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IHS MARKIT POLAND MANUFACTURING PMI®

Strongest fall in manufacturing output since June 2009

KEY FINDINGS

Sharp drop in exports as European demand weakens

Fastest build-up of unsold stock in nearly 20 years

Employment growth resumes as outlook improves slightly

The downturn in Polish manufacturing that started at the end of 2018 continued into January, according to the latest PMI® survey data. Production declined at the fastest rate since June 2009, as did new export business, with Europe reportedly a key source of weak demand. Inventories of unsold goods built up at the fastest pace in nearly 20 years and backlogs of work fell sharply. More positively, growth of employment in the sector resumed following a three-month decline.

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 remained below 50.0 for the third consecutive month in January, signalling an ongoing manufacturing downturn in Poland. The headline figure rose to 48.2, from 47.6 in December, reflecting growth of employment and a slower fall in new orders, but was still the second-lowest in over five-and-a-half years.

Polish manufacturing output declined for the third month running in January, and at the fastest rate since June 2009 in the aftermath of the global financial crisis. Despite the contraction, inventories of finished goods at manufacturers rose at the fastest rate in nearly 20 years, signalling downside risks to output in the coming months.

Although total new orders declined at a slower pace in

Manufacturing PMI
sa, >50 = improvement since previous month



January, export conditions worsened further. New business from international markets fell for the sixth month running, and at the strongest pace since June 2009. Firms commented on weak European demand in particular.

With new work falling further, manufacturers cut their backlogs for the sixth consecutive month. The rate of decline remained sharp, little-changed from December's six-year record.

The volume of inputs ordered by manufacturers declined further in January. Despite this, stocks of purchases rose for the fourth month running. Suppliers' delivery times increased by the smallest amount in over two years.

The rate of input price inflation remained strong in the context of the survey history in January, but was the second-weakest of the past year-and-a-half. Meanwhile, firms raised their prices at the slowest rate since July 2017.

The main highlight from the January survey was an increase in employment at goods producers. This followed a three-month period of mild job shedding. That said, the rate of growth was below the trend shown over the past five years. Sustained workforce growth partly reflected a further rebound in output expectations from November's near six-year low.

COMMENT

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

“The rise in the headline PMI in January somewhat glosses over what was another very weak month for the Polish manufacturing sector. Production declined at the fastest rate since mid-2009, and the rate of reduction in new work remained strong despite easing since December.

“Moreover, with final goods inventories building up at the fastest pace in nearly 20 years and backlogs dropping sharply, the near-term trend in output looks negative.

“Renewed employment growth and a slightly improved 12-month outlook for production provided some cause for optimism, but the downturn looks set to continue throughout the first quarter of 2019 at least.”

Output Index

sa, >50 = growth since previous month



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.

January 2019 data were collected 11-25 January 2019.

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

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