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IHS MARKIT POLAND MANUFACTURING PMI®

Polish manufacturing sector remains mired in a downturn in November

KEY FINDINGS

Further marked, albeit slower, decreases in output and new orders

Jobs cut again as sentiment slips to fresh record low

Input price inflation eases to 38-month low

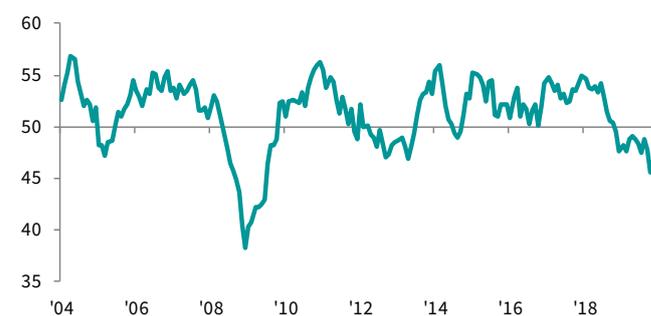
The slump in the Polish manufacturing sector continued in November, with latest PMI® survey data from IHS Markit showing further marked – albeit slower – declines in output and new orders. Firms trimmed staffing numbers for the fifth straight month as they reported a gloomier outlook for output over the year ahead. Input cost inflation meanwhile slipped to the lowest in over three years, with output prices barely rising as a result.

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.

At 46.7 in November, the headline PMI ticked up from October's 45.6, but nevertheless recorded its second-lowest reading since July 2009. The current sequence of deteriorating manufacturing conditions now extends to 13 months.

Principal to the uptick in the headline PMI in November was a slower decrease in new orders. Nevertheless, having signalled the steepest drop in order book volumes for ten-and-a-half years in October, the rate of decline remained sharp by historical standards. Data also showed slower reductions in both output and new export orders, though in each case the rate of contraction was still one of the quickest seen since mid-2009.

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

A lack of incoming new orders was reflected in a further steep decrease in backlogs of work across the Polish manufacturing sector in November. Easing capacity pressures led goods producers to trim their workforce numbers, in part due to efforts to save costs. That said, the rate of job cuts was unchanged from the modest pace seen in October and remained much slower than the declines in output and new orders.

The streamlining of payroll numbers was also consistent with a further drop in business confidence in November. Expectations towards output in a year's time moderated to the lowest since this series began in 2012, reflecting a sustained decline in demand and generally weaker economic forecasts.

Elsewhere, November saw the rate of input price inflation faced by Polish manufacturers ease to the weakest since September 2016. Weighing on overall cost increases was a drop in metal prices (particularly steel), as well as a decrease in underlying demand for inputs. Average output charges meanwhile rose only marginally, as firms reported strong competition for new work. This followed the first decrease in factory gate charges for three years in October.

Lower purchasing activity in November was linked to reduced production requirements and associated efforts to cut stocks. Data showed decreases in both pre- and post-production inventories during the month.

COMMENT

Phil Smith, Principal Economist at IHS Markit at IHS Markit, which compiles the Poland Manufacturing PMI survey, commented:

“Though the headline PMI ticked up in November, the Polish manufacturing sector remains mired in its steepest downturn since 2009, led by falling inflows of new orders. There were further cuts to production levels and employment as a result of the sustained weakness in demand, although the rate of job losses remained relatively modest, with manufacturers seemingly keen to keep hold of most of their key workers due to the tightness in the labour market.

“The longer the downturn goes on, however, the more likely we are to see deeper cuts to workforce numbers, which will pose a threat to the domestic market. Firms are becoming increasingly worried about the outlook, with business confidence towards future output dropping to a new record-low for the third month in a row in November.”

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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.

November data were collected 12-25 November 2019.

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

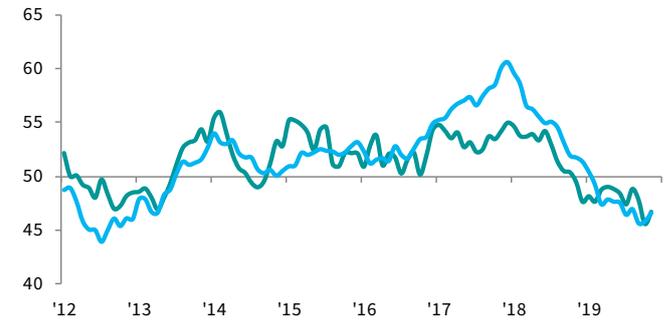
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Manufacturing PMI

Poland / Eurozone*

sa, >50 = improvement since previous month



Source: IHS Markit. *Eurozone Nov '19 flash estimate published 22 November 2019.