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HSBC Poland Manufacturing PMI®

Manufacturing PMI hits 45-month low in April

Key findings:

- · Headline index falls further below 50.0 on back of steeper declines in output and new orders
- · Sharp reductions in both input and output prices
- · Purchasing activity declines at fastest rate in ten months

Poland's manufacturers endured a steepening downturn in April, according to the latest PMI data from HSBC and Markit. Business conditions deteriorated at the strongest overall pace since July 2009, on the back of sharper declines in output and new orders. Input and output prices both fell markedly, with the rate of reduction in the latter hitting a new survey record. Sharp contractions were also registered for stocks of inputs and final goods, while firms cut workforces for the eighth month running.

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 the neutral level of 50.0 for the thirteenth successive month in April, the second-longest negative sequence in over ten-and-a-half years. Moreover, the headline index fell for the second month running, to 46.9, the lowest level since July 2009. The downward movement in the PMI in the latest period reflected the output, new orders, suppliers' delivery times and stocks of purchases components.

The volume of new orders received by Polish goods producers declined in April, continuing the trend shown since February 2012. The rate of contraction accelerated for the second consecutive month, to the fastest since last September. New export orders also

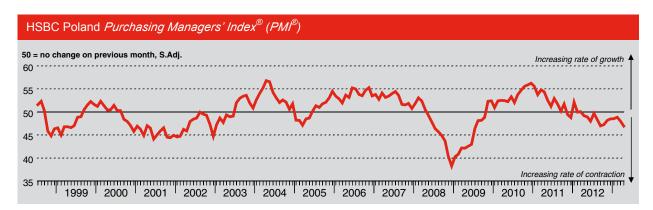
fell, albeit at a slightly weaker rate than in March. New business from export markets has risen only once in the past 23 months.

Declining new orders impacted on production in April. Output declined for the twelfth month running, and at the fastest pace since June 2009.

In line with the trend shown since June 2011, backlogs of work in the Polish manufacturing sector declined in April, highlighting ongoing spare capacity. Moreover, the rate of contraction accelerated to the fastest since last November.

Polish manufacturing employment fell for the eighth successive month in April, the longest sequence of job shedding in nearly three-and-a-half years. That said, the rate of decline slowed to a modest pace that was weaker than the average over the current period of job cuts. Meanwhile, purchases of inputs by manufacturers declined at the fastest rate since June 2012, generating a sharp drop in input stocks. Finished goods inventories also fell markedly.

Input prices fell for the fourth month running in April, and at the fastest rate since January 2009. Firms reported lower prices for metals, rubber and oil. Meanwhile, prices charged for final goods declined for the ninth time in ten months, and the rate of reduction hit a new survey record. Firms linked discounting to competitive pressure and lower raw material prices.



The HSBC Poland *Purchasing Managers' Index*® (*PM*®) 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 *PM*® 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.

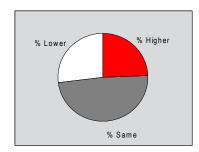




Output Index

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

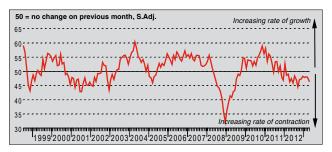


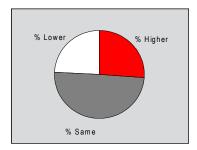


Polish manufacturers continued to cut production in April. The current sequence of decline now stretches to a year. Moreover, the seasonally adjusted Output Index fell for the third month running, and the latest figure indicated the fastest rate of contraction since June 2009. More than one-quarter of firms cut output during the month, linked mainly to falling new orders.

New Orders Index

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



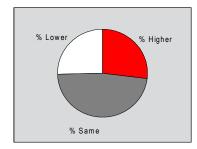


New business receipts at Polish goods producers declined at a sharper rate in April. The seasonally adjusted New Orders Index remained below 50.0 and fell for the second straight month, with the latest figure signalling the steepest rate of reduction since last September. The latest figure was also below the trend level over the current 15-month sequence of decline (47.4). Some firms reported that an unusually long winter had weighed on demand during the month.

New Export Orders Index

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



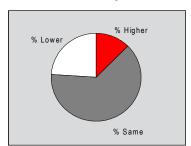


Survey data indicated a further fall in new export orders received by Polish manufacturers. New export contracts have declined continuously since April 2012, and have risen only once in the past 23 months. The rate of decline eased since March, but was still sharper than those registered in January and February. Firms reported weak European demand, and competition from Asian goods producers.

Backlogs of Work Index

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

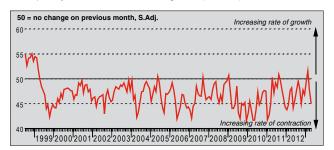


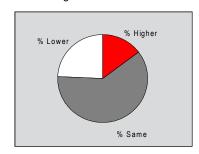


The volume of outstanding business in the Polish manufacturing sector declined sharply in April, extending the current sequence of backlog depletion to nearly two years. Moreover, the seasonally adjusted Backlogs of Work Index fell to a five-month low, and remained well below it's long-run average of 47.9. Anecdotal evidence linked declining backlogs to a lack of incoming 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.



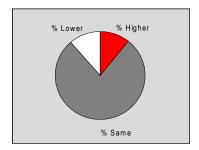


Post-production inventories in the Polish manufacturing sector declined for the second month running in April, having grown in February for the first time since August 2011. The seasonally adjusted Stocks of Finished Goods Index fell on the month, and signalled the fastest rate of depletion since last October. Firms mainly attributed lower warehouse levels to declining production.

Employment Index

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

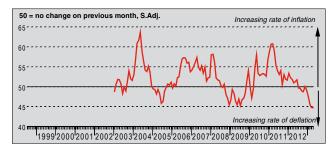


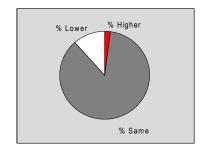


Manufacturing employment in Poland fell for the eighth successive month in April. This sequence of job shedding is the second-longest for more than nine years. Lower headcounts were linked to reduced production, retirements and voluntary leavers. The seasonally adjusted Employment Index signalled a modest rate of workforce reduction that was slower than that registered in March.

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.



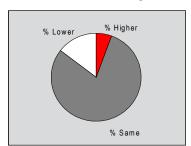


The seasonally adjusted Output Prices Index remained below the no-change mark of 50.0 for the fifth consecutive month in April, indicating further discounting by Polish manufacturers. Moreover, the rate of reduction signalled was the strongest since data collection began in January 2003. Firms linked reduced output prices both to competitive pressures and lower input prices.

Input Prices Index

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



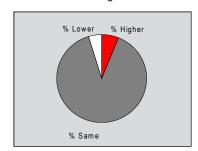


Average input prices declined for the fourth successive month in April. Moreover, the seasonally adjusted Input Prices Index declined for the fourth month in succession, and the latest figure signalled the fastest rate of reduction since January 2009. Anecdotal evidence linked lower input costs to falling prices for steel, rubber and oil.

Suppliers' Delivery Times Index

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

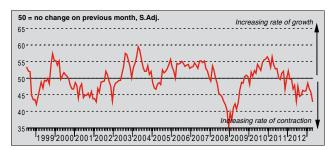


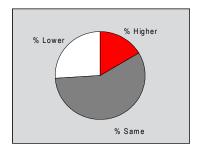


Suppliers' delivery times shortened slightly in April. That marked the second time in the past three months where vendor performance had improved. The seasonally adjusted Suppliers' Delivery Times Index was at the second-highest level in 44 survey periods, but nonetheless indicative of only a marginal shortening of average lead times. Anecdotal evidence highlighted a lack of demand pressure on suppliers.

Quantity of Purchases Index

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

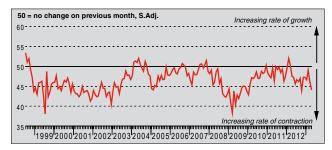


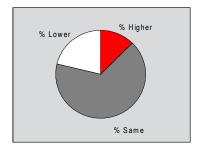


Manufacturers' purchases of raw materials and other inputs declined for the fifteenth successive month in April. The seasonally adjusted Quantity of Purchases Index fell for the third month running, and the latest figure signalled the steepest rate of decline in input volumes since June 2012. Firms mainly linked lower purchases to smaller production 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 no-change mark of 50.0 for the thirteenth consecutive month in April, signalling an ongoing round of inventory depletion by Polish goods producers. Furthermore, the rate of contraction accelerated to the fastest since last October. Firms attributed lower holdings of inputs to current output requirements.

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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