

IHS Markit Poland Manufacturing PMI®

Export demand strengthens in January but capacity constraints weigh on output

Key findings

Export growth at three-year high

Backlogs rise as output continues to decline

Input price inflation highest in nearly ten years

Data were collected 12-25 January 2021.

Overall business conditions at Polish manufacturers continued to improve in January despite ongoing capacity constraints that resulted in lower output, according to the latest PMI® survey data. New business rose for the second month running, aided by stronger export demand, while firms continued to expand their workforces. Backlogs of work and stocked inputs both rose further, and firms remained relatively optimistic regarding the 12-month outlook. The latest survey data also revealed the strongest upward pressure on input prices in nearly a decade, reflecting even tighter supply chains.

The headline IHS Markit 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.

The PMI registered above 50.0 for the seventh month running in January and edged up from December's 51.7 to 51.9, signalling the strongest overall improvement in manufacturing business conditions since last July. The headline figure was also at the second-highest level since July 2018.

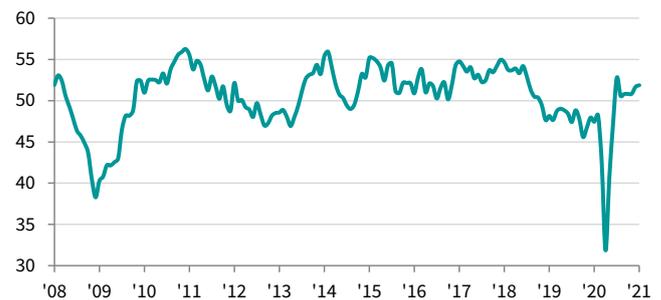
The PMI was positively influenced by four of its five components in January: new orders, employment, suppliers' delivery times and stocks of purchases. The fifth component, output, had a negative contribution for the third month running, but did provide a slightly positive directional influence since December as the rate of decline slowed.

The volume of new orders received by Polish manufacturers

continued...

Poland Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Trevor Balchin, Economics Director at IHS Markit, said:

"There were promising signs for the Polish manufacturing sector at the start of 2021 despite a drop in output in January. New orders rose, driven by the fastest growth in exports in three years, while firms added to workforces. The 12-month outlook remained relatively strong as firms expect a rebound in the second half of 2021 once the vaccine roll-out in Europe is established.

"The latest contraction in output appears to be the result of supply chain pressures and capacity constraints in the sector. Although total employment increased, there was evidence that self-isolating employees remained a factor holding up production. Backlogs rose for the fourth month running and stocks of purchased items also expanded further following December's record growth.

"On the supply side, raw material and container shortages led to one of the worst lengthening in supplier lead times in the survey history, and pushed input price inflation to the highest in nearly ten years."

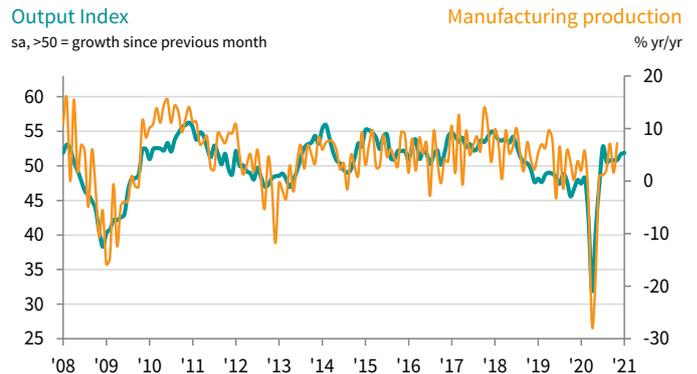
rose for the fourth time in the past seven months in January. The rate of growth was broadly in line with the long-run survey trend since 1998. Latest data signalled that overall growth in new work was export-driven, with external demand rising at the fastest rate in three years. Moreover, the new export orders index has registered above the (total) new orders index every month since last August.

Higher new orders did not result in growth of output in January, however. Production fell for the third consecutive month as firms reported ongoing capacity constraints, including the need for workers to self-isolate. Backlogs and stocked inputs subsequently both rose for the fourth month running.

The increase in pre-production inventories also reflected forward purchases by manufacturers concerned about cost pressures. Input price inflation rose to the highest since April 2011 as raw material shortages and supply chain bottlenecks persisted. Suppliers' delivery times lengthened markedly in January, and to the third-greatest extent in the survey history (behind March and April last year).

Higher input prices were partly passed on to customers in January, with output prices rising at the strongest rate since July 2018.

Though output fell in January, firms remained confident about the 12-month outlook for production as they expected a boost to business once the coronavirus pandemic was contained. Sentiment eased from December's 31-month high, but was the second-strongest since March 2019. Confidence was reflected in a fifth successive monthly expansion in the manufacturing workforce in January.



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 January 2021.

Survey data were first collected June 1998.

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