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

HSBC Poland Manufacturing PMI®

Acceleration in new business growth boosts output in July

Key findings:

- Fastest rise in new orders since August 2011
- Production expands for first time since April 2012
- · Input prices increase for first time in seven months

Business conditions in the Polish manufacturing sector improved for the first time in over a year at the start of the third quarter, according to the latest PMI data from HSBC and Markit. A robust increase in new orders led to the first rise in production since April 2012, while firms also raised purchasing activity. Employment continued to fall, but the rate of job shedding remained marginal. Input prices rose for the first time in seven months, but at an historically weak rate, while manufacturers continued to cut output prices.

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 rose for the third month running in July, from 49.3 to 51.1. The latest figure indicated an overall improvement in business conditions, ending a sequence of deterioration that stretched back to April 2012. Moreover, the PMI was the highest since January 2012, and greater than its long-run trend level of 49.9. The month-on-month uptick in the headline figure was the second-largest in 44 months.

Driving the overall improvement in the business climate in July was a solid rise in new orders. New business intakes increased for the second month running, and at the fastest rate since August 2011. Data indicated that new order growth was supported through both domestic and export demand. The volume of international new business also increased for the second month running, and at the strongest rate since January 2012.

Renewed new business expansion led to an increase in output in July, ending a 14-month sequence of contraction. Firms also raised purchases of new inputs during the month, the first expansion registered since January 2012. That said, the volume of outstanding business continued to decline as spare capacity remained.

Polish goods producers continued to cut workforces on average in July, in line with the trend shown over the past 11 months. The rate of decline in manufacturing employment remained marginal, however, as has been the case since May.

Average input prices rose for the first time in seven months in July. Higher input costs were partly attributed to oil- and paper-related items. The overall rate of inflation was modest, however, and much weaker than the long-run survey average.

Polish manufacturers continued to face stiff competitive pressure for sales in July, and this was reflected in a further decline in average prices charged for finished goods. Output prices have declined every month since December 2012, although the latest reduction was the weakest over that period.



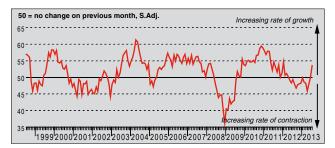
The HSBC Poland *Purchasing Managers' Index*® (*PMl*P) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, 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 *PMl*P 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.



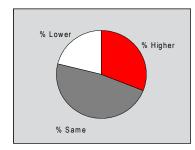


Polish manufacturing output rose for the first time in 15 months in July. The rate of expansion was the fastest since January 2012, and stronger than the long-run survey average. Moreover, the month-on-month increase in the seasonally adjusted Output Index was the largest observed since November 2009. Firms mainly linked higher production levels to increased receipts of new orders.

New Orders Index

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



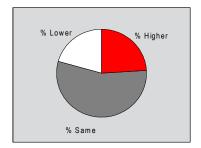


The seasonally adjusted New Orders Index remained above neutrality in July, signalling a further increase in new business received by Polish goods producers. That marked the first back-to-back growth in 23 months, and the latest figure indicated the fastest rate of expansion since August 2011. Anecdotal evidence linked higher new work to a revival in demand, and firms reported increased new business from both domestic and export markets.

New Export Orders Index

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

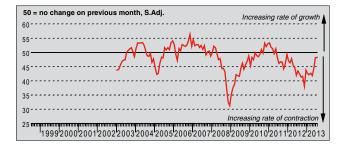


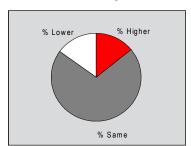


Survey data indicated a second successive monthly increase in new export orders at Polish manufacturers in July. It was only the third increase in the past 26 months. The rate of expansion was the strongest since January 2012, and sharp in the context of historic survey data. Sources of export growth included the US and European markets.

Backlogs of Work Index

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

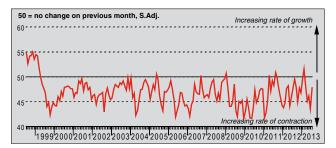


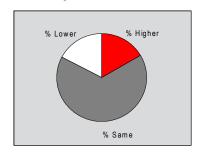


Survey data continued to indicate spare capacity in the Polish manufacturing sector, despite the recent revival in new orders. The seasonally adjusted Backlogs of Work Index remained below the no-change mark of 50.0 for the twenty-sixth consecutive month, the second-longest sequence of depletion since backlogs data were first collected in 2003. That said, the rate of decline signalled was the weakest since December 2011.

Stocks of Finished Goods Index

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





The overall level of finished goods held in stock in the Polish manufacturing sector declined for the fifth consecutive month in July. Anecdotal evidence linked falling inventories to rising sales. That said, the rate of depletion slowed markedly from June's 28-month record, to the weakest since March. This weaker net contraction reflected output growth in the sector during the month.

Employment Index

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



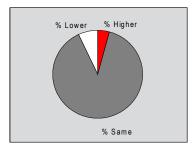


July data indicated a further round of job shedding among Polish goods producers. Manufacturing employment fell for the eleventh month in succession, albeit at a rate that remained marginal. Among the reasons provided for reduced workforces compared with one month previously were a shortage of qualified staff to replace leavers, retirements and redundancies.

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.



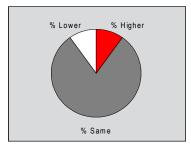


Polish manufacturers continued to lower their output prices on average in July. The seasonally adjusted Output Prices Index remained below the no-change mark of 50.0 for the eighth month running, and has not signalled factory gate price inflation since June 2012. Anecdotal evidence linked lower output prices to competitive pressures in the sector. That said, the rate of reduction in the latest period was only marginal.

Input Prices Index

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

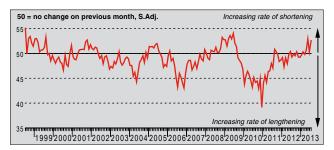


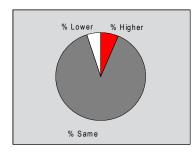


Average input prices paid by Polish goods producers rose for the first time in seven months in July. A number of firms reported higher prices for oil-based items and paper products. That said, only one-in-ten respondents reported higher average input prices than in June, and the overall rate of inflation was weak in the context of historic survey data.

Suppliers' Delivery Times Index

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

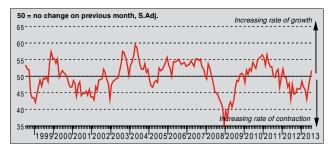


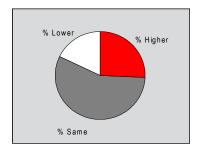


The seasonally adjusted Suppliers' Delivery Times Index remained above the no-change mark of 50.0 for the fourth month in succession in July, signalling a further shortening in the average time taken to deliver inputs to manufacturers. A number of firms reported success in pressurising suppliers to improve their performance. Moreover, the Index posted its second-highest level in more than four years in the latest period.

Quantity of Purchases Index

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



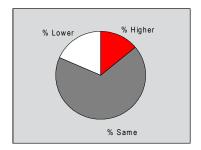


Higher production requirements at Polish manufacturers necessitated an increase in input volumes in July. Purchasing activity expanded for the first time since January 2012, albeit at a moderate rate. The seasonally adjusted Quantity of Purchases Index was greater than its long-run average of 49.9 during the month.

Stocks of Purchases Index

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





Survey data indicated a further reduction in pre-production stocks held at Polish manufacturers in July. The current sequence of depletion now stretches to 16 months, although the rate of contraction in the latest period was the weakest since February. This slower decline reflected renewed growth of purchasing activity during the month.

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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