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 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.

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.”

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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 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.