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IHS MARKIT POLAND MANUFACTURING PMI®

Manufacturing business conditions deteriorate for first time in over four years

KEY FINDINGS

PMI below 50.0 for first time since September 2014

New orders decline for second time in three months

Weakest outlook for production in nearly six years

Business conditions in the Polish manufacturing sector deteriorated in November, according to the latest PMI® survey data. The headline PMI dipped below neutrality for the first time in over four years, as new orders, output and employment all contracted. New export orders declined for the fourth month running, albeit at a slower pace. Manufacturing sentiment weakened further during the month to the lowest since the start of 2013, linked to an expected slowdown in the domestic and wider European economy.

The headline IHS Markit 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 49.5 in November from 50.4 in October, signalling an overall deterioration in Polish manufacturing business conditions for the first time in over four years. The latest reading was below the long-run survey average of 50.6, and ended a survey-record expansionary sequence stretching back over four years.

The volume of new work received by Polish manufacturers declined for the second time in three months in November. Notably, new export orders fell for the sixth time in 2018 so far, albeit at a slower rate than October's five-year record.

The renewed drop in new work led to a decline in manufacturing output for the first time since July 2016,

Manufacturing PMI
sa, >50 = improvement since previous month



albeit at a marginal rate. Meanwhile, the volume of backlogs declined for the fourth month running, and at the fastest rate since October 2016. As a result, manufacturers cut their workforce numbers slightly for the second month running. That said, the net reduction in headcounts partly reflected difficulty replacing leavers due to long-term labour shortages.

Suppliers' delivery times continued to lengthen in November but the latest data indicated that pressure on supply chains remained around the weakest in two years. Purchasing activity by manufacturers rose at a faster rate, but one that remained slower than the average over the past two years.

The rate of input price inflation remained strong in the context of the 20-year survey history, and unchanged from October. Manufacturers continued to pass on greater costs to customers, and the rate of output price inflation reached a four-month high.

The 12-month outlook for Polish manufacturing output weakened for the third successive month in November to the lowest since January 2013. Sentiment in the goods-producing sector has now moderated eight times in 2018 and is well below the long-run trend level seen since 2012. Where negative sentiment was reported, at 14% of firms, this was linked to lower new orders, a weaker outlook for Germany and a slowdown in the economy.

COMMENT

Trevor Balchin, Director at IHS Markit, which compiles the Poland Manufacturing PMI survey, commented:

“The Polish manufacturing registered its worst performance in over four years in November, as the PMI sank below the neutral threshold. Output, new orders and employment all contributed negatively to the headline figure in the latest period. Export demand remained a weak spot, declining for the fourth month running, albeit less so than in October. Unsurprisingly, goods producers are the least optimistic regarding future output since the start of 2013.”

Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



Source: IHS Markit, GUS.

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Methodology

The IHS Markit Poland Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 200 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

November 2018 data were collected 9-26 November 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).