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IHS MARKIT POLAND MANUFACTURING PMI®

Polish manufacturing new orders decline in September

KEY FINDINGS

First drop in new work since October 2016

Sharpest decline in new export orders in over four years

PMI falls for third month running to 23-month low

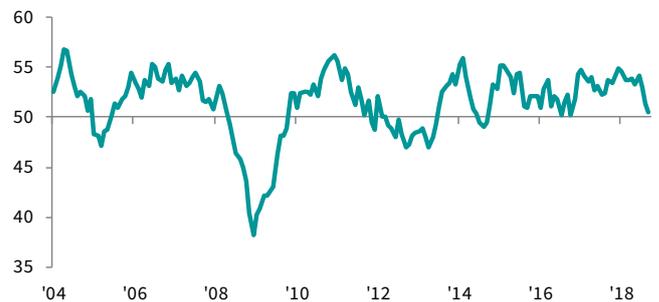
Business conditions in the Polish manufacturing sector neared stagnation in September, according to the latest PMI® survey data. The overall improvement in business conditions was the slowest in nearly two years, as new orders declined for the first time since October 2016. Output and employment both rose at weak rates, while firms cut purchasing activity and backlogs of work declined for the second month running. Cost pressures remained strong despite easing to the weakest for over a year. Manufacturing sentiment took a hit during the month, with the future output index falling to a 22-month low.

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 50.5 in September, from 51.4 in August, signalling the slowest overall growth of the Polish manufacturing sector since October 2016. The latest reading was broadly in line with the long-run survey average of 50.6, and extended the current survey-record expansionary sequence to four years.

The near-stagnation in manufacturing in September was mainly reflective of a fall in the volume of incoming new orders. This was the first contraction in new work at goods producers in nearly two years. Moreover, new export orders fell for the fourth time in 2018 so far, and at the strongest rate

Manufacturing PMI
sa, >50 = improvement since previous month



in over four years.

Polish manufacturing output increased further in September, despite the decline in new work. Subsequently, the volume of backlogs in the sector declined for the second month running. The rate of production growth was the slowest since October 2016, however. Meanwhile, inventories of final goods increased for the second month in a row.

Polish manufacturers continued to hire additional workers in September. The rate of employment growth eased to a ten-month low, however, reflecting lower intakes of new business.

Suppliers' delivery times continued to lengthen in September, but by the least since May 2017. This partly reflected less pressure on vendors due to a fall in purchasing activity by manufacturers for the first time since October 2016.

The rate of input price inflation eased to a 13-month low in September, but remained strong as raw materials remained in short supply. Subsequently, manufacturing output prices increased at a strong rate, albeit the weakest in four months.

The 12-month outlook for Polish manufacturing output remained positive in September, but moderated for the sixth time in eight months to the weakest since November 2016.

COMMENT

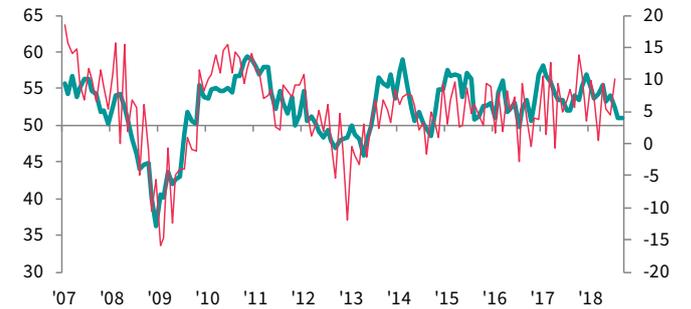
Trevor Balchin, Director at IHS Markit, which compiles the Poland Manufacturing PMI survey, commented:

“Polish manufacturing output growth slowed to a crawl in September as new orders declined. The drop in new business ended a run of increases stretching back almost two years, the longest sequence in over a decade. Survey data suggested that weakening export demand was a key factor, as new export contracts fell at the fastest rate in over four years.

“The headline PMI remained just above 50.0 to extend the current record sequence of positive readings to four years, although this was supported to a large extent by the employment and suppliers' delivery times components. These indicators, along with output, could also turn negative in the months ahead should new orders fail to rebound in October.”

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.

September 2018 data were collected 12-24 September 2018.

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

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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).