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IHS Markit Poland Manufacturing PMI®

Weak domestic demand holds back manufacturing recovery in October

Key findings

New business declines overall despite higher exports

Output growth slows to negligible pace

Rate of job creation picks up to strongest since June 2018

Data were collected 12-26 October 2020.

Business conditions in the Polish manufacturing sector continued to improve in October, according to the latest PMI® survey data. That said, the recovery of the sector was hampered by a renewed fall in new orders, as domestic demand remained subdued amid an economic downturn caused by the pandemic. Output continued to rise, but at a slower rate and the 12-month outlook moderated. More positively, employment rose at the fastest rate in over two years, and exports expanded the most in nearly three 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. The PMI registered 50.8 in October, unchanged from September yet signalling an overall improvement in manufacturing business conditions for the fourth successive month.

A fall in new orders and slower output growth weighed on the headline figure in October. This was offset by stronger job creation, higher input stocks and a greater lengthening in suppliers' delivery times.

Manufacturing production in Poland rose for the fourth month running in October. The rate of growth slowed for the third consecutive month from July's peak, however, to a marginal pace.

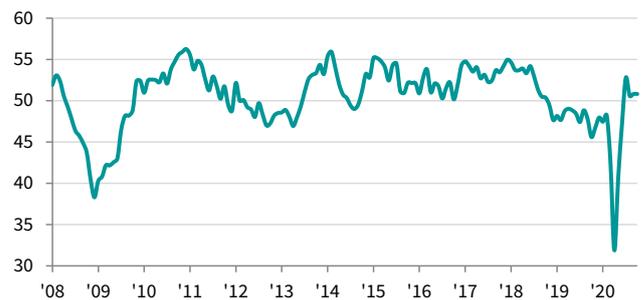
The slowdown in output growth mainly reflected a renewed decline in new orders during October. Demand contracted for the first time since June, albeit at a slower rate than those registered throughout the previous downturn which began in November 2018.

Latest data indicated that the domestic market was the main

continued...

Poland Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Trevor Balchin, Economics Director at IHS Markit, said:

"Much like the September figures preceding them, October PMI data on Poland's manufacturers reveal both positives and negatives. The headline PMI is unmoved at 50.8 at the start of the final quarter of 2020, signalling an ongoing recovery in the sector but a clear lack of momentum.

"While output rose further, the rate of growth slowed to a negligible pace. This was mostly due to a renewed fall in new orders for the first time since June. The domestic market was the main source of weak demand, as new export orders rose at the fastest rate since January 2018.

"Higher backlogs were registered for the first time since July 2018, but this mainly reflected staff shortages as workers self-isolate. Firms attempted to limit the impact on production by raising workforces at the fastest rate since June 2018.

"Finally, output expectations weakened noticeably during October, reflecting uncertainty around the resurgence in virus cases."

source of the overall fall in new orders, as new export business rose for the fourth consecutive month and at the fastest pace since January 2018.

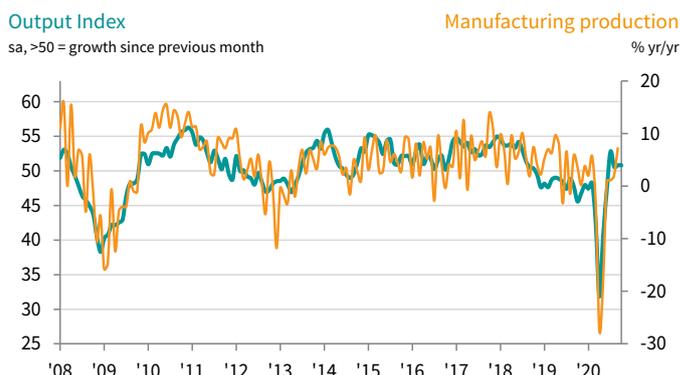
Backlogs of work at Polish manufacturers rose for the first time since July 2018. While this partly reflected new export orders, there were reports of work being held up by the requirement for workers to self-isolate due to coronavirus disease 2019 (COVID-19) symptoms. That said, the overall rise in outstanding work was only fractional.

Manufacturers expanded workforces further in October to meet production requirements. Moreover, the rate of job creation was the strongest since June 2018.

Purchasing activity also expanded further in October, with some firms building safety stocks due to uncertainty regarding future supply chains. The overall volume of inputs ordered increased at the fastest rate since July 2018, and stocks of purchases rose for the first time since June 2019. Suppliers' delivery times lengthened for the ninth consecutive month, and the most since July.

A weaker zloty against the euro and increased raw material prices drove input cost inflation to a 23-month high in October. Moreover, the rate of inflation was above the long-run survey average for the third successive month. Manufacturers were able to raise their own prices charged at a faster rate in October, however, to limit the impact of greater cost burdens.

Manufacturers expect output to increase over the next 12 months, linked to export business, new products, new plant machinery and a more stable COVID-19 situation. That said, the overall strength of sentiment was the weakest since May.



Sources: IHS Markit, GUS.

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Survey 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 250 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.

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

Survey dates and history

Data were collected 12-26 October 2020.

Survey data were first collected June 1998.

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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. ihsmarkit.com/products/pmi.html