News Release

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IHS MARKIT POLAND MANUFACTURING PMI®

Business conditions weaken at fastest rate in over six years

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 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.
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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