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HSBC Poland Manufacturing PMI®

Polish manufacturing downturn eases in November

Key findings:

- PMI improves to three-month high
- Output, new orders and jobs all fall at slightly weaker rates
- Lack of inflationary pressure in manufacturing sector

The Polish manufacturing sector remained in a downturn in November, according to HSBC survey data compiled by Markit. The overall deterioration in operating conditions eased slightly since October on the back of slower falls in output and employment, but new business declined for the tenth consecutive month. The latest survey findings also signalled a general absence of inflationary pressures in the sector, as average input prices fell for the fourth time in five months and output prices were flat.

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 remained below 50.0 for the eighth successive month in November, but rose for the second month running to 48.2, indicating the weakest overall deterioration in operating conditions since August. All five components contributed to the upward movement in the headline index, but only one – suppliers' delivery times – registered in positive territory.

Central to the overall downturn in the sector was a further fall in new business. The current sequence of contraction now stretches to ten months, the third-longest in the survey history. New export business fell at a slightly faster rate than total new work, although the rate of decline in overall new orders was the weakest since July.

Polish manufacturing output fell for the seventh successive month in November, albeit at a modest rate that was the slowest since July. Output was supported by a further drop in backlogs of work, which registered the fastest decline since February 2009. The volume of outstanding business has declined every month since June 2011.

Employment at goods producers in Poland declined for the third month running in November, the longest sequence registered in two-and-a-half years. That said, the rate of job shedding was the slowest in the current sequence.

Firms continued to cut stocks of both pre- and post-production items in November. The cut in input inventories reflected a tenth consecutive monthly drop in purchasing activity, while stocks of finished goods fell mainly as a result of reduced output.

Manufacturers' average input prices declined for the fourth time in five months in November. Moreover, the rate of reduction was the fastest in nearly three-and-a-half years. Firms reported lower steel prices and also promotional offers at suppliers. Meanwhile, prices charged for final manufactured goods were unchanged on average since October. That followed a fourmonth sequence of price discounting.



The HSBC Poland *Purchasing Managers' Index* (*PMP*) 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 *PMP* 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.

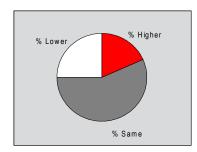




Output Index

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

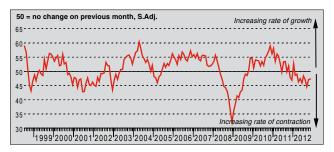


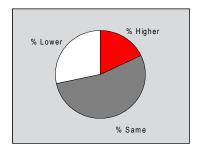


Manufacturing output in Poland declined for the seventh month in a row in November. Falling production was reported at one-quarter of survey respondents and was mainly linked to declining new orders. The seasonally adjusted Output Index rose for the second month running, however, and signalled only a modest contraction that was the weakest since July.

New Orders Index

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



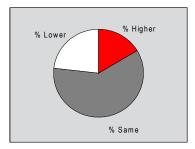


The volume of new business received by Polish manufacturers declined for the tenth successive month in November, the third-longest sequence in the survey's 14-year history. Firms reported weaker demand from both domestic and international sources. The rate of depletion eased further from September's 39-month record, however, to the slowest since July.

New Export Orders Index

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



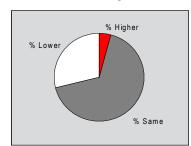


The volume of new export business received by Polish manufacturers continued to decline mid-way through Q4. Firms reported weak demand from European markets and stiff competition from low-cost Asian producers. The current period of contraction now stretches to eight months, and new export orders have fallen 16 times in the past 18 months. That said, the rate of decline in November was the slowest in the current sequence.

Backlogs of Work Index

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

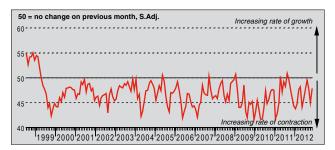


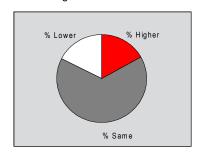


The ongoing downturn in new work resulted in a further drop in outstanding business at Polish goods producers in November. The seasonally adjusted Backlogs of Work Index remained below the no-change mark of 50.0 for the eighteenth month in succession, the second-longest sequence in nearly ten years of data collection. Moreover, the rate of decline in backlogs was the fastest since February 2009.

Stocks of Finished Goods Index

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



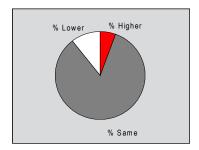


Polish manufacturers' stocks of completed products declined on average in November, continuing the trend seen since September 2011. The rate of decline was weaker than in October, and also slightly slower than the historic survey trend. Firms mainly linked lower warehouse levels to reduced output.

Employment Index

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

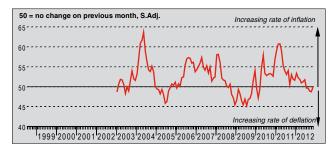


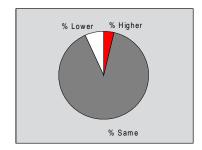


Manufacturing employment in Poland declined for the third month running in November, the longest sequence of job shedding for two-and-a-half years. Lower workforces were linked to reduced output, cuts to temporary staff and voluntary leavers. That said, the rate of decline in November was only modest, with around one-in-ten firms reporting cuts to headcounts.

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.



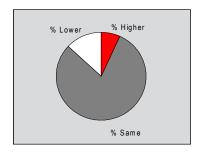


The seasonally adjusted Output Prices Index equalled the no-change mark of 50.0 in November, signalling a flat trend in goods producers' charges compared with one month previously. That followed a four-month sequence of price discounting. Where charges rose, this was linked to improving demand and higher raw material prices at some firms. Falling output prices were attributed to lower raw material prices (notably steel) and competition in export markets.

Input Prices Index

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



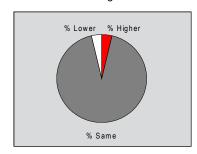


November survey data continued to indicate downward pressure of Polish manufacturers' input prices. The seasonally adjusted Input Prices Index was below the neutral threshold for the fourth time in five months, and fell to a 41-month low. The latest anecdotal evidence highlighted steel as having decreased in price during the month, and promotions by suppliers.

Suppliers' Delivery Times Index

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

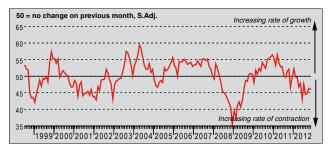


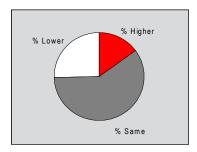


Survey data indicated a slight lengthening of suppliers' delivery times in the Polish manufacturing sector. That followed a marginal improvement in October. The underlying trend over the past seven months has been neutral, reflecting a lack of pressure on suppliers as business conditions in manufacturing have deteriorated.

Quantity of Purchases Index

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

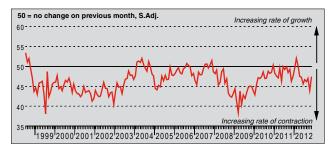


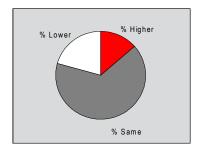


Polish manufacturers continued to cut purchases of inputs in November. The rate of reduction accelerated marginally since October, and was slightly sharper than the average over the current ten-month sequence of decline. Around one-quarter of survey respondents cut input volumes, and linked this to declining new orders and production.

Stocks of Purchases Index

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





Polish manufacturers' input stocks declined for the eighth month running in November, the longest sequence in two years. Firms linked reductions to inventories to lower output requirements. The rate of contraction slowed from October's 33-month record, however, and was weaker than the long-run survey average.

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.

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