

News Release

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S&P Global Poland Manufacturing PMI[®]

Manufacturing contraction deepens in July

Key findings

Sharpest fall in new orders since last November

Steeper declines in output, employment and purchasing

Record reductions in input costs and output prices

The downturn in the Polish manufacturing sector deepened as the second half of 2023 got underway, according to latest PMI[®] data. Output, new orders, exports, employment and purchasing activity all decreased more quickly in July than in June amid widespread reports of demand weakness.

This lack of demand also put further downward pressure on prices, with both input costs and selling charges falling at the sharpest rates on record.

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 headline PMI fell further below the 50.0 no-change mark in July, posting 43.5 from 45.1 in June. Deteriorating business conditions have now been signalled in 15 consecutive months, with the latest sharp decline the most pronounced since November last year.

Reports of demand weakness were prevalent across the latest survey and particularly impacted the ability of manufacturers to secure new orders. Total new business decreased at the fastest pace in eight months, while new export orders were down to the greatest extent since May 2020, at the time of the opening wave of the COVID-19 pandemic. The European market was a particular source of weakness in terms of exports, according to respondents.

In line with the picture for total new orders, output decreased at the fastest pace since last November. Production has now fallen in each of the past 15 months.

Despite the scaling back of production, firms were still able to deplete backlogs of work given the substantial fall in new orders. In fact, outstanding business decreased to the greatest extent for a year.

Meanwhile, employment was down for the fourteenth month

Poland Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 12-25 July 2023.

Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"July's PMI data make for bleak reading as far as the Polish manufacturing sector is concerned, as they paint a picture of a sector falling deeper into contraction territory."

"Widespread demand weakness caused retrenchment across the board, with output, employment and purchasing activity all scaled back to larger degrees than in June."

"Prices, meanwhile, are in free fall, with manufacturers and their suppliers alike having to compete for a smaller pool of business. Input costs decreased at the fastest pace in just over 25 years of data collection, with selling prices also lowered to an unprecedented extent."

PMI[®]

by S&P Global

in a row, amid a general reluctance among firms to replace leavers given the declines in workloads.

Lower new orders and output requirements also led firms to scale back their purchasing activity, which fell to the greatest extent since last November.

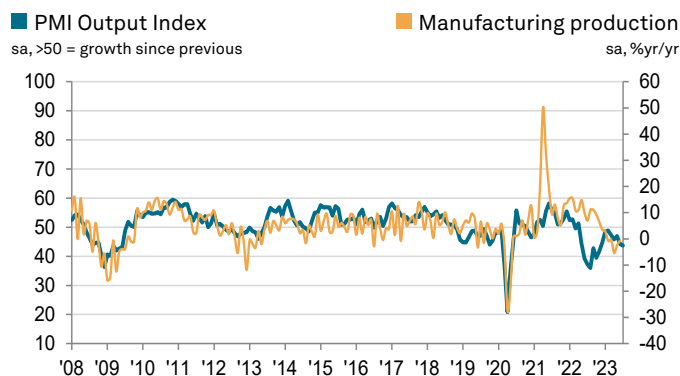
The lack of demand throughout the sector again had a downward impact on prices at the start of the third quarter of the year. Input costs decreased at a substantial pace, and one that was the steepest since the survey began more than 25 years ago. Respondents mentioned falling costs for raw materials, particularly metals. Meanwhile, there were also reports that a strengthening of the zloty against both the euro and the US dollar had added to price falls.

Selling prices also decreased at the fastest pace in the series history in July, the third month running in which a fresh record fall has been registered. More than 27% of respondents lowered their charges over the month.

Manufacturers made further efforts to run down inventories in July, with stocks of both purchases and finished goods falling solidly over the month.

Suppliers' delivery times shortened again as weaker demand for inputs led to spare capacity at vendors. Lead times have now shortened in each of the past three months, with the latest improvement the most pronounced since May 2013.

Hopes of a recovery in demand and new orders supported optimism in the year-ahead outlook for production. That said, the weakness of the current environment meant that confidence waned from the previous survey period and was below the series average.



Sources: S&P Global PMI, GUS.

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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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