HSBC Purchasing Managers' Index® Press Release

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compiled by markit

HSBC Poland Manufacturing PMI®

Manufacturing downturn eases in May

Summary

The Polish manufacturing sector remained in contraction in May, according to the latest PMI data from HSBC and Markit. Business conditions deteriorated for the fourteenth successive month, but there were signs of the downturn easing as new orders, output and employment all fell at slower rates. Meanwhile, input prices fell for the fifth month running, the joint-longest sequence in over 11 years.

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. The PMI registered below the no-change mark for the fourteenth month in a row in May, posting 48.0. This signalled a moderate overall deterioration in business conditions. The latest figure represented an improvement since April, when the PMI had fallen to a 45-month low of 46.9.

Central to the overall deterioration in business conditions facing Polish manufacturers was a further drop in new orders. The volume of new business received has declined every month since February 2012, the third-longest sequence of contraction in the survey history. The rate of decline slowed during the month, however, to the weakest in 2013 so far. New orders fell across both domestic and export markets, but new export orders posted a steeper rate of decline than total new business.

Manufacturing output continued to fall in May, in line with lower new orders. The pace of decline eased for the first time since the start of the year, but was still the second-fastest in seven months.

Purchases of inputs by manufacturers fell further in May, albeit at the weakest rate in three months. Pressure on suppliers remained low, as delivery times quickened to the greatest extent in nearly four years.

Highlighting the weakness of demand for new inputs, average input prices fell for the fifth month running in May. This was the joint-longest sequence in over 11 years, although the rate of reduction eased from April's 51-month record. Meanwhile, prices charged for finished goods declined for the sixth month in succession.

Comment

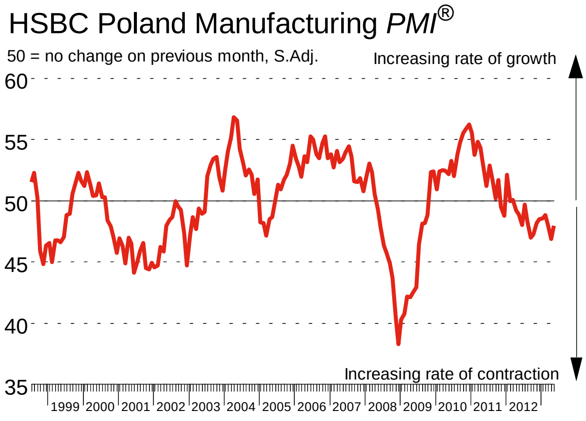
Commenting on the Poland Manufacturing PMI® survey, Agata Urbanska, Economist, Central & Eastern Europe at HSBC, said:

"Falling at a slower rate – that has been as positive as it gets in terms of PMI readings from Poland for over a year now. The manufacturing PMI index recovered in May from a mid-09 low in April but at 48.0 it is below the 1Q 13 average and merely in line with the Q4 12 average. It then falls well short of providing any meaningful sign of the economic slowdown bottoming out – an assumption the authorities (central bank, ministry of finance) still work with. That argues for more policy stimulus to come through. The PMI survey showed the longest sequence of falling input prices in over eleven years. With headline CPI already undershooting the central bank target we expect the central bank to continue cutting rates, from 3.0% at present, and now look for the policy rate to bottom at 2.25% by Sep-13."

Key points

- PMI remains below 50.0 but improves from April's low
- Slower falls signalled for output, new orders and jobs
- Joint-longest sequence of falling input prices in over 11 years

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.

HSBC:

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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.

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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