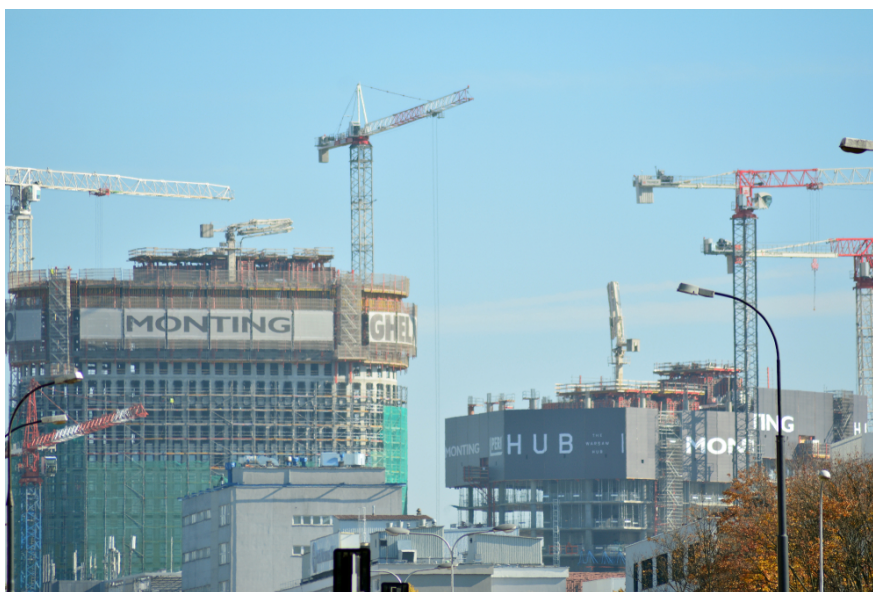


Poland: PMI shows alarming drop

Poland's PMI index fell strongly in October. This survey has shown alarming signals of contraction for a few consecutive months, but this has not materialised in real activity data



Construction of the 'Warsaw Hub', Poland

Poland's PMI index for the manufacturing sector fell further in October from 47.8 to 45.6, missing consensus expectations for a rebound (48.1). According to the IHS Markit comment, the rapid decrease was visible in all major subcomponents describing both current activity and employment prospects. Polish companies tend to report the weakest activity forecasts for the 12-month horizon and reduced inflation expectations.

The PMI survey shows a deep stagnation in the industrial sector, one of the strongest in the European Union (after indices normalisation). However so far, this survey has not been a good predictor of real activity. The European Commission index suggests some stabilisation after declining for several months. A similar picture is visible in the NBP survey indicators e.g. the assessment of the current situation and final demand.

Therefore we expect activity in the Polish industrial sector to slow but at a moderate pace - in the third quarter, industry expanded by 3.3% year-on-year. A further deceleration should occur in the fourth quarter, but seasonally adjusted figures are likely to remain in positive territory.