

Poland: Robust manufacturing performance in 1Q18, despite PMI drop

Polish PMI decelerated in February 2018, mirroring developments in the Eurozone. Index correlation with current manufacturing production is weak - we forecast a strong performance in 1Q18 and moderation thereafter



53.7 Polish PMI index

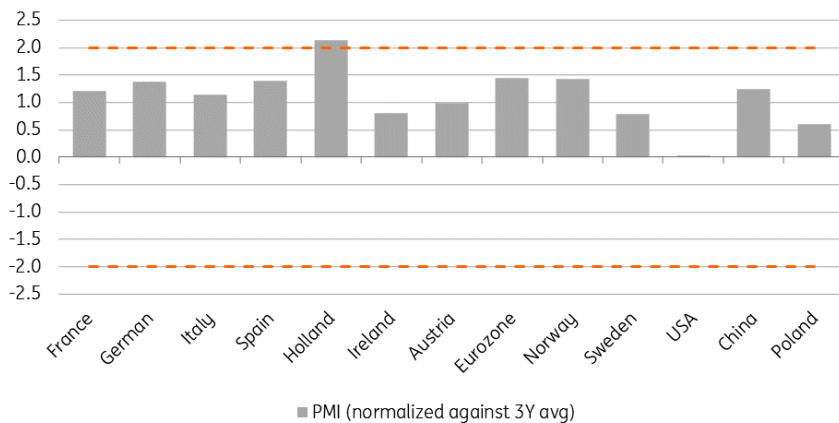
Worse than expected

Manufacturing PMI dropped from 54.6pt to 53.7pt in line with the index development in Western Economies, notably Germany. The Markit comment indicates a lower assessment of orders and current production, as well as employment and inventories. Still, long-term expectations of production (not included in the headline figure) remain solid. The PMI drop contradicts the Central Bank survey and EC business indicators, which were particularly positive. Furthermore its

correlation with manufacturing activity was low in the recent quarters.

PMI - normalised performance against major economies

Markit survey indicates lower sentiment compared with developed economies as well as other CEE peers.

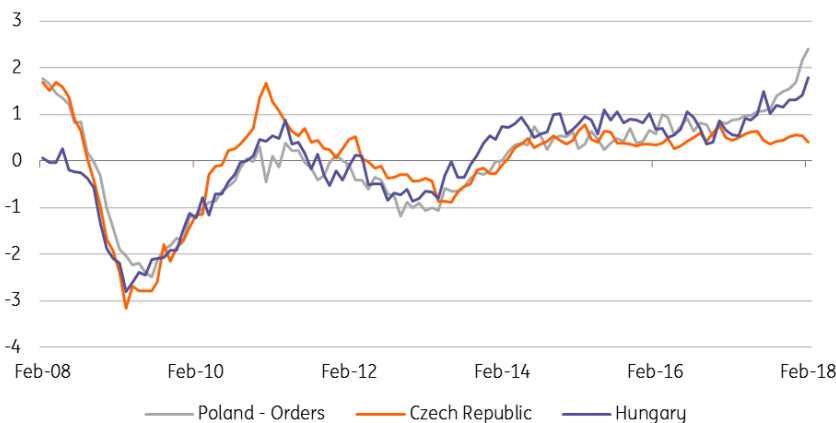


Source: IHS Markit

Overall we remain optimistic on production perspectives in 1Q18 and forecast a slight deceleration from 8.0%YoY to 6.0-6.5%YoY. Longer term, we expect further moderation with lower external demand as indicators suggesting a softening amongst trading partners.

European Commission indices contradicts to PMI survey picture

European Commission indicators present a strong production performance, employment and orders portfolio compared with peers.



Source: DG ECFIN