Polish manufacturers compared with one month previously. That followed five months of declining inventories. Reasons given for higher stocks included rising output requirements and large deliveries, while reasons for lower stocks included productivity drives and weakening market conditions.

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 regional and industry contribution to Polish Industrial Production. 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.

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