

News Release

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S&P Global Poland Manufacturing PMI[®]

Manufacturing new orders plunge in August

Key findings

Domestic weakness drives steeper drop in demand

Output and employment also decline at faster rates

Price falls ease from July records

Poland's manufacturing economy remained mired in a deep downturn in August, according to the latest PMI[®] data. Output, new orders, employment and purchasing all declined at faster rates than in July, and the 12-month outlook was the weakest in 2023 so far. Downward pressure on prices was maintained, although the rates of reduction in input and output prices both eased since July's records.

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 to 43.1 in August, from 43.5 in July. Deteriorating business conditions have now been signalled in 16 consecutive months, with the latest sharp decline the most pronounced since October last year.

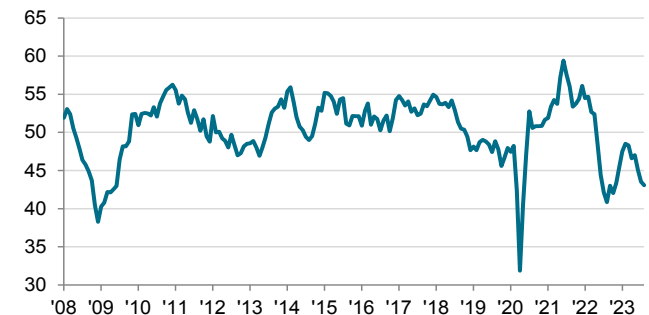
For the fourth successive month, all five components of the headline PMI provided negative contributions. The largest component, new orders (weight 30%), had the biggest negative influence both in terms of index level and downward movement since July. Output, employment and suppliers' delivery times also had slightly negative directional influences on the PMI.

Demand for Polish manufacturing goods continued to fall sharply in August, with new orders contracting for the eighteenth consecutive month. This marked the third-longest downturn since the survey began in 1998 (the longest were during 2000-02 and 2018-20). The rate of decline in August was the sharpest since October 2022, despite a slightly softer fall in exports as domestic market conditions worsened.

The faster drop in new orders was matched by a steeper reduction in output in August. Production fell the most since November 2022, and for the sixteenth successive month. The

Poland Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 10-24 August 2023.

Comment

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

"Business conditions facing Polish manufacturers deteriorated markedly in August with the PMI falling for the fifth time in six months to 43.1. New orders and output both dropped sharply during the month, leading firms to reduce purchasing, stocks and employment."

"Supply chains and prices continued to come full circle. Lead times improved and input prices fell steeply in August, a complete turnaround since the summer of 2021 when supplier delays and input price inflation reached record levels. Input prices fell more slowly than in July, partly linked to the weaker zloty, but still at the second-fastest rate on record. Subsequently, output prices also fell at the second-fastest pace ever."

PMI[®]

by S&P Global

level of work-in-hand also declined in August, with backlogs down for the fifteenth consecutive month and at a marked pace. Companies also aimed to reduce their inventory holdings of finished products, which dropped for the fourth month running and at a faster rate than in July.

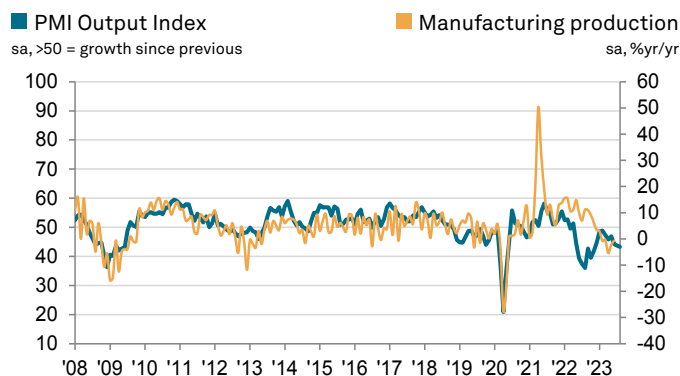
Manufacturing employment in Poland fell for the fifteenth successive month in August, the longest period of job shedding in nearly 14 years. Moreover, the rate of decline accelerated to the sharpest since last November.

Demand for inputs fell in line with the latest reduction in new orders. Purchasing volumes have declined every month since June 2022, with the latest drop the fastest in nine months. Besides the worsening demand picture, the latest cut in buying reflected efforts to trim input stocks, which were reduced for the fifth month running.

Lower demand for inputs resulted in another improvement in supplier performance in August. Lead times quickened for the fourth month running, and to the greatest extent since June 2009.

Downward pressure on prices was maintained in August. Rates of decline in input and output prices both eased since July's records, but were each the second-fastest on record. There were reports of lower raw material prices due to weak demand and supplier competition, with some firms reporting a normalisation of prices. The slower falls compared with July partly reflected the weaker zloty exchange rate.

The 12-month outlook deteriorated in August as firms expected a slowdown in the economy. Output expectations remained positive overall, but were the softest in 2023 so far.



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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