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IHS Markit Poland Manufacturing PMI®

Supply-side constraints weigh on growth in September

Key findings

Marginal gains in output and new orders

Widespread reports of delivery delays and input shortages

Inflationary pressures remain acute

Data were collected 12-24 September 2021.

The recovery of Poland's manufacturing sector somewhat stuttered during September, with production growth constrained by ongoing supply constraints and order book gains adversely affected by rising prices. Many other variables also indicated a weakening growth profile, with purchasing and employment amongst those indicators to register weaker expansion over the month. Firms sought to utilise warehouse stocks to meet demand, registering the sharpest drop in inventories in nearly four years.

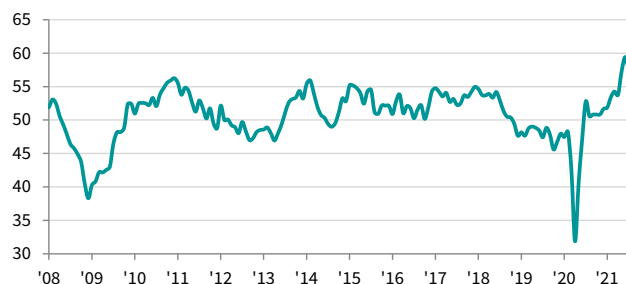
On the price front, severe input shortages at suppliers continued to underpin rapid cost inflation and led to another considerable rise in output charges.

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 – remained above the 50.0 no-change mark during September, posting 53.4. Although indicative of a solid expansion, the PMI continued to signal a loss of growth momentum, falling for a third month in a row to its lowest level since February.

Underpinning the slowdown were weaker gains in both production and new orders in September. In both instances, rates of expansion were marginal and the weakest since April. Firms bemoaned the difficulties in sourcing inputs from vendors – a wide range of goods were reported to be in short supply, whilst capacity challenges in transportation services persisted, the net effect being another month of severe delays in the delivery of inputs to Polish manufacturers. Such long lead times and shortages of components in

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:

"Poland's manufacturing sector was constrained by the severe shortages and rising prices for inputs that have characterised much of the global economy in recent months. Although growth was sustained, it was at the weakest rate recorded by the survey since February.

"Perhaps reflective of the mostly unavoidable, but sustained, price rises of recent months, Poland's manufacturers reported that client demand growth has softened and hinted at the possibility of the sector heading towards a period of dreaded stagflation.

"That said, although confidence has softened, manufacturers have retained sufficient optimism that once supply-side challenges are resolved, market demand will resettle and support growth in the coming months."

production inevitably placed a noticeable constraint on output capabilities in September.

Order book growth was meanwhile reported to have been negatively impacted by rising prices. Although growth in demand was sustained, there were reports that cumulative inflationary pressures were having a negative impact on sales, both at home and abroad (new export orders declined slightly for the first time in nearly a year).

Indeed, Polish manufacturers indicated another rapid and – despite dropping to the weakest in five months – broadly unprecedented rise in output prices during September. This was wholly reflective of ongoing increases in input prices. Underpinned by the supply-side shortages for inputs, the vast majority of bought in goods and services were reported to have risen in price, though metals, cardboard, and chemicals were especially mentioned. Overall, input price inflation was again substantial, despite easing again from June’s survey record.

Shortages were not just confined to inputs, but also labour, according to several panellists in September. Although rising for a thirteenth successive month, as firms sought to bolster their productive capacity, employment rose only marginally amid some reports of difficulties in replacing leavers. Backlogs of work subsequently rose again, although firms tried to alleviate any pressures by meeting orders directly from stock: latest data showed that inventories of finished goods declined to the greatest degree in nearly four years.

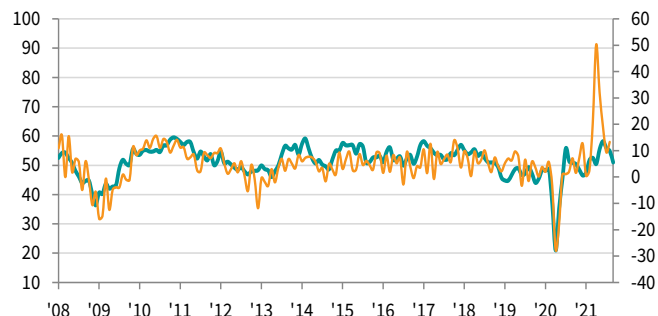
Finally, challenges related to supply and prices weighed a little on confidence during September. Overall sentiment slipped to a five-month low, although on balance firms still foresee a rise in output from present levels in 12 months’ time. A hoped-for end to the pandemic should boost sales and demand, according to panellists.

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 12-24 September 2021.

Survey data were first collected June 1998.

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