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IHS Markit Poland Manufacturing PMI®

PMI surges to record high on rebound in demand and ongoing supply chain delays

Key findings

Fastest rise in new orders since January 2018

Fresh record lengthening of suppliers' delivery times

Both price measures scale new peaks

Data were collected 12-24 May 2021.

The latest PMI® data signalled a record rate of improvement in business conditions in the Polish manufacturing sector in May. Growth rates for output and new orders accelerated notably since April, and there was a record lengthening in suppliers' delivery times due to ongoing shortages of raw materials. Meanwhile, employment and stocks of purchases increased at rates that were among the fastest in the survey history. Despite this expansion of capacity, backlogs rose at a near-record pace, contributing to a stronger 12-month outlook for production. May data also signalled record rates of inflation in both input and output prices.

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.

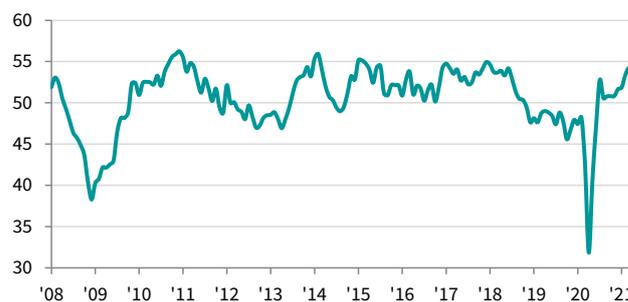
The PMI rose sharply to 57.2 in May, from 53.7 in April, the highest level registered since the survey began in 1998. The latest figure surpassed the previous peak of 56.8 set in April 2004, and signalled a marked overall improvement in business conditions in the Polish manufacturing sector. The current sequence of positive PMI readings was extended to 11 months.

All five components of the PMI provided positive contributions to the headline figure in May, and all had positive directional influences since April. The new orders and output indices had the biggest impacts on the PMI in May, lifting it by 1.5 and 1.3 points, respectively. The 3.5-point month-on-month rise in the headline figure was among the largest on record.

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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:

"There was a clear upturn in underlying demand in the Polish manufacturing sector in May, with a much faster rise in new orders. Moreover, the uptick was driven by the domestic market as growth of new export orders continued to ease from March's multi-year high."

"Production capacity improved in May with output rising the most since July 2020. This partly reflected the strongest rise in employment since April 2017. That said, backlogs continued to rise strongly as firms reported ongoing supply chain problems, with suppliers' delivery times lengthening to a fresh survey-record degree."

"The combination of improving demand and ongoing raw material shortages drove input price inflation to a fresh record high in May, with output price inflation following suit. Encouragingly, the Input Prices Index rose only slightly since April, suggesting cost pressures may be starting to peak."

The volume of new orders received by Polish manufacturers grew for the sixth consecutive month in May, and at the fastest rate since January 2018. Data signalled a boost from domestic markets during the month, as total new work expanded at a faster pace than exports for the first time in the current growth sequence. International demand for Polish goods remained strong overall, however, with export growth easing only slightly again since March's 89-month record.

Stronger inflows of new work led to a faster rise in output in May. Production rose for the fourth month running, and at the sharpest pace since July 2020. Moreover, the 12-month outlook for production was the strongest in 2021 so far in May.

There remained evidence of capacity constraints in the sector, however, as backlogs rose at a rate only slightly weaker than April's record, and the third-highest in the series history. Moreover, outstanding business has risen continuously since October 2020. To meet sales demand, firms sold off stocks of finished goods for the fourth month running.

Manufacturing employment rose for the ninth month running and at the fastest rate since April 2017, as firms attempted to boost capacity and cover for ongoing staff shortages. Meanwhile, the volume of inputs ordered rose at the fastest rate since September 2017.

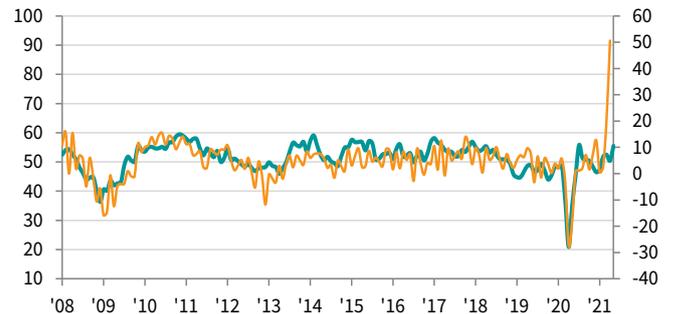
Supply chains remained under severe pressure in May, with a fresh survey record lengthening in input delivery times. This contributed to cost inflationary pressure, with the rate of input price inflation setting a new record high for the third month running. Output price inflation followed the same trend, setting a new peak for the third straight month.

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 May 2021.

Survey data were first collected June 1998.

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