

IHS Markit Poland Manufacturing PMI®

PMI retreats from record high but still signals strong improvement in business conditions in July

Key findings

New order growth slows as exports increase at softest rate in seven months

Record lengthening in suppliers' delivery times continues to lift PMI

Input price inflation eases from June's record high

Data were collected 12-26 July 2021.

Business conditions in the Polish manufacturing sector continued to improve strongly in July, according to the latest PMI® data. There was a slight loss of momentum from June's record pace, reflecting slower growth in output, new orders, employment and input stocks, but these all continued to expand at historically sharp rates. Moreover, backlogs and purchasing activity continued to increase markedly. There was a record lengthening in suppliers' delivery times, although the rate of input price inflation eased from June's record high.

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 fell from June's all-time high of 59.4 to 57.6 in July. This marked only the third month-on-month decline in the headline figure since the record low of 31.9 set in April 2020. The latest figure was still the second-highest level on record, however, and signalled a marked overall improvement in manufacturing business conditions. The current growth sequence now stretches to 13 months.

All five components of the headline PMI had positive overall contributions in July. That said, the 1.8-point drop in the PMI was reflected in four components, most notably new orders and output. The exception was suppliers' delivery times, which set a new record low during the month (which boosts

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 recovery cooled somewhat in July following June's record performance, but overall conditions continued to improve markedly with the PMI at its second-highest ever level.

"Growth rates for output, new orders and jobs all eased since June but remained historically strong. The moderation in demand growth partly reflected the slowest rise in exports in 2021 so far.

"The headline PMI continued to be flattered somewhat by a record lengthening in suppliers' delivery times. The respective index sank to a new low for the fifth straight month in July which, when inverted in the PMI calculation, boosts the headline figure. Supply delays are clearly a factor holding back output growth relative to new business, and causing backlogs to rise sharply. This can be viewed as a positive though as output growth will be supported in the coming months even if new order growth slows further."

the headline PMI when inverted in the calculation).

New orders rose for the eighth consecutive month in July as market conditions continued to recover. The rate of expansion slowed from June, which had seen the strongest growth in over seven years, but remained sharp overall. The moderation in growth of total new work partly reflected the slowest rise in new export business in 2021 so far.

Polish manufacturers increased output for the sixth month running in July, mainly citing incoming new work. The rate of growth was strong overall, but slowed since June and remained weaker than that for new orders. As a result, backlogs of work rose for the tenth month running and a solid, albeit slower, pace. Firms continued to partly meet sales from existing stocks, as final goods inventories declined for the sixth month running in July. Looking ahead, output expectations were strongly positive but the weakest in three months, partly reflecting supply concerns.

Output growth remained constrained somewhat by supply delays. Suppliers' delivery times lengthened to a survey-record degree in July, and for the eighteenth successive month. Manufacturers increased purchasing activity at one of the fastest rates on record in an attempt to build inventories and avoid future price increases, resulting in a fourth straight month of growth in input stocks. With demand for inputs rising sharply, input price inflation was the third-highest on record, despite easing since June. The same trend was evident for output prices.

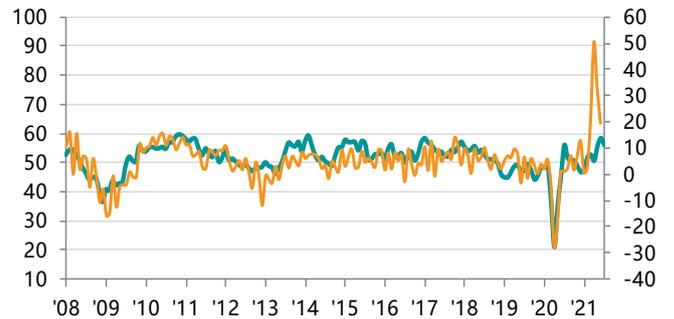
Manufacturing employment rose further in July, linked to increasing demand, efforts to boost capacity and the need to cover self-isolating staff. The rate of job creation eased since June but remained strong overall.

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 12-26 July 2021.

Survey data were first collected June 1998.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html