

IHS Markit Poland Manufacturing PMI®

Manufacturing conditions improve more slowly in August

Key findings

PMI remains above 50.0 but falls since July

Output rises only modestly

New orders unchanged from previous month

Data were collected 12-24 August 2020.

August PMI® survey data covering the Polish manufacturing sector indicated a further overall improvement in business conditions, but a loss of momentum as demand stalled amid concerns over a potential second wave of the coronavirus disease 2019 (COVID-19) in Europe. New orders were unchanged from July, resulting in a slower rise in output and renewed cuts to input purchases. A relative positive was that the rate of job shedding slowed to a fractional pace.

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.

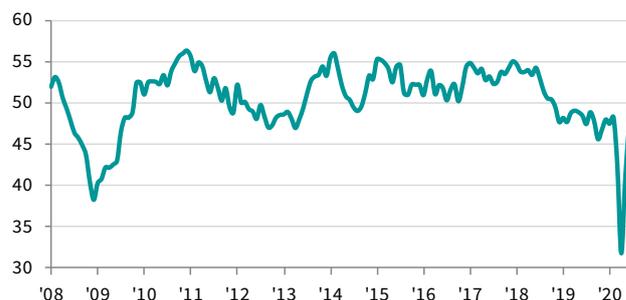
The PMI fell from July's 24-month high of 52.8 to 50.6 in August. The latest figure signalled an overall improvement in manufacturing business conditions, but at a slower rate. The latest reading was only slightly above the long-run survey average of 50.3. Prior to July, business conditions had deteriorated every month since November 2018, the longest downturn in nearly 18 years.

The main negative directional influences on the PMI in August were from the new orders and output components, which each weighed on the headline figure by 1.1 points. The suppliers' delivery times and employment components largely offset each other (-0.3 and +0.4, respectively). The fifth component, stocks of purchases, was broadly neutral in terms of direction.

Demand for Polish manufactured goods stagnated in August,
continued...

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:

"The recovery in business conditions in the Polish manufacturing sector continued in August, according to the latest PMI data. The headline figure remained above 50.0, signalling overall improvement, but declined for the first time since April's record plunge. This indicated a loss of momentum, reflecting no growth in new orders and a slower increase in output. Employment continued to fall, but a much softer rate of job shedding had a positive directional influence on the headline PMI.

"Manufacturers remained confident of growth of production over the next 12 months, but sentiment was weaker than in July, mainly reflecting concerns over a potential second wave of COVID-19 and any re-tightening of restrictions."

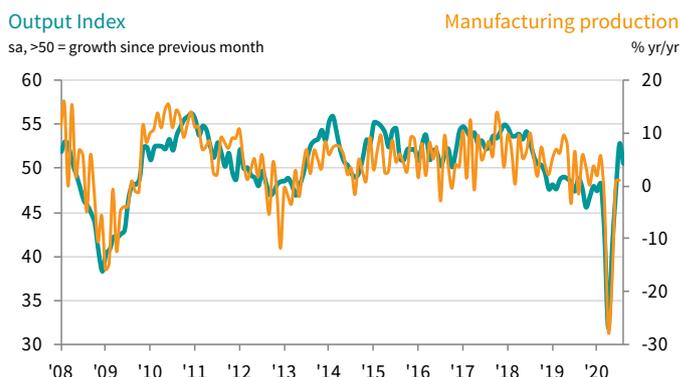
with the overall volume of new orders unchanged from July despite a slight rise in exports. Although a number of companies linked higher incoming work to the easing of lockdown restrictions, and stronger international orders, others noted weak domestic markets amid signs of rising virus cases in Europe.

Manufacturers expanded production further, partly linked to work on previously postponed orders. Output rose for the only the second time since October 2018. The rate of growth slowed from July's 31-month high, however, and was slightly weaker than the long-run survey average.

Backlogs fell at a sharper rate than in July, albeit more slowly than during the March to June period. Spare capacity was also reflected in a renewed fall in the volume of inputs purchased by manufacturers, following a slight increase in July. Stocks of purchases shrank for the fourteenth consecutive month, the longest sequence of destocking for nearly seven years. Inventories of finished goods declined for the second month running.

Manufacturers continued to shed staff in August, extending the current run of job shedding to 14 months. More positively, the rate of reduction was the joint-slowest over this period. The near-stabilisation of the workforce partly reflected positive output expectations for the next 12 months. That said, the strength of sentiment was softer than in July, reflecting concerns around a second wave of COVID-19.

Inflationary pressure on input costs intensified in August. Input price inflation accelerated to a six-month high and was running above the long-run survey average. Pressure on profitability rose as output prices were cut for the fifth consecutive month.



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 12-24 August 2020.

Survey data were first collected June 1998.

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