

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0900 (CET) / 0800 (UTC) January 2 2017

Markit Poland Manufacturing PMI®

Manufacturing conditions strengthen at end of 2016

Key findings:

- PMI improves to 17-month high in December
- Cost pressures drive sharpest rise in output prices since April 2011
- Fastest growth in employment since March 2015

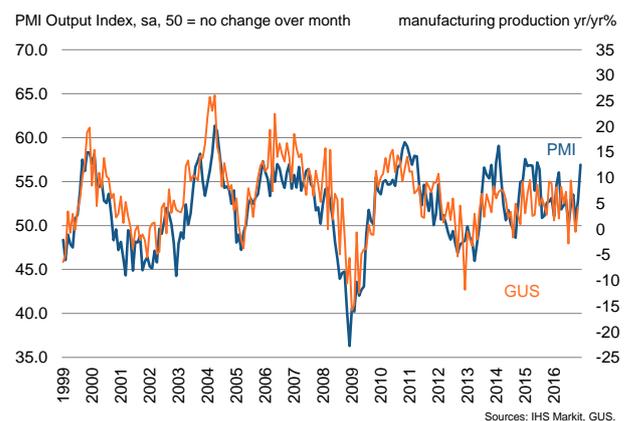
Data collected December 6-16

The Polish manufacturing sector continued to build momentum in the final month of 2016, according to the latest *PMI®* survey data from IHS Markit. This reflected faster increases in output, new orders and employment and renewed growth of exports. Meanwhile the weak zloty, combined with higher metals and oil prices, brought about a surge in inflationary pressures during the month.

The headline 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 above 50.0 for the twenty-seventh successive month in December, indicating an improvement in Polish manufacturing business conditions. Moreover, it rose further from October's 25-month low of 50.2 to 54.3, indicating the strongest overall rate of growth in the sector since July 2015. The upward movement in the PMI reading in December was reflected in all five of its components – output, new orders, employment suppliers' delivery times and stocks of purchases. The latest figure was well above the long-run survey average of 50.4, although the average for

Markit Poland Manufacturing PMI



2016 (51.9) was weaker than those registered in both 2014 (52.0) and 2015 (53.2).

Manufacturers received a boost from new work in December. New orders rose at the fastest rate since March, with new export business expanding for the first time since September. This, combined with a sharper drop in backlogs, resulted in output growing at the fastest rate since June 2015.

Survey data indicated a marked intensification of cost inflationary pressures in the goods-producing sector. Average input prices rose at the fastest rate since January 2012, linked to the weak zloty as well as higher global metal and oil prices. Moreover, the cumulative build-up of cost pressures in the final two months of 2016 was unprecedented over the survey history.

Greater input cost burdens led manufacturers to increase their own prices at the fastest rate since April 2011. Moreover, the month-on-month acceleration in the rate of output price inflation was

the third-sharpest in the survey history.

Polish manufacturers stepped up recruitment in December. Employment in the sector rose for a survey-record forty-first consecutive month, and at the fastest rate since March 2015.

Demand for manufacturing inputs increased in December, maintaining pressure on supply chains. Purchasing activity rose for the fourth time in five months, and at the fastest rate since March 2014. Suppliers' delivery times lengthened for the ninth month running. Meanwhile manufacturers' stocks of both pre- and post-production goods declined only marginally.

Comment

Commenting on the Poland Manufacturing PMI survey data, Trevor Balchin, senior economist at IHS Markit and author of the report, said:

“Polish manufacturing ended 2016 on a high note with growth of output, jobs and new orders all strengthening in December. IHS Markit currently forecasts IP growth to hit 8% yr/yr by January 2017, which if realised would be the strongest growth since early-2015.

“Input price inflation continued to surge. The 14.5-point rise in the Input Prices Index observed during November and December was unprecedented over the survey history. Furthermore, output prices rose at the fastest rate in over five-and-a-half years in December. This will add weight to the view that general inflationary pressures could grow more quickly than expected in 2017, although IHS Markit does not expect a shift in monetary policy until 2018.”

-Ends-

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Note to Editors:

The Poland Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit. The report features original survey data collected from a representative panel of around 200 companies based in the Polish manufacturing sector. The panel is stratified by GDP and workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@ihsmarkit.com.

The Manufacturing *Purchasing Managers' Index*[®] (*PMI*[®]) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*[®] (*PMI*[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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About PMI

Purchasing Managers' Index® (*PMI*®) surveys are now available for over 30 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 www.markit.com/product/pmi.

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