HSBC Purchasing Managers' Index® Press Release

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HSBC Poland Manufacturing PMI®

Polish manufacturing downturn continues in February

Summary

Poland's manufacturing economy remained stubbornly in contraction mid-way through the first quarter of 2013, according to HSBC survey data compiled by Markit. The downturn entered its eleventh month, as output and new business continued to fall and firms shed staff slightly. Inflationary pressures continued to weaken, as input prices fell for the sixth time in eight months and factory gate prices declined at the fastest rate since July 2009.

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. As has been the case since April 2012, the PMI remained below the nochange mark of 50.0 in February, posting 48.9. That signalled an overall deterioration in operating conditions at goods producers, albeit to the weakest extent since last July.

Central to the overall deterioration in the health of the manufacturing sector was a further decline in the volume of new orders received. New business intakes fell for the thirteenth successive month, albeit at a modest rate. Domestic and export markets both continued to weigh on demand, albeit to only a marginal degree in the case of the latter.

Having nearly stabilised in January, production declined in February. The rate of contraction was modest, and broadly in line with the trend shown over the current ten-month sequence. Falling output was accompanied by a further round of job shedding in the sector, albeit at a marginal rate.

The underlying weakness of demand in the sector was confirmed by a further sharp reduction in the volume of outstanding business. The rate of backlog depletion accelerated slightly since January, and was the strongest in three months.

The volume of inputs purchased fell at a sharper rate in February, partly reflecting overproduction in previous months and disappointing sales. Consequently, preproduction inventories declined, while warehouse stocks of finished goods expanded at the sharpest rate since March 1999.

Downward pressure on prices was maintained in February. Average input costs fell for the sixth time in the past eight months, linked to falling raw material prices and negotiations with suppliers. Meanwhile, prices charged for final Polish manufactured goods declined at the fastest rate since July 2009.

Comment

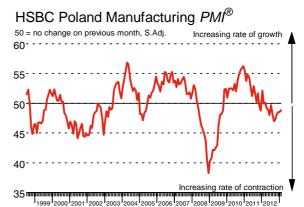
Commenting on the Poland Manufacturing PMI[®] survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The manufacturing PMI index improved marginally in February to 48.9. It still points to deteriorating conditions in the manufacturing sector but the pace of this deterioration has been declining gradually since September last year when the index fell to 47 points, the lowest level since July 2009. This recovery remains unbalanced when looking at the index components. In February the output and new orders indices fell compared to January. In contrast the employment index improved to 49.5, the highest level since August. The sharp growth slowdown in 2012 was fuelled by weak private consumption and the deteriorating labour market situation was the main culprit of this weakness. The PMI survey shows that employment contraction might be bottoming out. If this improvement is sustained in the coming months that would be a very important sign for a turnaround in growth outlook in H2 2013. "

Key points

- Production and new orders fall
- New export orders show signs of stabilising
- Output prices decline at fastest rate since July 2009

Historical Overview



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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