

IHS Markit Poland Manufacturing PMI®

Supply and staff shortages lead to record rise in backlogs of work in April

Key findings

Output rises only marginally due to capacity constraints

Both price indicators hit new record highs

Exports grow strongly but weak domestic sales weigh on overall demand

Data were collected 12-26 April 2021.

PMI® survey data covering the Polish manufacturing sector provided further evidence of supply constraints in April, alongside record inflationary pressures. Supplier performance reached a new low, driving inflation of both input and output prices to new survey-record rates. Supply shortages and staff absences led to a record rise in backlogs of work, as output rose only marginally and firms sold off existing stock. On the demand side, new orders rose only marginally despite a further strong increase in exports, suggesting weak domestic markets.

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 53.7 in April, down slightly from March's 38-month high of 54.3. The latest figure signalled a solid overall improvement in manufacturing business conditions and was the second-highest reading since June 2018. In comparison, the PMI has averaged 50.4 since its inception in June 1998.

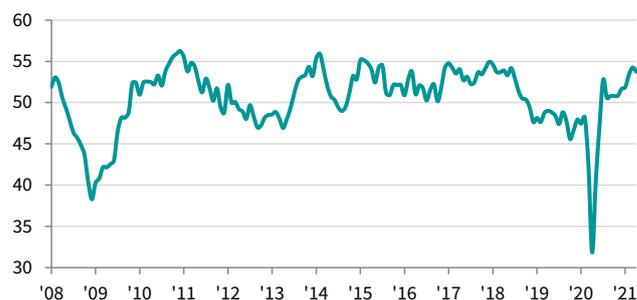
All five components of the PMI made positive contributions in April, the first time this has been the case since July 2018. That said, the output and new orders components had only weak positive impacts as suppliers' delivery times continued to elevate the headline figure.

Supply chain issues remained a key constraint on the manufacturing sector at the start of the second quarter. Output rose for the third month running but at only a marginal rate as firms reported supply shortages and high levels of staff absences

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:

"You need to look beyond the headline PMI figure to gain an understanding of the overall performance of the Polish manufacturing sector in April. The PMI's elevated level mainly reflected the suppliers' delivery times and employment sub-components as supply delays continued to constrain output and firms had to recruit to cover staff absences.

"Another record lengthening in suppliers' delivery times drove both price indicators to new peaks in April, while raw material shortages and staff absences led to a record increase in backlogs of work. Although overall employment rose at the fastest rate in nearly three years, new recruitment was widely linked by firms to the need to cover for high levels of staff absences due to COVID-19. The combination of staff and input shortages resulted in only a slight rise in output.

"Another strong rise in exports was the main positive from the latest survey in April, although even this was offset to some extent by weak domestic sales."

due to COVID-19. As a result, backlogs of work increased at the fastest rate since this survey indicator was first available in 2003. To meet current orders, manufacturers sold from existing stock again in April.

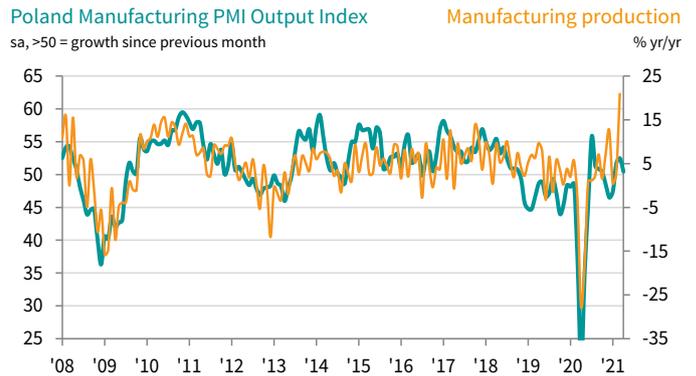
Manufacturers attempted to mitigate for staff absences by boosting recruitment in April. The overall sector workforce grew for the eighth month running, and at the fastest rate since June 2018.

Supply bottlenecks in the manufacturing sector were evidenced by another survey-record lengthening in suppliers' delivery times in April. Around 44% of firms reported longer delivery times during the month, up from 37% in March and a greater proportion than one year ago during the first COVID-19 lockdown. Despite worsening lead times, input stocks rose slightly during the month, reflecting the strongest increase in purchasing activity by manufacturers since July 2018.

Rising demand for inputs and supply bottlenecks led to a fresh survey-record rate of input price inflation in April, with 78% of firms reporting higher prices than in March. This led to a concurrent record rate of output price inflation as firms passed on greater costs to customers.

On the demand side, new orders rose for the fifth month running in April. New export orders increased at the second-strongest rate in over seven years. But the overall increase in new work slowed since March and was only modest, reflecting weak domestic markets.

Looking ahead 12 months, the outlook for production remained positive in April, but sentiment moderated to the weakest since last November. Softer confidence partly reflected concerns around ongoing supply shortages.



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 12-26 April 2021.

Survey data were first collected June 1998.

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