

News Release

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S&P Global Poland Manufacturing PMI®

Manufacturing sector in accelerated downturn in October

Key findings

Rapid fall in new orders undermines output

Widespread uncertainty and high inflation hit confidence

Fastest cut to employment for almost two-and-a-half years

Poland's manufacturing sector endured another challenging month in October as a combination of high inflation, the war in Ukraine and general economic uncertainty all served to push down on output and new orders. Firms cut both their staffing levels and purchasing in response amid growing pessimism about the outlook.

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 – posted well below the 50.0 no-change mark in October, sinking to a level of 42.0. That was down from 43.0 in the previous month, and indicative of another severe deterioration in the health of the manufacturing sector. The PMI has now posted below the 50.0 no-change mark for six months in succession.

The deterioration in the PMI was closely linked to declines in both output and new orders. Production fell for a sixth successive month and at a sharper, more severe rate. This reduction in output was linked by panellists to a similarly considerable decline in new orders. Firms widely indicated that widespread economic uncertainty, high inflation, and the war in Ukraine had all served to undermine sales demand. Similar factors ensured that new export orders fell sharply, with latest data showing an eighth successive monthly decline.

The poor business environment led firms to reduce their purchasing activity during October, and again quite considerably (the sharpest in nearly two-and-a-half years). Firms signalled a preference for utilising previously built-up stocks especially given growing expectations of reduced prices for inputs in the coming months. Such forecasts for prices in part reflected growing pessimism about the near-term economic outlook, with increasing numbers of companies anticipating further falls in demand and recession. Overall, confidence with regards to future

Poland Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-25 October 2022

Comment

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

"October proved to be a challenging month for Polish manufacturers, with rapid falls in both production and new orders recorded. The war in Ukraine, high inflation, and the hugely uncertain economic outlook all served to undermine sales and confidence heading towards year end. Firms are understandably battenning down the hatches through this period of considerable turbulence, cutting their purchases and employment to significant degrees."

"Given the recessionary environment, firms are starting to expect inflationary pressures to weaken over the coming months, which showed up in inventory trends as firms signalled the unwinding of previously built-up stock positions amid expectations of lower prices for goods."

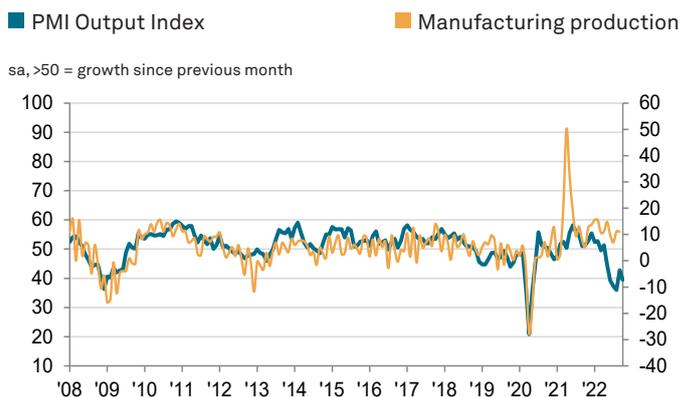
PMI®

by S&P Global

production declined to its lowest level in two-and-a-half years. The war in Ukraine, high inflation and the huge level of uncertainty currently engulfing product markets ensured that sentiment was also in negative territory for a second time in the past four months.

Reflecting the poor outlook and the difficult current economic environment, firms also broadly chose to not replace any leavers or were forced into redundancies in October. The net result was a fifth successive monthly fall in staffing numbers, with the rate of contraction the sharpest since May 2020. Excess capacity was also evident, with backlogs of work declining again at a considerable pace.

Finally, input cost pressures remained elevated during October, despite inflation easing slightly since September. Systematic inflationary pressures were reported to be persisting, with energy a key source of price rises. Firms once again responded by increasing their own charges at a historically elevated pace. Overall, prices rose at the sharpest pace recorded by the survey since July.



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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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