News Release

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IHS MARKIT POLAND MANUFACTURING PMI®

Faster decline in new work weighs on output and sentiment in June

KEY FINDINGS

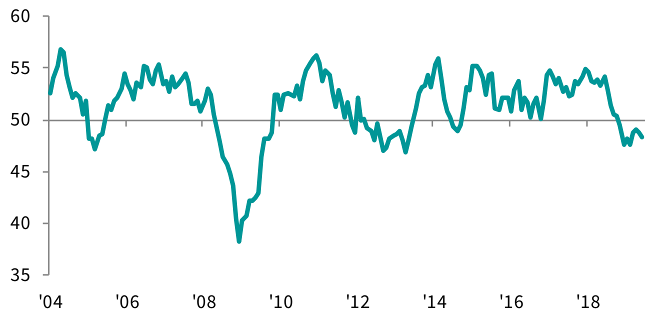
Strongest decline in new orders in 2019 so far

Fastest build-up in unsold stock in over 20 years

Output expectations softest since end of 2012

Manufacturing PMI

sa, >50 = improvement since previous month



The latest PMI® survey data from IHS Markit signalled a continued downturn in Polish manufacturing business conditions at the midway point of 2019. Output and new orders both declined further, and at faster rates than in May. Exports and purchases of new inputs also contracted, albeit at slower rates. More positively, employment rose for the first time in five months and input costs increased at the slowest rate in over two-and-a-half years.

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 remained below 50.0 for the eighth successive month in June, signalling the longest-running downturn in the Polish goods-producing sector in six years. Moreover, the headline figure fell to a four-month low of 48.4, from 48.8 in May. This reflected faster declines in output and new orders, partly offset by renewed job creation, longer suppliers' delivery times and a faster increase in stocks of purchases.

The volume of new orders fell for the eighth month running in June, and at the strongest pace in 2019 so far. Survey data indicated that domestic demand was a key source of weakness, as new export contracts declined at the slowest rate in seven months. This was in contrast to the first five months of 2019, when total new work fell more slowly than exports.

The faster drop in overall new orders in June was reflected in a steeper cut to output. Firms also reduced production in light of rising stock levels: inventories of finished goods increased for the fifth time in six months, and at the fastest rate in over 20 years. Looking ahead 12 months, manufacturers were the least optimistic regarding output growth since December 2012.

Backlogs of work fell at the fastest rate since January, and one that was among the strongest in six years. The completion of outstanding work was partly facilitated by a slight increase in the size of the manufacturing workforce during June, following declines in seven of the previous eight months.

Weak underlying demand influenced manufacturers' input purchasing in June, which fell for the seventh consecutive month. That said, the rate of contraction was the weakest over that period. Meanwhile, the volume of inputs held in stock increased for the ninth successive month.

June data indicated a further easing of inflationary pressures in the manufacturing economy. Input prices rose at the slowest rate since October 2016, with some firms linking the moderation to the stronger zloty-euro exchange rate. Meanwhile, output prices rose at the slowest pace of the current 32-month sequence of inflation.

COMMENT

Trevor Balchin, Director at IHS Markit, which compiles the Poland Manufacturing PMI survey, commented:

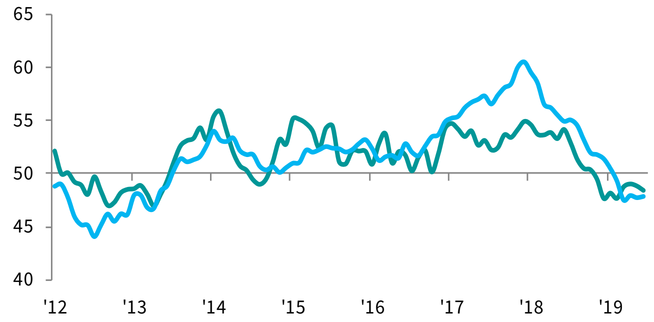
“The downturn in Poland's manufacturing sector ran to an eighth consecutive month in June. Worryingly, the declines in output and new business gathered pace, although the hit on the headline PMI was tempered somewhat by the first increase in employment in five months.

"Although the PMI sank to a four-month low in the latest period, the average for the second quarter (48.8) rose slightly compared to the first quarter (48.2). But this will provide little solace for manufacturers, who were the least confident regarding 12-month output expectations for six-and-a-half years."

Manufacturing PMI

sa, >50 = improvement since previous month

Poland / Eurozone*



Source: IHS Markit. *Eurozone Jun '19 flash estimate published 21 June 2019.

CONTACT

IHS Markit

Trevor Balchin
Director
T: +44-1491-461-065
trevor.balchin@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

June 2019 data were collected 12-24 June 2019.

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

About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

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.