

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

HSBC Poland Manufacturing PMI®

Strongest fall in new orders in three years

Key findings:

- Survey data indicate weakening demand in both export and domestic markets
- Output falls for second month running
- Purchasing activity by manufacturers contracts at fastest rate for three years

HSBC survey data compiled by Markit indicated a sustained deterioration in market conditions facing Polish manufacturers in June. The business climate has worsened throughout the second quarter, driven by falling new orders. Firms cut output and purchases of new inputs during the month, but expanded workforces on average. Meanwhile, inflationary pressures eased further in the sector.

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 fell to a 35-month low of 48.0 in June, from May's 48.9. It was the third successive sub-50 reading, and signalled a moderate overall deterioration in business conditions. Weighing on the headline figure were the new orders, output, suppliers' delivery times and stocks of purchases components. The only component to register a positive influence was employment.

The volume of new business received by Polish goods producers fell sharply in June. The current sequence of contraction now stretches to five months, and the rate of decline accelerated to the fastest for three years. Data signalled broad-based weakness in both domestic and export markets. New export orders declined for the fourth time in five months, with the rate of contraction little-changed from May's near-three year record.

With new business falling sharply during the month, manufacturers completed existing workloads at a marked rate. Backlogs of work fell for the thirteenth month running, and at the fastest pace since June 2009. This was insufficient to generate overall output growth, however, as production declined for the second month in a row.

The main positive finding from the latest survey was a further rise in employment, albeit mild. A marginal overall rate of job creation has been maintained throughout the second quarter, with 12% of firms expanding headcounts in the latest period.

Reflecting the latest drop in new workloads, manufacturers in Poland reduced purchasing activity in June. Input volumes have fallen continuously since February, and the rate of decline accelerated to the fastest in three years in the latest period. This relieved pressure on suppliers, whose delivery times were slightly faster compared with May. Consequently, manufacturers' input stocks fell at the strongest rate since February 2010.

Average input prices rose at the slowest rate since March 2010. The rate of inflation has eased continuously since peaking at the start of the year, reflecting falling oil prices and reduced pressure from demand on raw materials. Input price inflation was below the long-run survey average in June. Meanwhile, factory gate prices continued to rise, but at only a modest rate. Output price inflation has now been maintained for 27 months.

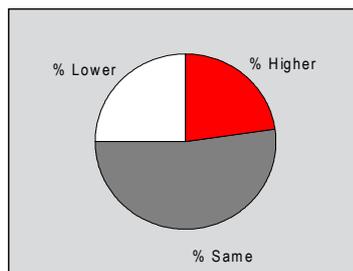
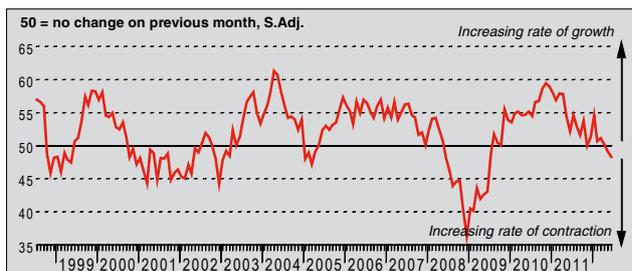
HSBC Poland Purchasing Managers' Index® (PMI®)



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

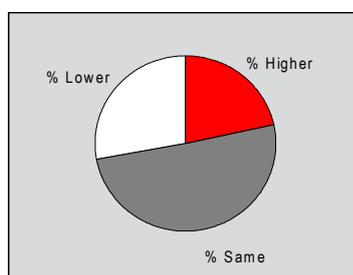
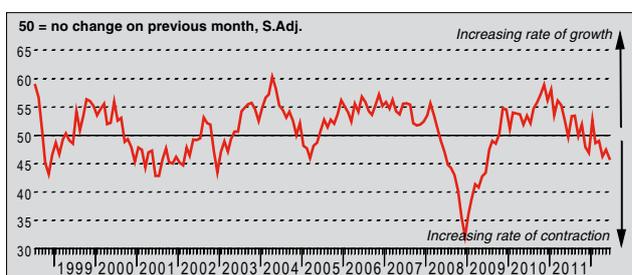
Q. Please compare your production/output this month with the situation one month ago.



Goods producers in Poland cut production for the second month running in June. Moreover, the seasonally adjusted Output Index fell on the month, signalling a sharper rate of decline. The Index was at a three-year low in the latest period. Anecdotal evidence directly attributed lower output to weakening new orders.

New Orders Index

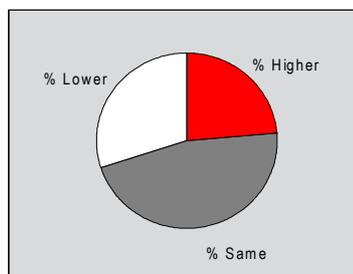
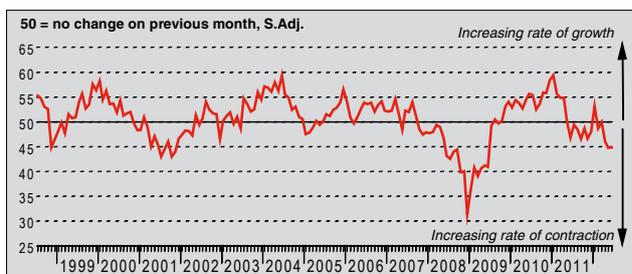
Q. Please compare the level of new orders received this month with the situation one month ago.



New business received by Polish manufacturers fell in June, extending the current sequence of contraction to five months. Moreover, the seasonally adjusted New Orders Index resumed its downward trajectory, signalling the fastest rate of decline for three years. Firms reported weak domestic market conditions and poor demand from Western export markets in particular.

New Export Orders Index

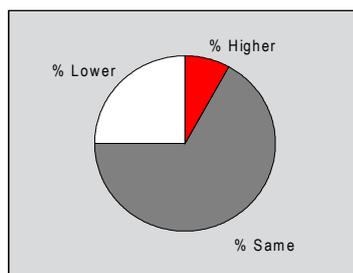
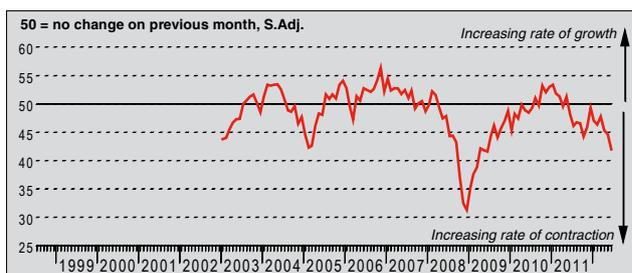
Q. Please compare the level of new export orders received this month with the situation of one month ago.



June survey data signalled a further drop in new orders from export markets. The seasonally adjusted New Export Orders Index was little-changed from May's 35-month low, indicating a strong rate of decline. New workloads from international clients have risen only once in the past 13 months (January).

Backlogs of Work Index

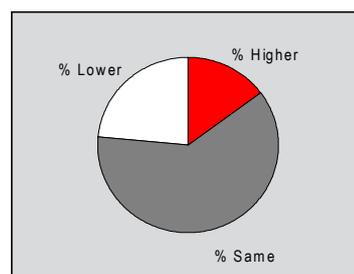
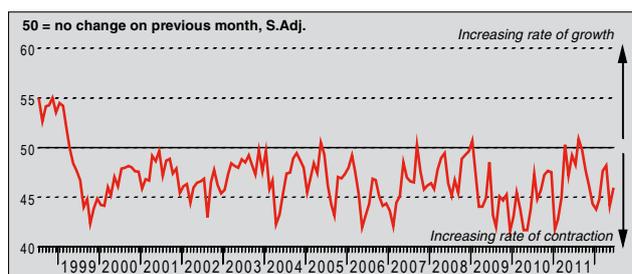
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The seasonally adjusted Backlogs of Work Index remained below the no-change mark of 50.0 in June, signalling falling levels of outstanding business in the Polish manufacturing sector for the thirteenth successive month. Moreover, the rate of decline accelerated for the third month running, to the fastest since June 2009. Declining backlogs reflected lower intakes of new work.

Stocks of Finished Goods Index

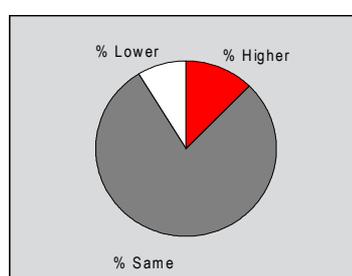
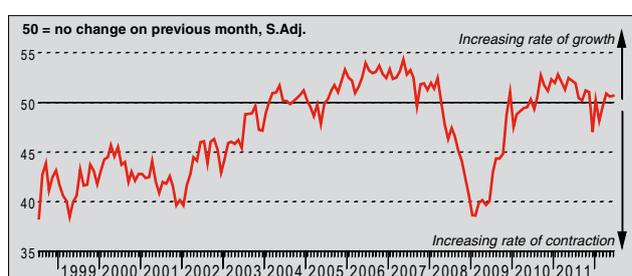
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Polish manufacturers continued to pare their inventories of final goods in June. Average stock levels in the sector have fallen every month since September 2011. The rate of decline remained sharp in the latest period, despite easing since May. The seasonally adjusted Stocks of Finished Goods Index remained below its long-run trend level of 46.9.

Employment Index

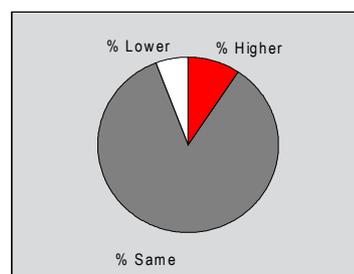
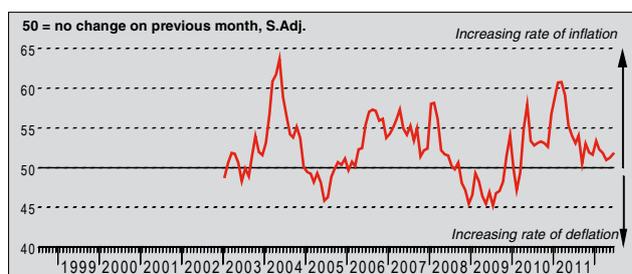
Q. Please compare the level of employment at your unit with the situation one month ago.



Workforce growth was maintained for the third month running in June, despite the falls recorded in output and new orders. That said, the seasonally adjusted Employment Index was only just above the neutral mark of 50.0, indicating only a marginal rate of job creation. Around 12% of companies reported recruiting additional staff during the month, mainly linked to efforts to raise production and replenish stocks.

Output Prices Index

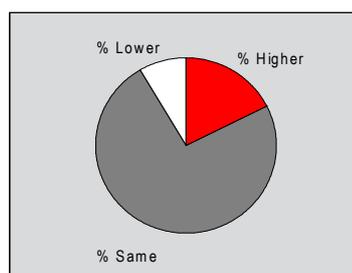
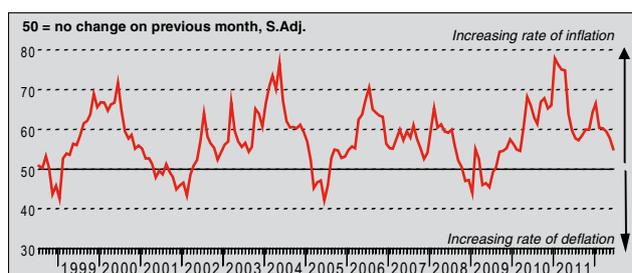
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



The average price charged for final Polish manufactured goods rose further in June. The current sequence of output price inflation in the Polish manufacturing sector now stretches to 27 months. The seasonally adjusted Output Prices Index was at its highest level for three months, but still indicative of only a modest rate of factory gate price inflation.

Input Prices Index

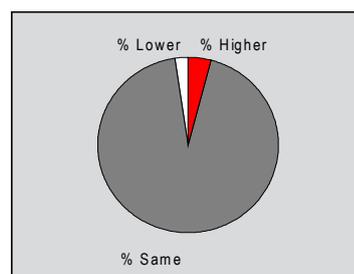
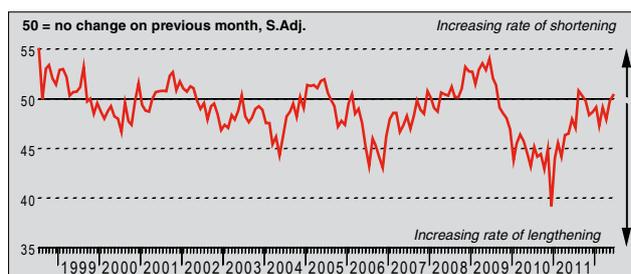
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Cost pressures facing Polish manufacturers continued to moderate in June. The seasonally adjusted Input Prices Index remained above neutrality, but fell for the fifth successive month. The latest figure signalled the weakest rate of input cost inflation in the goods-producing sector since March 2010, and was below the historic survey average (57.7). Anecdotal evidence linked weaker overall inflationary pressures to falling oil prices.

Suppliers' Delivery Times Index

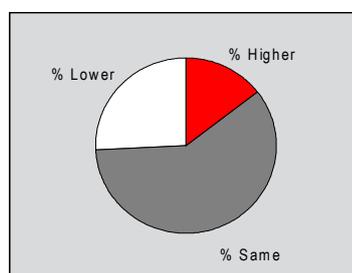
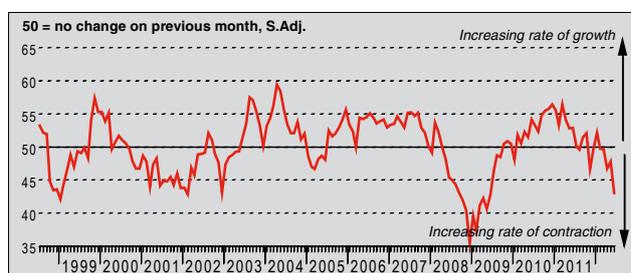
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Weaker demand for inputs lifted the pressure on supplier capacity in June. The seasonally adjusted Suppliers' Delivery Times Index was above the no-change mark of 50.0 for the first time since last September, and indicated a marginal improvement in vendor performance. Faster delivery times were linked to lacklustre workloads, while delays were partly attributed to the European football championships. The vast majority of manufacturers reported no change in supplier delivery times since May.

Quantity of Purchases Index

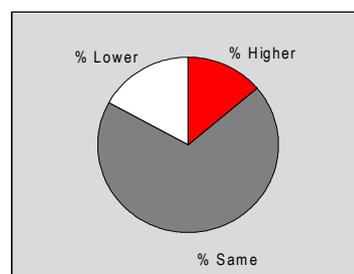
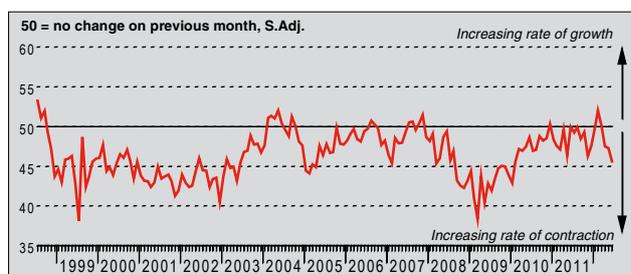
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Polish manufacturers lowered their input volumes for the fifth month in succession in June. The seasonally adjusted Quantity of Purchases Index fell sharply, and the latest figure signalled the fastest rate of decline in three years. The month-on-month fall in the Index was the fifth-largest on record. Firms attributed reduced purchases to falling output requirements.

Stocks of Purchases Index

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



The seasonally adjusted Stocks of Purchases Index remained below the neutral threshold of 50.0 in June, signalling an overall decline in manufacturers' pre-production inventories. Exactly 17% of firms reported lower warehouse stocks, mainly linked to reduced production requirements and the need to cut costs. The rate of contraction accelerated since May to the fastest since February 2010.

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 Markit's survey of the UK manufacturing 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.

Warning

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 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.