HSBC Purchasing Managers' Index® Press Release

compiled by markit

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

HSBC Poland Manufacturing PMI®

Strongest fall in new orders in three years

Summary

HSBC survey data compiled by Markit indicated a sustained deterioration in market conditions facing Polish manufacturers in June. The business climate has worsened throughout the second quarter, driven by falling new orders. Firms cut output and purchases of new inputs during the month, but expanded workforces on average. Meanwhile, inflationary pressures eased further in the sector.

The headline HSBC Poland Manufacturing *PMI®* is a composite single-figure indicator of manufacturing performance. Any figure greater than 50.0 indicates overall improvement of the sector. The PMI fell to a 35-month low of 48.0 in June, from May's 48.9. It was the third successive sub-50 reading, and signalled a moderate overall deterioration in business conditions.

The volume of new business fell sharply in June. The current sequence of contraction now stretches to five months, and the rate of decline accelerated to the fastest for three years. Data signalled broad-based weakness in both domestic and export markets. New export orders declined for the fourth time in five months, with the rate of contraction little-changed from May's near-three year record.

With new business falling sharply, manufacturers completed existing workloads at a marked rate. Backlogs of work fell for the thirteenth month running, and at the fastest pace since June 2009. This was insufficient to generate overall output growth, however, as production declined for the second month in a row.

The main positive finding from the latest survey was a further rise in employment, albeit mild. A marginal overall rate of job creation has been maintained throughout the second quarter, with 12% of firms expanding headcounts in the latest period.

Manufacturers in Poland reduced purchasing activity at the fastest rate in three years in June. This relieved pressure on suppliers, whose delivery times were slightly faster compared with May.

Average input prices rose at the slowest rate since March 2010. The rate of inflation has eased continuously since peaking at the start of the year, reflecting falling oil prices and reduced pressure from demand on raw materials. Input price inflation was below the long-run survey average in June. Meanwhile, factory gate prices continued to rise, but at only a modest rate. Output price inflation has now been maintained for 27 months.

Comment

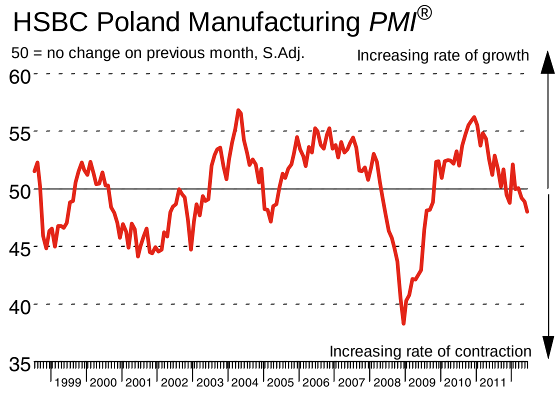
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The PMI index shows ongoing deterioration of the conditions in the manufacturing sector. It remained in the contraction territory for the third consecutive month. The pace of output contraction deepened in June to levels last seen in mid-09 in line with deteriorating new orders. For now employment growth still holds on. That justifies our forecasts for a moderate GDP growth slowdown through 2012. But at this juncture, with slowdown gaining momentum, employment seems due for a catch-up with weakening output. Input prices growth is slowing but the output prices are still growing. That is in line with the central bank's cautious outlook on inflation. The gradual slide of the PMI index in the last three months highlights downside risks to growth in the manufacturing sector this year."

Key points

- Survey data indicate weakening demand in both export and domestic markets
- Output falls for second month running
- Purchasing activity by manufacturers contracts at fastest rate for three years

Historical Overview



Sources: Markit, HSBC.

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

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-7815-812-162
Email caroline.lumley@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