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IHS MARKIT POLAND MANUFACTURING PMI®

Business conditions weaken at fastest rate in over six years

KEY FINDINGS

Output, new orders and employment fall

Selling prices rise at fractional pace

Business expectations near survey-record low

The latest PMI® survey data from IHS Markit signalled a further slowdown in the Polish manufacturing sector in July, with new orders falling sharply and firms reducing output and employment levels. Selling charges rose only fractionally amid subdued cost inflation.

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.

In July, the headline PMI fell to 47.4 from 48.4 in June, and was the weakest reading since April 2013. Overall, it signalled a solid deterioration in operating conditions at Polish manufacturers, who faced a continued decline in sales and output.

The rate at which new orders decreased was sharp and broadly similar to that seen in June. Firms reported weakening demand conditions in both domestic and foreign markets, with respondents particularly noting lower order book volumes from EU clients. Export sales have now declined for a whole year, while total new orders have fallen in each of the past nine months.

As such, businesses reduced output levels again in July. The rate of contraction softened compared to June, but it was still solid overall. Moreover, the downturn contributed to a weakening forecast for future activity. Expectations neared the lowest seen in the entire survey, although firms still

Manufacturing PMI
sa, >50 = improvement since previous month



predict output to increase in the year ahead.

The latest fall in new orders also had a negative directional influence on employment. Manufacturers reported a renewed drop in workforce numbers, after June saw only the second monthly rise in the year-to-date. Some companies actively reduced labour due to softer demand, with others citing employees leaving during the month. Nevertheless, backlogs of work continued to fall sharply.

Input purchases were also down in July, and at the sharpest rate in over six years. This led to the first monthly contraction in stocks of inputs since last September, as some firms reportedly looked to reduce storage costs as revenues decreased. Lower purchases did not lead to faster deliveries, however, with vendor performance remaining unchanged from June.

On the price front, manufacturers faced another relatively cool rate of input cost inflation. There were increases in some raw material prices, according to panellists, while metal prices, including steel, fell over the course of the month.

Subdued cost pressures led companies to increase selling prices only fractionally in July. The rate of inflation slowed for the fourth consecutive month and was the softest recorded in the current 33-month sequence of increase.

COMMENT

David Owen, Economist at IHS Markit, which compiles the Poland Manufacturing PMI survey, commented:

“July data spelled further trouble for the manufacturing sector in Poland, with the headline PMI dropping to the lowest in over six years. Firms continued to pare back production levels amid another sharp decline in new orders. Employment also took a hit, although the overall drop in job numbers was modest. The Output Prices Index meanwhile neared contraction territory, as some companies resorted to discounting products amid efforts to boost sales.

“After managing to continually expand purchased goods stocks for the previous nine months, July saw them fall at a fast pace, suggesting that manufacturers have lost some hope that demand conditions will rebound in the near term. This was also signalled by future business sentiment levels, which fell to within touching distance of the lowest recorded in the series.”

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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.

July 2019 data were collected 12-25 July 2019.

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

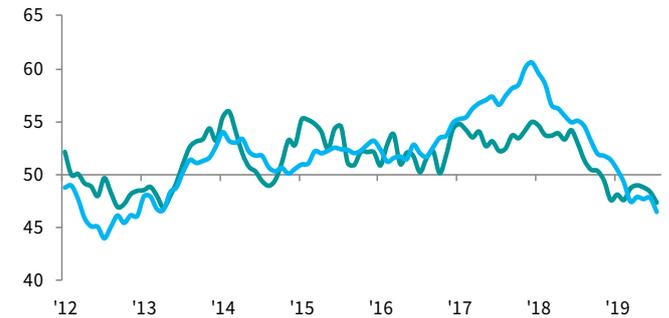
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Manufacturing PMI

Poland / Eurozone*

sa, >50 = improvement since previous month



Source: IHS Markit. *Eurozone Jul '19 flash estimate published 24 July 2019.

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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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).