

HSBC Poland Manufacturing PMI®

Polish manufacturing downturn eases in November

Summary

The Polish manufacturing sector remained in a downturn in November, according to HSBC survey data compiled by Markit. The overall deterioration in operating conditions eased slightly since October on the back of slower falls in output and employment, but new business declined for the tenth consecutive month. The latest survey findings also signalled a general absence of inflationary pressures in the sector, as average input prices fell for the fourth time in five months and output prices were flat.

The HSBC Poland Manufacturing PMI® remained below 50.0 for the eighth successive month in November, but rose for the second month running to 48.2, indicating the weakest overall deterioration in operating conditions since August.

Central to the overall downturn in the sector was a further fall in new business. The current sequence of contraction now stretches to ten months, the third-longest in the survey history. New export business fell at a slightly faster rate than total new work, although the rate of decline in overall new orders was the weakest since July.

Polish manufacturing output fell for the seventh successive month in November, albeit at a modest rate that was the slowest since July. Output was supported by a further drop in backlogs of work, which registered the fastest decline since February 2009. The volume of outstanding business has declined every month since June 2011.

Employment at goods producers in Poland declined for the third month running in November, the longest sequence registered in two-and-a-half years. That said, the rate of job shedding was the slowest in the current sequence.

Firms continued to cut stocks of both pre- and post-production items in November. The cut in input inventories reflected a tenth consecutive monthly drop in purchasing activity, while stocks of finished goods fell mainly as a result of reduced output.

Manufacturers' average input prices declined for the fourth time in five months in November. Moreover, the rate of reduction was the fastest in nearly three-and-a-half years. Firms reported lower steel prices and also promotional offers at suppliers. Meanwhile, prices charged for final manufactured goods were unchanged on average since October. That followed a four-month sequence of price discounting.

Comment

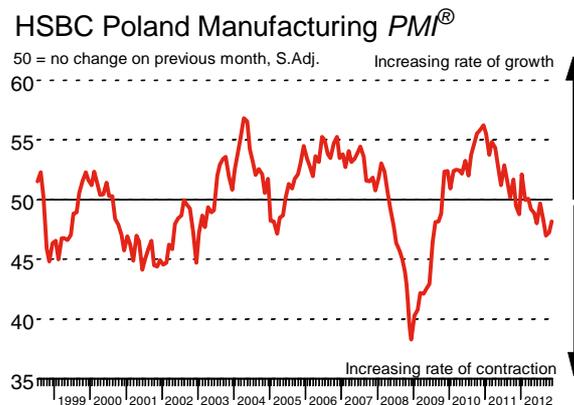
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The November PMI is good and bad depending on the angle one looks from. It is bad as it continues to show deterioration in the manufacturing sector. It is good as it indicates that the rate of this deterioration has diminished in comparison to last couple of months. We have been earlier pointing out to a zigzag pattern of the PMI index but in a weakening trend. We remain cautious then in deriving positive implications for the immediate future but it is a light in the tunnel. The PMI index is the strongest in three months, the output index is the strongest in four months, and the new export orders index is the strongest in eight months. Also the manufacturing PMI and the Ifo indices in Germany in November improved what, if sustained, should further support the recovery of the new export orders. On balance we are still looking for economic activity to slow this and next quarter but the end of the deterioration in forward looking indicators like the PMI supports expectations of the slowdown bottoming out in 2Q13."

Key points

- PMI improves to three-month high
- Output, new orders and jobs all fall at slightly weaker rates
- Lack of inflationary pressure in manufacturing sector

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

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 6,900 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 60 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 84 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 221,000 shareholders in 134 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.