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## IHS MARKIT POLAND MANUFACTURING PMI®

### Polish manufacturing downturn remains severe in May

#### KEY FINDINGS

PMI at 40.6, second-lowest since January 2009

Further rapid falls in output and new orders

Future Output Index at three-month high but sentiment still weak

Data were collected 12-22 May 2020.

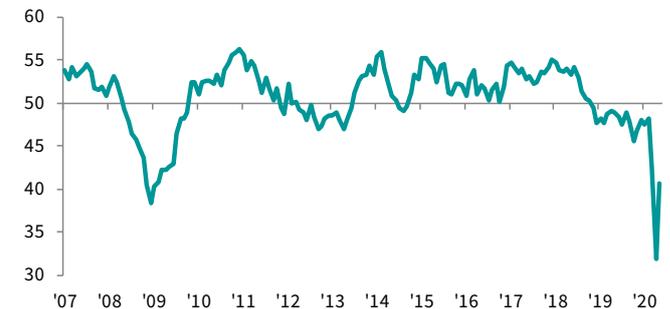
May PMI® survey data from IHS Markit revealed another severe deterioration in Polish manufacturing business conditions, reflecting the ongoing lockdown designed to restrict the spread of the coronavirus disease 2019 (COVID-19) pandemic. Indices for output, new orders and employment all rose from their April lows but still indicated rapid rates of decline. Companies were broadly neutral regarding the 12-month horizon for output.

The headline IHS Markit Poland Manufacturing PMI is a composite single-figure indicator of manufacturing performance. Any figure greater than 50.0 indicates overall improvement of the sector. The PMI rose to 40.6 in May, from April's record low of 31.9. The latest figure signalled a slower contraction midway through the second quarter, but still the second-sharpest monthly deterioration in business conditions since January 2009. The headline reading in May was the fifth-lowest on record since the survey began in June 1998.

The PMI figure continued to be boosted by another substantial lengthening of suppliers' delivery times, the index for which is inverted in the PMI calculation as longer times are usually associated with improving demand. Therefore, a record low in the index converts to a record high in the PMI component, which has a 15% weight in the headline figure. That said, the effect was less than in both March and April.

Manufacturing new orders fell at the second-fastest rate in the survey history in May, as demand continued to be severely impacted by lockdown measures both domestically

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

and worldwide. The latest decline took the current sequence to 19 months, the second-longest on record. International demand remained very weak as national lockdowns stayed in place, with the volume of new export orders dropping at the second-fastest rate in the survey history.

The sustained severe downturn in demand and ongoing factory closures resulted in another historically marked fall in output in May. The rate of decline eased from April but was still faster than in any prior survey period.

The remaining PMI components – employment and stocks of purchases – continued to weigh heavily on the headline figure in May. Employment fell at the third-fastest rate in the survey history, while input inventories declined at the second-strongest pace in nearly seven years.

Although output continued to drop sharply in May, backlogs of work continued to fall rapidly, reflecting the collapse in new business over the past three months. Similarly, purchases of new inputs decreased at the third-strongest rate recorded to date. Despite falling demand for inputs, average input prices rose sharply in May, partly reflecting the recent weakness of the zloty against the euro. In contrast, prices charged for manufactured goods continued to fall.

The 12-month outlook for production stabilised in May following a record degree of pessimism in April. That said, roughly the same proportion of firms expect growth by May 2021 as a decline.

## COMMENT

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

*"Although the PMI regained much of the territory lost in April's collapse, May's reading still signalled a marked deterioration in the manufacturing business climate as lockdowns in Poland and the wider region remained mostly in place. Indices for output and new orders were the second-lowest on record, with the former consistent with another double-digit year-on-year decline in official manufacturing production."*

*"Output expectations stabilised in May but remained historically weak. Around the same proportion of firms expect growth over the next 12 months as those forecasting a decline, so it looks as though a full-fledged recovery remains some way off."*

## Output Index

sa, >50 = growth since previous month



Source: IHS Markit, GUS.

## CONTACT

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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 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.

Data were collected 12-22 May 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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.

<https://ihsmarkit.com/products/pmi.html>