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IHS Markit Poland Manufacturing PMI®

Manufacturing recovery gains momentum in February but inflationary pressure builds

Key findings

PMI at 32-month high as output growth resumes and demand strengthens

Pressure on capacity as backlogs rise at fastest rate since January 2007

Output prices up at sharpest pace since May 2004 as input costs soar

Data were collected 11-22 February 2021.

February PMI® survey data signalled positive growth momentum in the Polish manufacturing sector, but also surging inflationary pressures. New orders rose at a faster rate, boosted by exports, leading to renewed output growth and the strongest increase in backlogs since January 2007. The latest survey also pointed to a steep rise in input costs, leading manufacturers to raise their own prices at the fastest rate since May 2004.

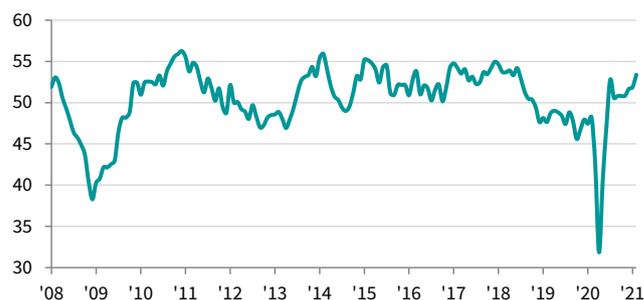
The headline IHS Markit Poland Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases.

The PMI rose for the third month running in February to 53.4, from 51.9 in January, signalling the strongest overall improvement in manufacturing business conditions in Poland since June 2018. The headline figure was lifted by four of its five components during the month, the exception being stocks of purchases. The latest data extended the current upturn in the sector to eight months.

In a sign of improving underlying demand, new orders rose at the fastest rate since last July, and at the second-strongest pace in over two-and-a-half years. Exports boosted overall inflows of new work, rising the most since September 2017. Production rose for the first time in four months, and at a rate broadly in line with the long-run survey average (since 1998).

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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:

"The Polish manufacturing sector continued its encouraging start to 2021, with output joining new orders in growth territory in February. With employment rising more quickly and a further severe lengthening in suppliers' delivery times, the headline PMI improved to a level not seen since the first half of 2018. The only component weighing on the PMI was stocks of purchases, although the impact was negligible as this index has the smallest weight at 10%.

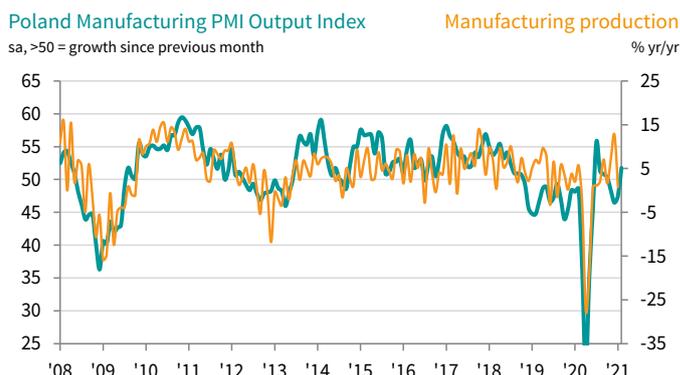
"Other survey indicators besides the PMI and its components revealed two key findings in February. The first was backlogs of work, which rose the most since January 2007. This chimes with supply constraints and pent-up demand. The second was surging inflationary pressures, with both input and output prices rising at among the fastest rates on record in February. Output prices in particular rose the most in any month for nearly 17 years."

Despite higher output, backlogs of work increased at the fastest rate since January 2007, indicating rising pressure on capacity amid raw material shortages. Indeed, suppliers' delivery times lengthened to the third-greatest extent in the survey history: only during March and April last year had delays been more severe.

To address rising demand, firms expanded jobs and purchasing in February. Employment increased for the sixth month running, and at the fastest rate since June 2018. Purchasing of inputs increased at a rate broadly in line with new orders, but supply chain delays meant that firms had to use existing stocks in production. Inventories of inputs fell for the first time in five months, following a survey-record increase last December.

Severe pressure on supply chains was reflected in the latest data on prices. Average input prices paid by Polish manufacturers rose in February at the sharpest rate for a decade, and at the fourth-fastest pace on record since the survey began in 1998. Anecdotal evidence revealed that global raw material shortages and logistical problems at borders pushed up costs, exacerbated by the weak zloty. Companies passed on higher input prices to customers, with output prices increasing at the fastest rate since May 2004 (and the second-highest on record).

The 12-month outlook remained strongly positive in February, with many companies expecting double-digit increases in sales by February 2022 as the economy recovers from the coronavirus pandemic. Output expectations strengthened since January and were in line with the long-run series average (since 2012), despite failing to surpass December's recent peak.



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 11-22 February 2021.

Survey data were first collected June 1998.

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