

News Release

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S&P Global Poland Manufacturing PMI[®]

Manufacturing sector experiences further contraction during March

Key findings

Faster falls in both output and new orders signalled

Job losses sustained

Inflation remains on downward trend

Poland's manufacturing sector suffered a deterioration in operating conditions during March, with concurrent and accelerated falls in both production and new orders. Staffing levels were also reduced, as firms continued to report sufficient capacity to comfortably work on both new and existing contracts. Optimism about the future improved, however, as firms were buoyed by some stability in supply chains and falling inflation. Price indices again shifted downwards during the month to signal slower rates of inflation in both input costs and output charges.

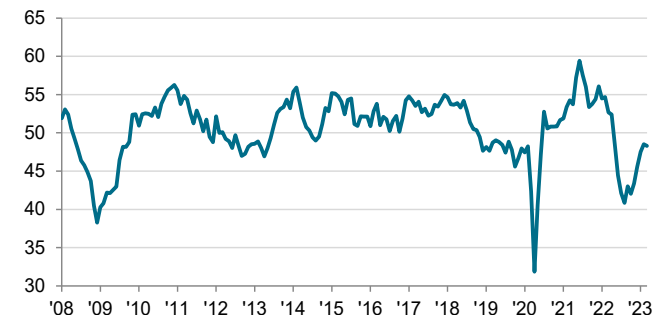
The headline S&P Global Poland Manufacturing PMI[®] – a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – posted below the 50.0 no-change mark for an eleventh successive month during March. Registering 48.3, down a little on February's 48.5, the index signalled a modest, and slightly faster, deterioration in operating conditions.

Weighing on the headline index were sharper falls in both output and new orders. Production has now fallen for 11 successive months, and the latest decline was again linked to a reduction in demand. Although relatively modest in the context of the current 13-month sequence of falling sales, the latest fall in new orders was solid. Firms continued to report a lack of demand for their goods, both at home and abroad, especially from neighbouring European markets. New export orders were down again at a marked rate.

Against this backdrop of falling sales and output, manufacturers remained cautious in their purchasing and hiring decisions. Latest data showed that buying was again reduced, extending the current period of contraction to ten months (although firms were still able to increase their stocks of input goods for the first time since last May). Companies also chose to not replace leavers in their workforces, the net impact being another fall in employment, extending a trend that began in June last year.

Poland Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-27 March 2023

Comment

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

"Hopes of the Polish manufacturing sector returning to stabilisation were dashed during March as both output and new orders declined at faster rates and ended the recently improved trends in these variables. Whilst there is some hope that March will prove to be a temporary blip, and that growth will eventually return in the months ahead, reports of a general lack of demand for goods fits into the general picture of a stalling global manufacturing recovery."

"Nonetheless, there was some positive news on the inflation front, with costs rising at their slowest rate since mid-2020, which fed through to a more optimistic tone amongst panellists. Although they understandably retain a cautious approach to hiring and recruitment, confidence in the outlook strengthened in March to the highest level since February 2022."

PMI[®]

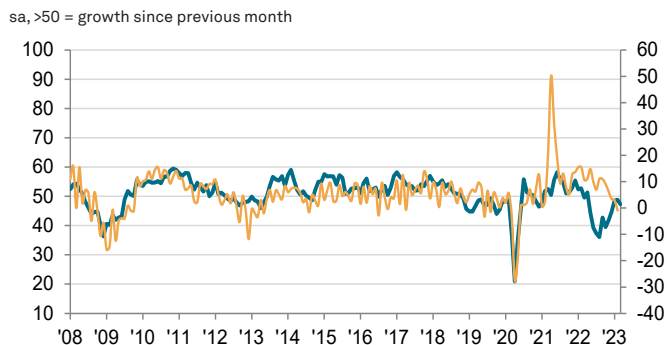
by S&P Global

Capacity remained sufficient to deal with overall workloads, however. Backlogs of work fell in March for a tenth month in a row, and to the steepest degree since last November. There were some reports of higher productivity at plants.

Lower purchasing activity meant pressure on vendors was again reduced during March. Although average vendor performance deteriorated since March, it did so only modestly and at a pace much slower than has typically been the case since the onset of the COVID-19 pandemic in 2020. Reports of supply-side stability helped to push further down on cost inflation. Whilst input costs increased, they did so at the slowest pace since July 2020. And with input prices rising at a slower pace, plus market demand reported to be fragile, output charges rose modestly and to the lowest extent for two-and-a-half years.

As inflation continued to ease, and with hopes that markets will return to some stability after a period of noticeable upheaval, Polish manufacturers retained a sense of optimism about the future in March. Expectations for output in the next 12 months rose to their highest level since February 2022.

■ PMI Output Index ■ Manufacturing production



Sources: S&P Global, GUS.

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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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