Embargoed until: 09:00 (WARSAW), 1 February 2013

HSBC Poland Manufacturing PMI®

Polish manufacturing output stabilises in January

Key findings:

- · Little change in production since December
- · Weakest drop in new export orders in current ten-month sequence
- Average input prices decline marginally

The downturn in the Polish manufacturing sector continued at the start of 2013, according to HSBC survey data compiled by Markit. That said, there were further signs of stabilisation, with output largely unchanged over the month and new export orders showing only a marginal reduction. Firms' input prices fell slightly since December, while output prices were also reduced.

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 tenth successive month in January, but rose for the fourth month running to 48.6, indicating the weakest overall deterioration in operating conditions since last July. That said, the reading was still below the trend for 2012 (48.9). The upward movement in the PMI wholly reflected the output index, as the four other components all registered falls.

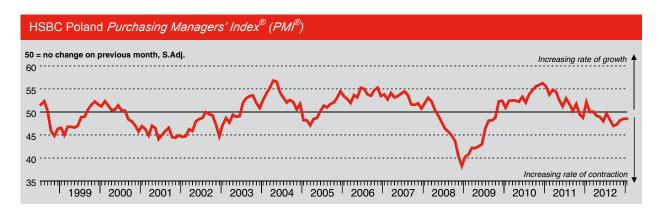
The volume of new orders received by Polish goods producers fell for the twelfth month in succession in January. The rate of contraction was slightly steeper than that registered in December, but less marked than the average over the current sequence of decline. Survey data suggested that the domestic

market was the main source of weakness during the month, as new export business showed only a marginal contraction. That said, anecdotal evidence continued to report weak demand from European markets in particular.

The level of manufacturing output in Poland was broadly flat in January compared with one month previously. That followed an eight-month sequence of decline. Production was partly supported through the completion of outstanding business, which declined overall for the twentieth consecutive month and at a marked pace. Final goods stocks fell only marginally, however, as firms reported delays in the despatch of some orders.

With new orders continuing to fall, manufacturers in Poland cut their workforces and purchases of inputs in January. Employment in the sector has fallen continuously since last September, and purchasing activity since February 2012. Stocks of inputs declined for the tenth month running.

Cost pressures faced by Polish goods producers eased in January, as average input prices fell for the fifth time in seven months. The rate of reduction reflected lower raw material prices, but was only marginal overall. Meanwhile, manufacturers' cut their output prices for the sixth time in seven months, and at the fastest rate since February 2010. Lower prices charged were linked to changing product ranges, weak demand and lower input costs.



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.

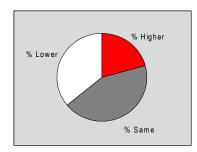




Output Index

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



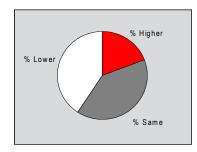


Manufacturing output in Poland was broadly unchanged in January from one month previously. The seasonally adjusted Output Index rose for the fourth successive month, and was close to the neutral level of 50.0 following eight months of readings signalling declining production. Where output declined since December, this was mainly linked to falling new orders.

New Orders Index

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



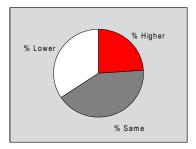


The volume of new orders received by Polish goods producers declined for the twelfth month in succession in January. The rate of contraction accelerated slightly since the final month of 2012, but was weaker than the average over the current sequence of reduction. Where intakes of new business declined on the month, this was mainly linked to weaker demand, the loss of clients to competitors and competition from imports.

New Export Orders Index

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

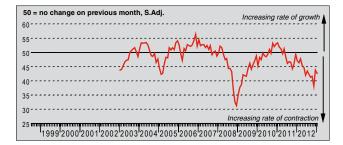


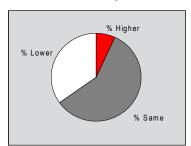


Continuing the trend since April 2012, new export orders received by manufacturers in Poland declined in January. Firms reported less orders from EU, Chinese and Scandinavian markets. That said, the overall rate of contraction eased for the third month running, and was the weakest in the current sequence of decline.

Backlogs of Work Index

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

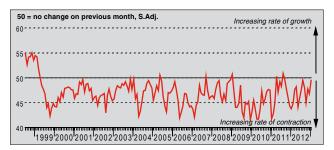


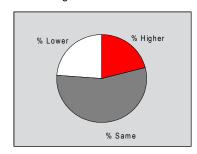


The volume of outstanding business held at Polish goods producers declined further in January, extending the current sequence to 20 months. The seasonally adjusted Backlogs of Work Index fell since December, and signalled a marked rate of depletion. Firms reported that capacity was not fully utilised, a shortage of new work and more efficient procedures.

Stocks of Finished Goods Index

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



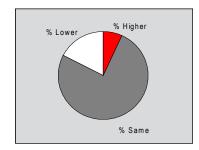


Inventories of final goods declined in January, albeit at a weaker rate. The seasonally adjusted Stocks of Finished Goods Index remained below the no-change mark of 50.0, as has been the case since September 2011, but the latest figure signalled only a marginal rate of contraction. Where stocks fell, this was linked to clearance sales. A number of firms reported that stock had built up, however, as a result of delays in the collection of orders by clients.

Employment Index

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

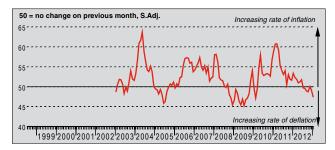


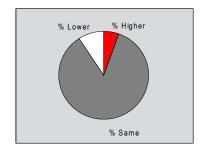


Manufacturing employment in Poland declined in January. The current sequence of job shedding now stretches to five months. The rate of job cuts accelerated slightly since December, but was weaker than the long-run trend shown by the survey since data collection began in June 1998. Some firms linked reduced headcounts to retirements, while others cited lower production requirements and the need to reduce excess capacity.

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.



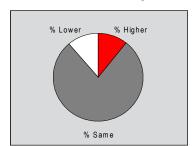


Prices charged for final Polish manufactured goods declined in January. Moreover, the seasonally adjusted Output Prices Index fell over the month, and signalled the fastest rate of reduction since February 2010. Selling prices have declined in six of the past seven months. Firms linked lower output prices to changing product ranges, weak demand and reduced pressure from raw material prices.

Input Prices Index

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



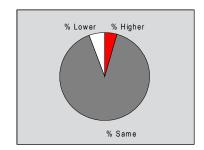


Survey data indicated a fall in average input prices paid by Polish goods producers at the start of the year. The seasonally adjusted Input Prices Index was below the no-change mark of 50.0 for the fifth time in the past seven months, although the latest figure signalled only a marginal reduction. Firms linked reduced cost pressures to lower raw material prices, including steel.

Suppliers' Delivery Times Index

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

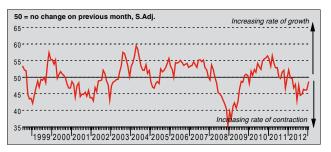


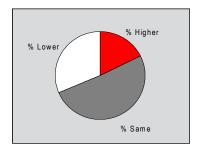


The timeliness of firms supplying Polish manufacturers deteriorated marginally in January, continuing the underlying trend shown during 2012. Around 6% of goods producers reported slower deliveries of inputs than one month previously, while 90% reported no change in lead times since December.

Quantity of Purchases Index

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

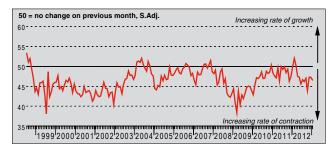


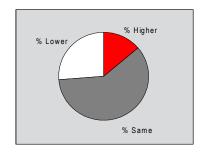


Purchasing activity in the Polish manufacturing sector declined for the twelfth successive month in January. Anecdotal evidence mainly attributed the latest reduction to smaller production requirements and corresponding efforts to control inventories. That said, the rate of reduction in input volumes slowed further, to the weakest since March 2012.

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 level of 50.0 for the tenth consecutive month in January, the second-longest sequence of negative readings in six-and-a-half years. The rate of decline in warehouse levels signalled by the latest figure was solid, and in line with the average over the current sequence of depletion.

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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