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IHS MARKIT POLAND MANUFACTURING PMI®

Polish manufacturing downturn extends to sixteenth month in February

KEY FINDINGS

Current malaise now longer than 2012-13 downturn

Rise in PMI mainly reflects longer supplier delivery times

Sharp acceleration in input price inflation

The latest Polish PMI® survey data from IHS Markit indicated another deterioration in manufacturing business conditions in February. Output and new orders fell at similar rates to January, while employment shrank at the second-fastest pace in nearly seven years.

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.

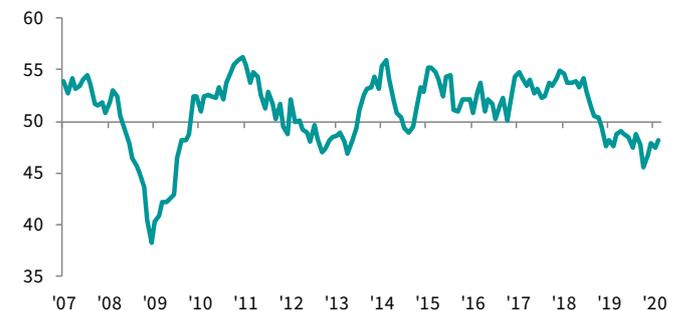
The PMI registered below 50.0 for the sixteenth successive month in February, marking the longest period of time spent in contraction territory since the global financial crisis of 2008-09. The PMI rose from January's 47.4 to a six-month high of 48.2, but this was mainly driven by the suppliers' delivery times component, which added 0.5 points to the headline figure.

Output and new orders both fell for the sixteenth successive month in February. The respective indices both rose to six-month highs, but were only fractionally above their January levels. New export orders continued to undermine overall demand, falling for the nineteenth consecutive month and at one of the sharpest rates since the global financial crisis over ten years' ago.

Backlogs of work at Polish manufacturers declined for the nineteenth consecutive month in February, indicating a

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

prolonged period of spare capacity in the sector. Moreover, the rate of contraction accelerated for the first time in four months.

With new and outstanding work both continuing to fall, manufacturers cut their workforces further in February. The rate of job shedding eased from January's ten-year record, but was still the second-fastest in nearly seven years.

Purchasing activity declined for the fifteenth consecutive month in February, with the rate of contraction accelerating for the first time since last October. Subsequently, stocks of inputs held by manufacturers fell for the eighth month running. In contrast, final goods inventories rose for the first time in four months.

Despite lower demand for inputs, suppliers' delivery times lengthened in February. Moreover, the respective index posted one of the largest one-month declines on record. Firms linked supplier delays to shortages, the coronavirus outbreak and issues at suppliers and sub-contractors. Input price inflation accelerated sharply to a 13-month high, leading manufacturers to raise their output prices at the fastest rate for nearly a year.

The 12-month outlook remained positive in February, but eased since January and remained weak in the context of historic survey data. Output expectations were undermined by a lack of new orders and potential disruption to supply chains from the coronavirus outbreak.

COMMENT

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

"Poland's manufacturing downturn remained entrenched in February. Although the PMI rose to a six-month high, this mainly reflected the impact of longer suppliers' delivery times, the index for which is inverted for the calculation of the headline figure and carries a 15% weight. The new orders and output components, with a combined 55% weight, were only fractionally higher than in January and still below 50."

"Reinforcing the picture of supply chains being under pressure, input price inflation accelerated sharply to a 13-month high in February and was above the long-run survey average. This occurred despite a further drop in purchasing volumes by manufacturers."

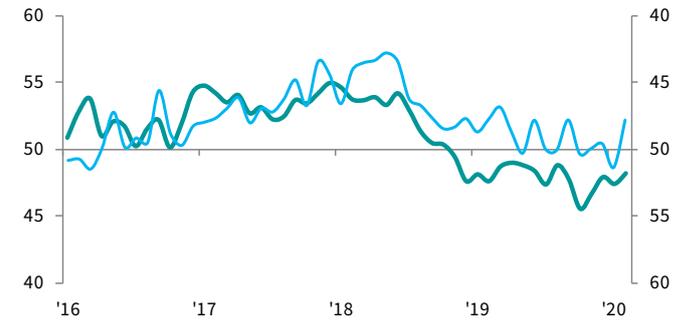
"The March data will be eagerly awaited for signs of worsening supply chain disruption and the impact on output and business expectations."

Manufacturing PMI

sa, >50 = improvement since previous month

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Source: IHS Markit.

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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.

February data were collected 12-24 February 2020.

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.

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