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IHS Markit Poland Manufacturing PMI®

New orders rise in December but capacity and supply issues weigh on output

Key findings

Growth of new orders, jobs and input stocks offset lower production

Input price inflation surges to highest in nearly ten years

Output expectations strongest since May 2018

Data were collected 4-17 December 2020.

The final batch of PMI® survey data for 2020 revealed a rise in new orders and stronger confidence among manufacturers, but output fell further as capacity constraints remained. New business rose for the first time in three months and firms continued to add to workforces, but output fell at a faster rate due to staff shortages and supply delays. Backlogs rose as a result and input stocks posted a survey-record increase. Meanwhile, inflationary pressures intensified as input prices rose the most since April 2011, while output charges rose for the fourth month running.

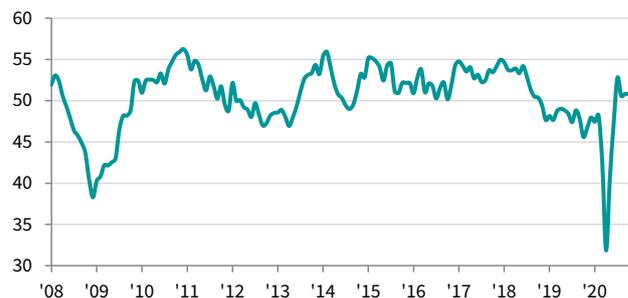
The headline IHS Markit Poland Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI registered above 50.0 for the sixth month running in December and rose to 51.7, signalling the strongest overall improvement in manufacturing business conditions since July. The PMI has registered above its long-run average of 50.3 throughout the second half of 2020.

The rise in the PMI reading reflected three of its five components in December. New orders provided the biggest boost, followed by stocks of purchases and suppliers' delivery times. The employment index remained in growth territory but eased slightly since November, while output provided a stronger negative contribution to the PMI.

Demand for Polish manufactured goods improved in December, with new orders rising for the first time since

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:

"The Polish manufacturing sector registered a stronger overall improvement in business conditions in December, mainly reflecting a renewed rise in new orders and a further solid increase in employment."

"Due to the way the PMI is calculated, longer suppliers' delivery times and a record increase in input stocks served to boost the headline figure in December. Supply chain delays were partly attributed to rising demand, but there were also widespread reports of raw material shortages and transport problems. Indeed, shortages were reflected in input price inflation surging to a 116-month record."

"Capacity constraints at goods producers persisted at the end of 2020, as output contracted despite higher new orders. As a result, backlogs rose and final goods inventories fell. That said, the latest data are pointing to output growth in the coming months, with the new orders-to-finished goods inventories ratio the second-highest in over two years. Moreover, the 12-month outlook brightened significantly in December as firms look towards a post-pandemic recovery later in 2021."

September. Export demand was comparatively strong, with the rate of growth the second-strongest in nearly three years as firms reported higher European and Asian demand.

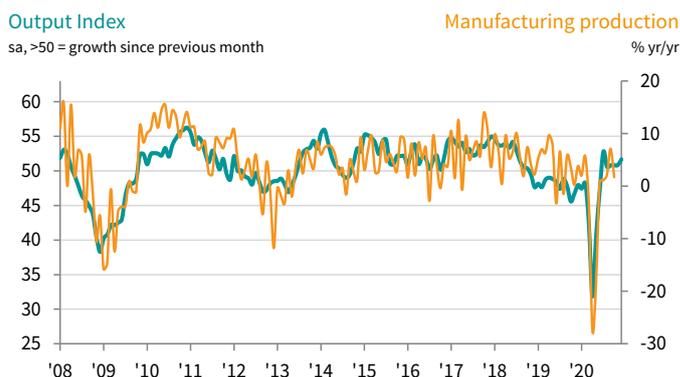
The increase in new work was not matched by output, however, which contracted for the second month running and at the fastest rate since June. Firms reported capacity constraints such as staff shortages and supplier delays. Backlogs of work rose for the third month running as a result, and stocks of finished goods were depleted for the sixth consecutive month.

Purchasing activity expanded in December, linked to incoming new work. This placed greater pressure on supply chains, with input delivery times lengthening the most since May. Manufacturers reported raw material shortages, especially from China, and transportation bottlenecks.

The combination of rising purchasing activity and falling output in December meant that Polish manufacturers' stocks of inputs expanded at the fastest rate in the 22-year survey history.

Cost pressures intensified in December, with the rate of input price inflation accelerating sharply to the highest since April 2011. Metals, wood, Chinese suppliers and raw material shortages in general were the main reported sources of inflationary pressure. Manufacturers partly passed on higher costs to customers as output prices rose further in December.

Polish manufacturers were much more confident of higher output over the next 12 months in December. Sentiment was the strongest since May 2018, and above the long-run series average (since 2012). Firms linked positive production forecasts to the launch of new products and a post-pandemic economic recovery.



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 4-17 December 2020.

Survey data were first collected June 1998.

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