

IHS Markit Poland Manufacturing PMI®

Growth remains solid in October

Key findings

Modest gains in output and new orders...

...but supply-side constraints persist

Intensification of price pressures signalled

Poland's manufacturing economy continued to expand solidly in October, although ongoing supply-side constraints again served to restrict expansion. Price pressures also strengthened, with firms indicating that the short supply of goods and strong global demand was underpinning rapid inflation.

The headline IHS Markit Poland Manufacturing PMI – a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – continued to register comfortably above the 50.0 no-change mark in October, extending the current period of growth to 16 successive months.

Moreover, a rise in the index to 53.8 from 53.4 in the previous month pointed to an acceleration in growth, albeit to a pace that remained well down on those seen over the summer (including June's survey record peak).

Manufacturing output and new order volumes continued to increase during October although, in both instances, rates of growth remained muted. This was linked primarily to two factors. Firstly, a further softening in demand from abroad, as evidenced by a mild deterioration in foreign sales for a second month in succession. Companies reported that demand from neighbouring European Union countries had fallen overall, which was in turn linked to the second factor weighing on production: supply-chain difficulties.

Indeed, latest data showed that average lead times for the delivery of inputs had deteriorated again in October at a considerable rate (albeit the softest since March). There were

continued...

Poland Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Paul Smith, Economics Director at IHS Markit, said:

"Growth of Poland's manufacturing sector was sustained during October at a solid pace that remained well above average.

"However, looking at the sub-indices that constitute the survey, a number of worries on the direction of travel persisted. Most notably, production and new orders expanded at relatively marginal rates, reflective of the ongoing supply-side constraints and rising prices that have characterised the global goods producing industry over recent months.

"Until such challenges are solved – and the longer they persist the less likely we can call them 'transitory' – then the increasing likelihood that we also have a sustained period of low growth and high inflation. Such concerns continue to weigh on confidence amongst Polish manufacturers, although expectations overall remain well inside positive territory."

reports of noticeable challenges in procuring inputs, with strong global demand reported in tandem with a lack of stock at vendors and ongoing difficulties in the transportation system.

Supply-chain challenges continued to underpin severe inflationary pressures. Input prices rose at the strongest pace for three months and again at an extremely elevated rate. Raw material prices were not only reported to have risen, but costs related to electricity, energy and transportation were also up.

The natural response for firms was to try and protect margins by increasing their own charges, which meant that output prices rose at the strongest rate since June's survey record high.

Worries over rising prices and the robustness of supply chains in general encouraged firms to pre-purchase goods wherever possible. Stocks of inventories increased at a solid pace in response and for the seventh month in succession. Purchasing activity also increased, albeit relatively modestly and to the slowest degree since February.

Shortages in labour were also reported in October, with firms indicating that this restricted their ability to recruit additional staff. Latest data showed that employment rose only slightly, helping to explain another solid increase in backlogs of work. Firms were nonetheless able to bolster their stocks of finished goods for the first time in nine months.

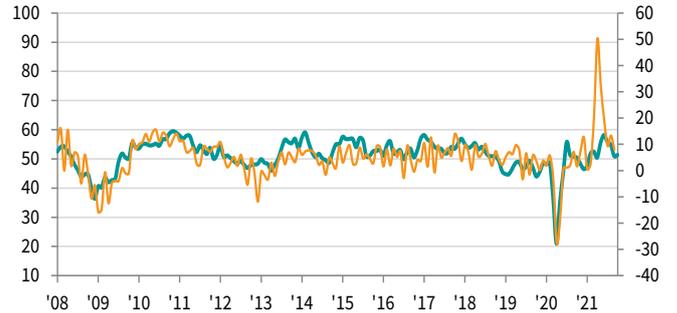
Looking ahead to the coming 12 months, firms were confident on average that production will continue to rise. Ongoing recovery from the worst effects of the pandemic should support growth, although there were worries that supply-side challenges and rising prices will limit the expansion.

Poland Manufacturing PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

% yr/yr



Sources: IHS Markit, GUS.

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Survey methodology

The IHS Markit Poland Manufacturing PMI® is compiled by IHS Markit 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.

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.

Survey dates and history

Data were collected 12-25 October 2021.

Survey data were first collected June 1998.

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