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IHS MARKIT POLAND MANUFACTURING PMI®

Manufacturing downturn extends into August, albeit at slower pace

KEY FINDINGS

Poland PMI improves to three-month high

Output only slightly lower than in July

Business expectations remain among weakest on record

The latest PMI® survey data from IHS Markit signalled a sustained downturn in Polish manufacturing in August. The overall pace at which business conditions deteriorated eased since July, reflected in slower declines in output, new orders and employment. That said, backlogs continued to drop sharply and firms remained the least confident regarding the 12-month outlook for several 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 tenth consecutive month in August, signalling a prolonged downturn in the Polish goods-producing sector. That said, the index rose to a three-month high of 48.8, from July's 75-month low of 47.4, indicating a slower overall decline. Of the five components, output, new orders and employment contributed to the month-on-month increase in the main figure, while suppliers' delivery times and stocks of purchases were neutral.

The volume of new orders received by Polish manufacturers fell for the tenth successive month in August. That said, the rate of contraction eased to the slowest since May. New export business declined at the weakest pace in nine months, albeit one that remained stronger than that for total new work.

Similar to new business, production fell for the tenth successive month in August. The rate of decline eased to

Manufacturing PMI
sa, >50 = improvement since previous month



a marginal pace, however, and the slowest since the first month of that sequence.

Output fell by less than new business, suggesting that the clearance of backlogs had supported overall production levels. Indeed, outstanding work fell for the thirteenth month running, and at a marked pace.

Lower backlogs suggested ongoing spare capacity in the goods-producing sector, and firms responded by further reducing their workforces. Manufacturing employment fell for the ninth time in the past 11 months, albeit only slightly. Purchasing fell for the ninth consecutive month, and suppliers' delivery times remained unchanged. Meanwhile, inventories of both inputs and finished goods declined during the month, the first concurrent reduction since February 2018.

Cost pressures remained relatively weak in August, with average input prices rising at the third-slowest rate in around three years. Prices charged for manufactured goods increased at the fastest rate since March.

The 12-month outlook for production remained subdued in August. Overall expectations were little-changed from July's 79-month low.

COMMENT

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

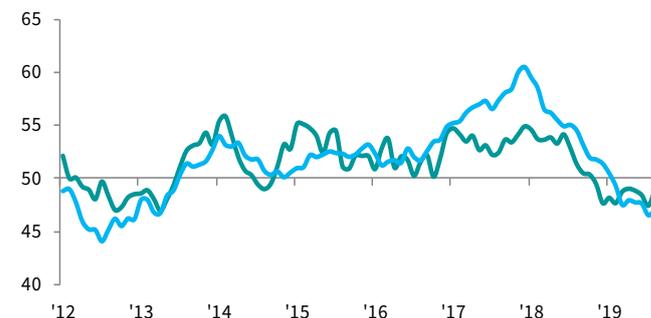
“Poland's manufacturing downturn continued in August, with business conditions deteriorating for the tenth month on the trot. That said, the key indicators for output, new orders, exports and employment all pointed to slower declines than in July. Poland has also witnessed a less severe contraction in manufacturing than neighbouring Germany and the eurozone as a whole. The Polish PMI has now registered above the euro area aggregate since March.”*

"The outlook for Poland's manufacturers is predictably uncertain, with expectations for output over the next year remaining among the weakest since the series began in 2012. Much clearly hinges on whether Germany and other large European economies fall into recession: Germany takes 28% of Polish exports while the UK, France, Italy and the Netherlands account for a further 21%."

Manufacturing PMI

Poland / Eurozone*

sa, >50 = improvement since previous month



Source: IHS Markit. *Eurozone Aug '19 flash estimate published 22 August 2019.

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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.

August 2019 data were collected 12-23 August 2019.

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

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About PMI

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).