

News Release

Embargoed until 0900 CEST (0700 UTC) 3 July 2023

S&P Global Poland Manufacturing PMI®

Demand and prices fall sharply in June

Key findings

Fastest decline in new orders in 2023 so far

New record drop in output prices as input costs plummet further

Output falls for fourteenth successive month

Polish manufacturing business conditions deteriorated sharply in June, with marked falls in output, new orders and purchasing accompanied by another round of job shedding. The declines in demand and production were the steepest seen in 2023 so far. Reflecting the weakness in new orders, a sharp fall in backlogs was recorded and output expectations remained subdued. More positively, the rate of decline in input prices stayed closed to May's record, leading to a fresh record fall in output prices. Meanwhile, suppliers' delivery times shortened further, marking the first sustained improvement in vendor performance since early-2016.

The headline S&P Global 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, and has been compiled since 1998.

The PMI registered 45.1 in June, down sharply from 47.0 in May, signalling a downturn in the goods-producing sector for the fourteenth successive month and the worst overall performance since last November. Four out of five components - new orders, output, employment and stocks of purchases - had deeper negative contributions to the headline index in the latest period. The PMI was broadly in line with the trend level of 45.2 over the current 14-month downturn.

June data signalled weak underlying demand for Polish manufactured goods, as new orders declined for the sixteenth month running and at the fastest rate since December. Export new business fell sharply, with Germany cited as a key source of weakness.

The downturn in demand led to another sharp fall in output, the fastest in seven months. Firms also attributed declining production levels to efforts to clear inventories, as stocks of finished goods fell at the fastest rate in nearly two years. Excess capacity was further evident as backlogs of work fell

Poland Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-26 June 2023.

Comment

Trevor Balchin, Economics Director at S&P Global Market Intelligence, said:

"Poland's manufacturing downturn worsened in June as the sector remained exposed to weak European markets, especially Germany. Output, new orders and purchasing all fell at faster rates in June, while jobs were cut further."

"With the demand outlook subdued, manufacturers adjusted capacity. Employment fell further, purchases of inputs were cut and stocks of both materials and finished goods were depleted. Reduced demand for inputs contributed to a second successive reduction in average lead times. You have to look back as far as the first quarter of 2016 for the last occurrence of a back-to-back improvement in supplier performance."

"Reduced demand and improving supply chains depressed prices further in June. There was a fresh record decline in output prices, and the second-fastest drop in input prices in the 25-year survey history. This bodes well for the inflation trajectory in the second half of the year, which may spur a recovery in demand."

PMI®

by S&P Global

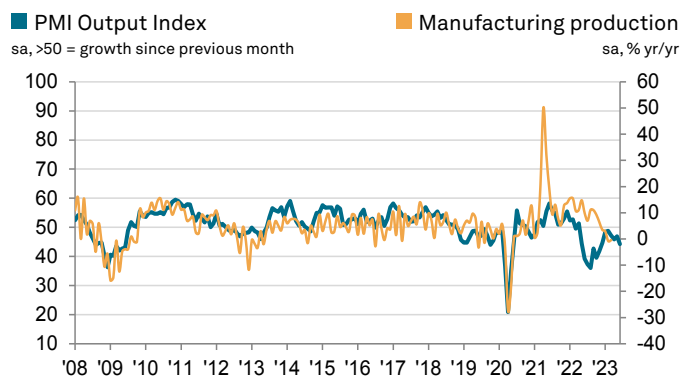
for the thirteenth successive month and at a marked rate. Firms remained confident of higher output over the 12-month horizon, but sentiment remained relatively weak in June.

Purchasing operations were scaled back in line with lower demand and output requirements. The volume of inputs ordered by manufacturers dropped for the thirteenth consecutive month, and at the fastest rate since January. Correspondingly, input inventories also fell at the sharpest pace since the opening month of the year.

Reduced demand for inputs helped to alleviate pressure on supply chains. The average time taken for input deliveries to Polish firms shortened for the second month running, the first back-to-back improvement in performance since the first quarter of 2016. A number of firms reported spare capacity in logistics and excess stocks at suppliers.

Manufacturers trimmed headcounts further in June, extending the current sequence of job shedding in the sector to 13 months. This was mainly linked to capacity adjustments due to weak demand, but also to voluntary resignations and labour shortages. The rate of decline was moderate and slightly weaker than the average for the current sequence.

The key positive finding from the June data was a further sharp fall in input prices. The rate of reduction stayed close to May's survey record, in stark contrast to exactly two years' ago when input cost inflation surged to a record high. Subsequently, manufacturing output prices fell at a series record pace in June.



Sources: S&P Global PMI, GUS via S&P Global Market Intelligence.

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Survey methodology

The S&P Global Poland Manufacturing PMI® is compiled by S&P Global 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. Data collection began in June 1998.

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.

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