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IHS MARKIT POLAND MANUFACTURING PMI®

Manufacturers suffer sharp downturn in business conditions in December

KEY FINDINGS

PMI signals strongest downturn since April 2013

Fastest declines in output and new orders since June 2009

Employment broadly stable at November level

The Polish manufacturing sector ended 2018 on a weak footing, according to the December PMI® survey data. The headline PMI signalled the strongest overall downturn in business conditions since April 2013. Moreover, output and new orders both declined at the fastest rates since June 2009. New export business and backlogs of work both fell for the fifth month running, while employment was broadly unchanged from November. The latest survey results also revealed the weakest rise in input prices for nearly a year-and-a-half.

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 to 47.6 in December from 49.5 in November, signalling a deepening downturn in the Polish manufacturing economy. The latest reading was the lowest since April 2013. The output and new orders components drove the 1.9-point drop in the headline figure, while employment and input stocks were broadly stable.

The volume of new work received by Polish manufacturers declined for the third time in four months in December. Moreover, the rate of contraction was the fastest since June 2009. New orders from export markets fell for the fifth successive month, with firms commenting on weaker European (and German in particular) demand.

Manufacturing PMI
sa, >50 = improvement since previous month



Following the trend in new work received, Polish manufacturing output contracted in December at the fastest rate since June 2009. Due to weak inflows of new business, goods producers were able to clear backlogs of work at the fastest rate in just over six years. Outstanding business has fallen every month since August.

Manufacturers were cautious with regard to hiring and cut back on purchases of new inputs at the end of 2018. Having fallen slightly in October and November, employment was broadly unchanged in December. Meanwhile, purchasing activity declined at the fastest rate since July 2016. Input stocks rose slightly for the third successive month.

The rate of input price inflation remained strong in the context of the 20-year survey history in December, but slowed since November to a 17-month low. Subsequently, prices charged for finished manufactured goods increased at the weakest rate in nine months, albeit one that remained historically sharp.

More positively, output expectations for the next 12 months brightened in December. The Future Output Index rose for the first time since August. That said, it was still the third-lowest figure for just over five-and-a-half years.

COMMENT

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

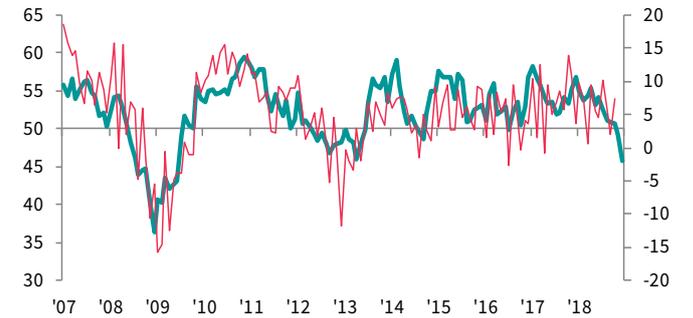
“December proved to be a dire month for Polish manufacturing, according to the final set of PMI numbers for 2018. Having slipped into contraction in November, the downturn deepened in the final month of the year with the PMI at a 68-month low of 47.6. This number was also flattered by a stable employment trend, as output and new orders both posted the fastest declines since mid-2009.

“Weaker EU demand – notably from Germany – has been a key theme of recent months, with new export orders falling for the fifth month on the trot in December.

“Although the 12-month outlook for production picked up in December, data on new orders and backlogs suggest that the trend in output will remain negative in the short term.”

Output Index

sa, >50 = growth since previous month



Source: IHS Markit, GUS.

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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.

December 2018 data were collected 5-17 December 2018.

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

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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).