HSBC Purchasing Managers' Index® Press Release

Embargoed until: 09:00 (Warsaw), 2 April 2013

compiled by markit

HSBC Poland Manufacturing PMI®

Polish manufacturing downturn intensifies in March

Summary

HSBC survey data compiled by Markit showed an ongoing downturn in the Polish manufacturing sector at the end of the first quarter. Business conditions have now deteriorated throughout the past year. Moreover, the pace of decline accelerated for the first time since last September, reflecting sharper declines in output, employment and stocks of purchases. Underlining the challenging business climate, a record fall in output prices was signalled in the latest period.

The headline HSBC Poland Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. 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 no-change mark of 50.0 in March, signalling an overall deterioration in operating conditions at goods producers. Moreover, the PMI fell to 48.0, from 48.9, the first month-on-month decline in the headline index since September. The latest figure was the lowest since October, although the average for the first quarter was the highest since Q2 2012.

New orders declined for the fourteenth successive month. The overall rate of contraction was little-changed from February's moderate pace, despite a sharper fall in new export business. The decline in new work from export markets was the fastest since November.

Linked to falling receipts of new work, production declined for the eleventh month running in March, and at the fastest pace since November. Meanwhile, backlogs of work fell sharply during the month.

Manufacturers cut their output prices for the eighth time in nine months in March. Furthermore, the rate of discounting accelerated to a series record (data for output charges were first collected in January 2003). Firms reported having to offer discounts in order to remain competitive.

Input prices fell for the seventh time in nine months in March. Moreover, the rate of reduction was the fastest since June 2009. Anecdotal evidence partly linked reduced cost pressures to lower steel and food prices.

Manufacturing employment declined for the seventh month running in March, the longest sequence of job shedding in over three years. Goods producers also cut the volume of inputs purchased during the month, and at the fastest rate since last September.

Comment

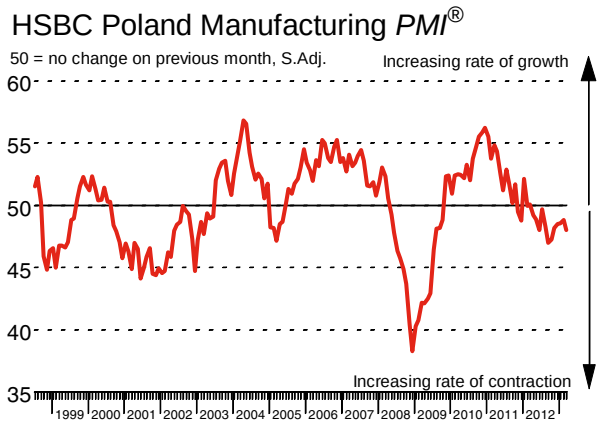
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"The manufacturing PMI index inched higher in the first quarter of 2013 to 48.5 from 48.0 in Q4 2012. But it still remains in the contraction territory, and only marginally above Q3 2012 (48.3).Also having climbed every month to a seven month high in February, in March the PMI index fell to a five month low. This is a disappointing result that highlights that the bottoming out of the 2012 slowdown continues to be questionable not mentioning that it undermines chances for a firm recovery through 2013. The fall in March was broad-based with output, new orders employment and stocks of purchases indices all lower than in February. Employment index declined and fully offset the improvement we highlighted with optimism in February. Also input and output price indices fell to lows last seen in mid-2009 and point to a lack of inflationary pressure."

Key points

- PMI remains below 50.0 and declines for first time since August
- Record fall in output prices
- Input prices decline at fastest rate since June 2009

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 6,600 offices in both established and faster-growing markets. We aim to be where the economic 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 58 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 81 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 about 220,000 shareholders in 129 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,800 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