HSBC Purchasing Managers' Index® Press Release

Embargoed until: 09:00 (Warsaw), 2 April 2012

HSBC Poland Manufacturing PMI®

Polish manufacturing business conditions remain stagnant in March

Summary

The latest survey of the Polish manufacturing economy, compiled by Markit for HSBC, signalled an ongoing stagnation of the sector at the end of the first quarter. New orders registered another – albeit mild – fall, while output growth remained sluggish. After adjusting for seasonal variation, the HSBC *Purchasing Managers' Index* (PMl^{B}) – a composite indicator designed to give a single-figure snapshot of operating conditions in the Polish manufacturing economy – posted 50.1 in March. That was little-changed from 50.0 in February, and indicative of broadly no improvement in overall business conditions in the goods-producing sector.

The underlying weakness of business conditions reflected a lack of incoming new work. The volume of new business received declined marginally, the fourth contraction registered by the survey since last November. Data signalled that demand in both domestic and export markets was weak, as new export orders were unchanged compared with February.

Manufacturing output growth was maintained in March, extending the current sequence of expansion to 32 months. The rate of expansion remained weak, however, and was only slightly faster than February's marginal pace.

The latest survey data signalled no growth in manufacturing capacity, as employment in the sector contracted marginally. Meanwhile, backlogs of work fell for the tenth month in succession, albeit at the weakest rate in 2012 so far.

With new orders falling slightly at the end of the first quarter, manufacturers in Poland cut their purchasing volumes. Though marginal, it was the fourth decline of the past five months. Despite this, and reflecting the weak trend in output growth, pre-production stocks were little-changed over the month. The weakness of output growth was also reflected in a seventh successive monthly contraction in post-production inventories.

The latest fall in purchasing volumes was indicative of weak demand for inputs. Despite this, average input prices rose sharply, with the rate of inflation stronger than the long-run series average despite easing to a four-month low. Firms highlighted increased costs of fuel and oil-based products in particular.

Polish goods producers partly passed on higher input prices to customers in March. Average prices charged rose for the twenty-fourth successive month, but the rate of output price inflation eased for the second month running and was only modest overall.

Comment

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

"March PMI is broadly in line with the February one. It underscores that the stronger January reading was more of an outlier and that the near-term outlook is for stagnation. The output index rose in March. The new orders and employment indices also improved but still remain below the no-change mark of 50. The decline in the output prices index is positive, though the input prices index remains high and still constitutes an upside risk to the inflation outlook. On balance the PMI is marginally disappointing and fits with expectations of slowing growth in 2012. Along with weaker than expected industrial production data in February and weak labour market data, PMI data for the last couple of months contrasts with growth resilience in the last quarter of 2011."

Key points

- PMI signals broadly no change in operating conditions
- Output growth remains lacklustre
- Input price inflation remains strong, despite easing to four-month low

Historical Overview



Sources: Markit, HSBC.





For further information, please contact:

HSBC

Agata Urbanska
Economist, Central & Eastern Europe
Telephone +44-207-992-2774
Email agata.urbanska@hsbcib.com

Magdalena Ujda Communications Manager, HSBC Bank Polska SA Telephone +48-22-354-0644 Email magdalena.ujda@hsbc.com

Markit

Trevor Balchin, Senior Economist Telephone +44-1491-461-065 Email trevor.balchin@markit.com Rachel Harling, Corporate Communications
Telephone +44-20-7064-6283
Mobile +44-782-789-1072
Email rachel.harling@markit.com

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.

HSBC:

HSBC is one of the world's largest banking and financial services organisations. With around 7,200 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 89 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 85 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 132 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

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

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 trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.