

IHS Markit Poland Manufacturing PMI®

Manufacturing output rebounds in July as new orders rise

Key findings

PMI breaches 50.0 mark as output and new orders expand in July

New export orders rise for first time since July 2018

Slowest fall in employment in 2020 so far

Data were collected 13-27 July 2020.

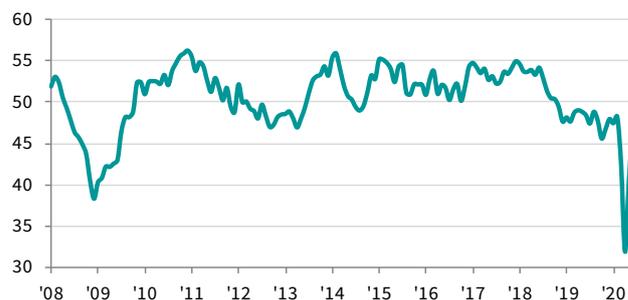
PMI® survey data for July indicated an improvement in manufacturing conditions in Poland, as operations were increasingly restarted and lockdown measures were eased. Output, new orders, exports and purchasing all increased since June, while stocks of finished goods fell for the first time in six months. Less positively, employment continued to fall, and output expectations were only fractionally improved from June as the long-term implications of the coronavirus pandemic remained uncertain.

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 rose sharply for the third consecutive month in July, from 47.2 in June to 52.8. The latest figure signalled the strongest month-on-month improvement in the underlying health of the manufacturing sector for two years, and was well above the long-run trend level (since 1998) of 50.3. The 5.6-point rise in the headline figure was smaller than the gains posted in May and June, but still the third-biggest one-month gain since the series began. Prior to July, business conditions had deteriorated every month since November 2018, the longest downturn in nearly 18 years. All five of the PMI components had positive directional influences in July. By far the largest contributions were from output (+2.6 points) and new orders (+2.1), followed by suppliers' delivery times (+0.6).
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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:

"A third successive strong rise in the headline PMI in July finally took it above 50.0 for the first time since October 2018. This brought to an end a 20-month run of negative readings, the longest downturn in business conditions in nearly 18 years.

"The PMI was mainly driven higher by the output and new orders sub-components, as demand began to recover as lockdown restrictions continued to ease. The Output index has accurately signalled the marked year-on-year falls in official manufacturing production in March, April and May, and also the slight increase in June. The latest PMI Output index reading suggests that the official year-on-year growth rate will reach high single digits in July.

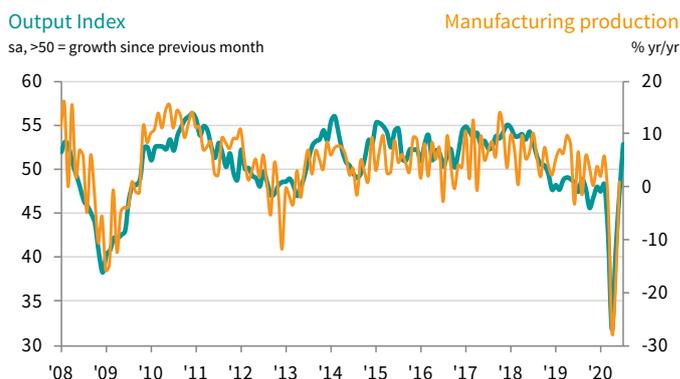
"Employment continued to fall in July, although this had been the case well before the coronavirus crisis. The workforce has contracted in all but two months since October 2018. The rate of job shedding has returned to the pre-crisis trend shown over the past two years."

The volume of new orders received by Polish manufacturers increased in July, as demand tentatively improved as lockdown restrictions were eased further. The rate of growth was the strongest since July 2018. Previously, new orders had fallen for 20 months, the second-longest downturn in the 22-year survey history. Higher domestic demand was supported by a rise in new export orders, the first in two years. That said, the rise in external business was weak, reflecting subdued global demand as most economies remained in partial lockdowns.

With incoming new business rising at the start of the third quarter, manufacturers expanded production. Output rose for the first time since October 2018, and at the strongest rate since December 2017. Higher production reflected both rising new orders and work on existing business, as backlogs of work fell for the twenty-fourth consecutive month. That said, the rate at which backlogs declined was the slowest since January. Firms remained confident of higher output over the next 12 months.

Although new orders rose in July, manufacturers continued to shed staff as they adjusted capacity to meet new requirements. The rate of job shedding was the slowest in seven months, and broadly in line with the trend pace set during the past two years. Firms did, however, increase the volume of inputs purchased for the first time in 20 months, to address output requirements. The volume of inputs held in stock continued to fall, but at the slowest rate since January.

Input price inflation accelerated in July, but was still one of the slowest in 2020 so far. Meanwhile, prices charged by manufacturers fell for the fourth month running.



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 13-27 July 2020.

Survey data were first collected June 1998.

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