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IHS Markit Poland Manufacturing PMI®

Manufacturing sees record inflation in March as supply chain pressures bite

Key findings

Fastest increases in input and output prices since survey began in 1998

Suppliers' delivery times lengthen to record degree

Strongest export growth since October 2013

Data were collected 12-25 March 2021.

The latest Polish PMI® survey data signalled strengthening manufacturing business conditions in March, but also record inflationary and supply chain pressures. Demand strengthened, driven by the fastest growth in exports in nearly seven-and-a-half years, while output and employment both rose at stronger rates. The sector was held back by supply constraints, however, as suppliers' delivery times lengthened the most in any month since the survey began in 1998. This was reflected in the fastest rise in backlogs of work since January 2007 and a survey-record rate of input price inflation. Similarly, manufacturers raised their output prices at the strongest pace since that series began in January 2003.

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.

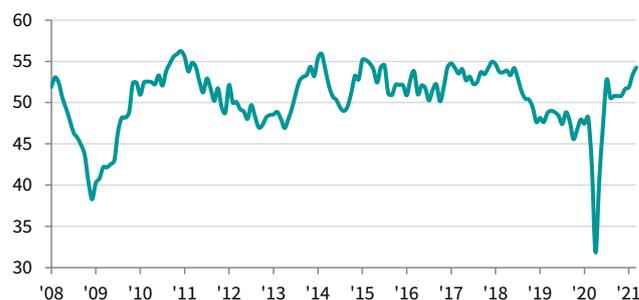
The PMI rose from 53.4 in February to 54.3 in March. This signalled the strongest overall improvement in business conditions at Polish manufacturers since January 2018. Moreover, the PMI has risen for four consecutive months, the longest sequence of gains since 2013.

The upward movement in the headline figure reflected four of its five components. The greatest directional influence came from suppliers' delivery times (+0.4 points), followed by new orders (+0.2), output (+0.2) and employment (+0.1). The fifth component, stocks of purchases, had a fractionally negative

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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:

"Poland's manufacturers clearly benefitted from improving European demand in March, especially from Germany. Exports rose at the strongest rate in nearly seven-and-a-half years, driving overall new order growth and a faster increase in production."

"The sector's performance is being constrained by severe supply chain pressures, however. The Suppliers' Delivery Times Index sank to a new record low and flattered the headline PMI with the biggest directional impact in March (it is inverted in the PMI calculation). Unprecedented delays in supply chains impacted manufacturers' costs and capacity utilisation, as input price inflation surged to a new survey-record high and backlogs rose the most since January 2007. Rising backlogs also reflected the sector's chronic labour shortages, despite a stronger rise in employment in March. The latest data suggest that supply side issues need to be alleviated in order for the sector's recovery to really take off."

directional influence.

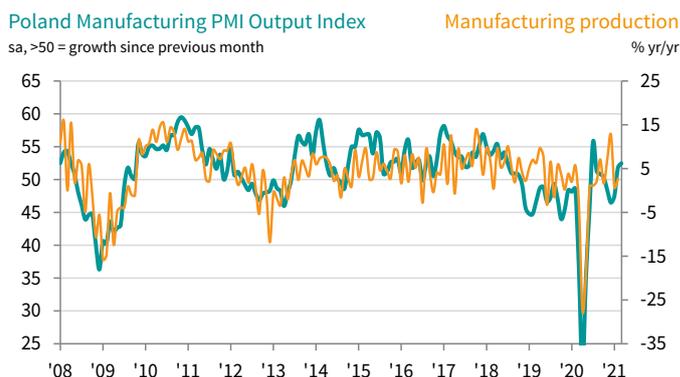
New orders received by Polish manufacturers rose for the fourth month running in March, and at the fastest rate since July 2020. Demand was driven by exports, which increased at the strongest pace since October 2013. Firms reported recovering demand in Europe and Germany in particular.

March data provided evidence of capacity constraints in the goods-producing sector, as the volume of outstanding business rose the most since January 2007. This occurred despite the fastest rise in output for eight months. Firms linked higher backlogs to a combination of improving demand, reduced supply and staff shortages. Suppliers' delivery times lengthened the most in any month since the survey began in June 1998, while reports of staff shortages arose despite the fastest rate of employment growth since June 2018.

With backlogs of work rising, manufacturers increasingly resorted to meeting orders by selling from stock. The level of finished goods inventories in the sector fell at the strongest rate since February 2018.

Widespread reports of scarce raw materials, higher transportation costs and the weaker zloty all drove inflationary pressures in the manufacturing sector to a record high in March. Input price inflation accelerated for the sixth consecutive month to the highest since data were first collected in June 1998. This led to a series-record rate of output price inflation (since January 2003).

With new orders increasing at a faster rate and hopes that the roll-out of vaccines will facilitate the lifting of coronavirus restrictions, firms remained strongly confident of output growth over the next 12 months. The strength of sentiment eased since February, however, reflecting concerns around rising virus cases in Europe.



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 March 2021.

Survey data were first collected June 1998.

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