

## Poland: PMI falls below the critical threshold

The Polish manufacturing PMI Index fell below the 50pt threshold suggesting a sector depression. Despite the survey's alarming results, we expect a rather gradual moderation in industry than an imminent slowdown



Wind power plant factory, Szczecin, Poland

The PMI Index for manufacturing fell in November from 50.4 to 49.5pt, below the critical threshold of 50pt, which suggests contraction. According to the data provider, IHS Markit, another negative surprise was caused by a weakening sentiment among exporters, reflecting the worsening performance of the German economy. However, the sub-indices describing employment and domestic orders fell too. The overall index level and enterprises' forecast for the next 12-months remain at similar levels compared with 2013, when the Polish economy was close to suffering a recession.

Despite the seemingly alarming results of the survey we do not see an imminent worsening of industrial production. The October reading maintained 5%YoY dynamics after seasonal adjustment, and we expect a modest drop to 4%YoY in November. Nevertheless, the slowdown of manufacturing activity should continue in the coming months. We therefore expect GDP to moderate from 5.1% to 4.6%YoY in 4Q18 and further to 3.5%YoY in 2019.

