

News Release

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S&P Global Poland Manufacturing PMI[®]

Polish manufacturing sector remains in severe downturn

Key findings

Orders and production down considerably

Price indices remain at elevated levels

Job cuts reported as inflationary environment hits confidence

August marked another challenging month for Polish manufacturers. Both output and new orders fell at rates not seen since the height of the first pandemic wave in 2020, whilst job losses were again recorded as confidence about the future remained subdued. High inflation was widely reported to be eroding purchasing power, with sales down from both domestic and international sources. However, there was some relatively positive news on the inflation front as costs and charges continued to rise at slower rates.

The headline S&P Global Poland Manufacturing PMI[®] – a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – sank to a 27-month low of 40.9 in August (from 42.1 in July). It was the fourth successive month that the PMI has posted below the 50.0 no-change mark, highlighting a continued deterioration in operating conditions.

Production and new orders both deteriorated to great extents during August, with rates of decline the sharpest seen since May 2020. There were widespread reports that high inflation was severely hampering client purchasing power and leading to a reduction in spending on discretionary items. The challenging economic climate impacted on clients both at home and abroad: new export orders fell for a sixth successive month and again at an elevated rate.

Although trends were downward in August - hitting 21- and 19-month lows respectively - inflation rates for prices paid for inputs and then those charged by manufacturers themselves remained elevated. Raw materials were reported to be again generally higher (although some firms mentioned that steel prices were lower). Although acutely aware that market demand was deteriorating, firms signalled in many cases little choice but to pass on their higher costs to clients.

Lower production and order book requirements in August led to the sharpest pull-back of purchasing activity since June

Poland Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 August 2022

Comment

Paul Smith, Economics Director at S&P Global Market Intelligence, said:

"Poland's manufacturing economy remained mired in deep contraction territory during August, amid reports of an increasingly difficult business climate characterised by high inflation, reduced purchasing power, and general market instability. These factors played out in generating the sharpest falls in both output and demand since May 2020.

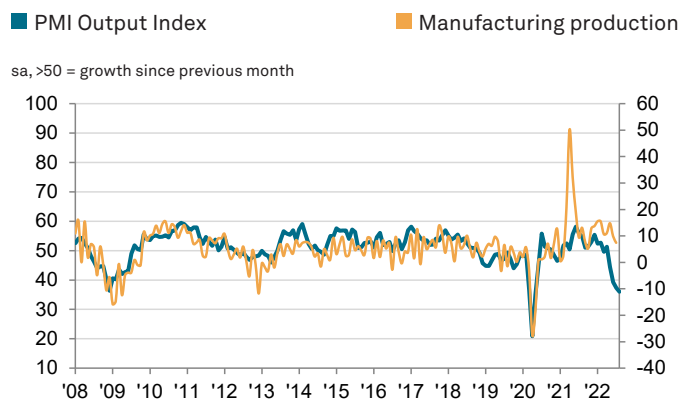
"In response, firms subsequently chose to baton down the hatches amid growing recession fears - which weighed on confidence - cutting their inventories and jobs in a bid to minimise costs. This was especially relevant at a time when input price inflation remains elevated, despite showing further signs that cost pressures have passed its peak."

PMI[®]

by S&P Global

2020. This had two principal consequences. Firstly, firms sought to utilise inventories wherever possible (cutting their stocks of purchases for a third successive month). Secondly, it continued to alleviate pressure on suppliers. Although transportation and logistical challenges were again noted, the incidence of supply-side delays as measured by average lead time data was the weakest since September 2020.

The challenging economic climate and deteriorating trends in output and new orders inevitably led to ongoing worries about the future. Despite overall confidence improving on July's recent low, high inflation and fears of recession were noted as factors limiting optimism. This fed through to employment decisions, with firms choosing to not replace leavers or invoke forced redundancies. A third successive monthly fall in employment (and the sharpest in over two years) had little impact on the ability of firms to reduce their backlogs of work, which again fell noticeably in August.



Contact

Paul Smith
Economics Director
S&P Global Market Intelligence
T: +441491-461-038
paul.smith2@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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Survey methodology

The S&P Global Poland Manufacturing PMI® is compiled by S&P Global 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. Data collection began in June 1998.

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.

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