HSBC Purchasing Managers' Index® 2012

Embargoed until: 09:00 (WARSAW), 2 January 2012

HSBC Poland Manufacturing PMI®

Manufacturing downturn deepens as new orders fall further

Key findings:

- Fastest drop in new business since June 2009
- Employment declines for first time since July 2010
- Input price inflation accelerates to eight-month high

HSBC *PMI*[®] survey data for December, compiled by Markit, signalled that Poland's manufacturing sector experienced a further worsening in business conditions. New orders declined at a faster rate, leading firms to cut workforces for the first time in almost a year-and-a-half. Cost pressures intensified during the month, linked to energy, fuel, metals and the weakening zloty.

The headline HSBC Poland Manufacturing PMI is a composite single-figure indicator of manufacturing performance, tracking changes in new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 represents an overall improvement in business conditions.

Remaining below the neutral threshold for the second straight month, the PMI signalled a further overall deterioration in manufacturing business conditions at the end of 2011. The latest figure of 48.8 was the lowest since October 2009, and the average over the quarter (50.0) was the lowest since Q3 2009 (47.6). Three of the five components exerted negative influences on the headline figure in the latest period, namely new orders, employment and stocks of purchases.

New orders fell for the second month in a row in December, in the first back-to-back contraction in the sector since 2009. Moreover, the rate of decline in the latest period was the fastest since June 2009. The volume of new business taken from export markets fell for the seventh month running, albeit at a softer rate than in November.

Despite the latest fall in new orders, production growth was maintained and even picked up slightly having slowed in November. But the pace of expansion remained weak overall, both in the context of 2011 as a whole and the survey history. The volume of outstanding business fell for the seventh month running, albeit only marginally.

Another key finding from the latest survey was a drop in manufacturing employment. This was the first cut to staff levels in the sector since July 2010. Moreover, the rate of contraction was the fastest since October 2009. Firms linked the reduction in headcounts insufficient workloads and subsequent pressure to cut costs.

Stock depletion continued apace in December, with both preand post-production inventories declining. Stocks of finished goods continued to fall at a sharper rate than input holdings.

Input price inflation remained substantial in December, and accelerated sharply since the previous month. Data signalled the fastest increase in average input costs since April, and inflation remained greater than the historic survey trend. Firms linked cost pressures to energy, fuel, metals and the effect of the weakening zloty on import prices.

Prices charged by Polish manufacturers for their goods rose on average in December, extending the current sequence to 21 months. That said, the rate of output price inflation remained modest, reflecting competitive pressures.



The HSBC Poland *Purchasing Managers' Index*[®] (*PMI*[®]) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. *Purchasing Managers' Index*[®] and *PMI*[®] are registered trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

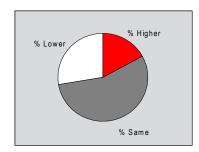




Output Index

Q. Please compare your production/output this month with the situation one month ago.



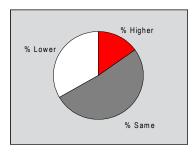


Polish manufacturing production rose in December. The rate of expansion picked up from November's near-stagnation, but remained weak. The seasonally adjusted Output Index was above the no-change mark of 50.0 for the twenty-ninth month in succession, but at its second-lowest level since October 2009. It was also below its long-run average of 52.0.

New Orders Index

Q. Please compare the level of new orders received this month with the situation one month ago.

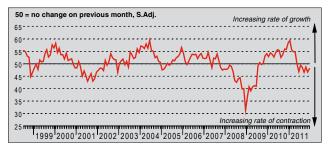


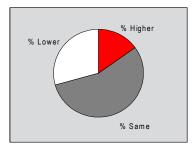


The volume of new business received by Polish manufacturers declined further in December. It was the first back-to-back fall in new work for 27 survey periods, and the fourth monthly contraction in 2011. Moreover, the rate of decline accelerated to the fastest since June 2009. Firms generally commented on weaker client demand.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

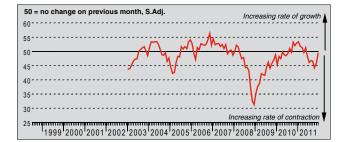


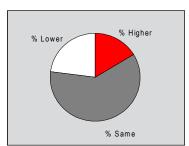


Polish manufacturing new export orders declined for the seventh month running in December. The latest rate of decline was moderate, and broadly in line with the average over the current sequence of reduction. That said, the pace of contraction slowed since November, partly reflecting a more favourable zloty-euro exchange rate.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

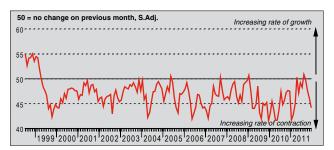


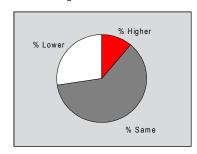


The seasonally adjusted Backlogs of Work Index remained below the no-change mark of 50.0 for the seventh successive month in December, signalling a decline in outstanding work. That said, the Index moved up sharply since November – the largest one-month gain since October 2010 – to indicate a much slower rate of contraction. The marginal extent of the latest fall was partly linked to reports of delays from suppliers.

Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.

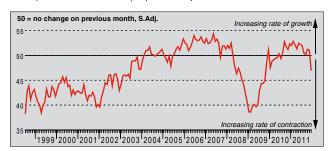


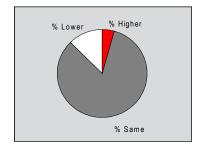


Post-production inventories in the Polish manufacturing sector declined on average for the fourth successive month in December. Moreover, the seasonally adjusted Stocks of Finished Goods Index continued its descent, signalling the fastest rate of contraction since February. A number of firms reported selling from existing stocks in order to control costs.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.



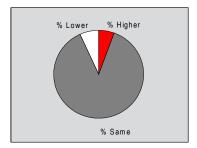


Polish goods producers reduced the size of their workforces in December. The seasonally adjusted Employment Index posted below the nochange mark of 50.0 for the first time since July 2010, and registered a record month-on-month fall of four points. Moreover, the rate of job shedding signalled was the fastest since October 2009. Job cuts were linked to reduced output requirements, the cancellation of temporary contracts and restructuring.

Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



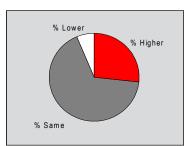


Output prices charged for Polish manufactured goods rose for the twenty-first successive month in December. Firms linked higher tariffs to both rising raw material prices and exchange rate fluctuations. The rate of inflation was fractionally lower than in November, however, and remained weak in the context of historic survey data.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



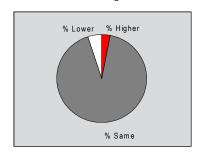


Cost pressures faced by manufacturers intensified in December. The seasonally adjusted Input Prices Index signalled the fastest rate of inflation for eight months. Moreover, the month-on-month rise in the Index was the steepest since January. Survey respondents reported energy, fuel and steel price increases in particular, while import prices remained under pressure from the weakening zloty.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

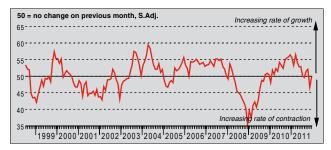


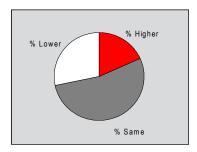


December data signalled a further increase in the average time taken to deliver inputs to Polish manufacturers. Vendor performance has deteriorated throughout the final quarter of 2011. There were some mentions of supply shortages in the latest survey. The seasonally adjusted Suppliers' Delivery Times Index was only slightly below the no-change mark of 50.0 during the month, however.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



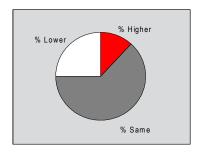


Polish manufacturers scaled back their input buying for the second month in succession in December. Instances of lower purchasing activity were generally linked to reduced intakes of new orders and cost cutting. That said, the seasonally adjusted Quantity of Purchases Index rebounded from November's 28-month low, to a level indicative of only a marginal overall decline.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





Inventories of inputs were depleted for the sixth successive month in December. Firms commented on efforts to cut costs, and reduced output requirements. The seasonally adjusted Stocks of Purchases Index rose on the month, signalling a weaker rate of contraction, and was greater than its long-run average (46.5).

Notes on the Data and Method of Presentation

The Purchasing Managers' Index® 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

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