

News Release

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S&P Global Poland Manufacturing PMI[®]

Rapid contraction of sector seen in June

Key findings

Falls in output and new orders considerable

Price indices show noticeable downward trends

Confidence about the future sinks

The Polish manufacturing sector endured a difficult month in June as high inflation and ongoing geopolitical turbulence led to a noticeable drop off in new orders and subsequently a sharp contraction in production. Jobs were cut, whilst business confidence sank to its lowest level since the height of the first COVID-19 pandemic wave in 2020.

Moreover, price pressures remained elevated, underpinned by the high costs of energy and raw materials in general. However, in a sign of an easing of these pressures, rates of inflation for both input and output prices fell noticeably since May.

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 – slumped to 44.4 in June. That was down from 48.5 in May and marked a second successive monthly deterioration in operating conditions. Moreover, it was the lowest reading for 25 months. Just one year ago, the index hit a survey record high of 59.4.

The downturn in the headline PMI reflected drop offs in both output and new orders. Moreover, the scales of contraction were considerable in the context of the survey's 24-year history, exceeded only by those seen at the height of the global financial crisis and the recent pandemic. Reports from the panel linked the contraction in new orders to a turbulent economic climate, which continued to be impacted by both the war in Ukraine and rampant inflation. The latter was reported to be severely undermining demand, weighing heavily on the budgets of both domestic and external clients. New export sales posted a contraction that was the sharpest since May 2020.

Input costs continued to increase sharply over the month, underpinned by high energy and raw material prices. The short supply of goods was reported to be a factor behind

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



Source: S&P Global.
Data were collected 13-24 June 2022

Comment

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

"June's survey confirms that the run of Polish manufacturing growth since mid-2020 is well and truly over. Initially driven by strong pandemic-related demand for goods, expansion of the sector has been on shaky ground during recent months especially as the war in Ukraine, the short-supply of inputs and high inflation has led to an increasingly turbulent marketplace."

"Having slipped into contraction territory during May, the latest survey highlighted breath-taking downturns in orders and output, with rates of decline unheard of outside of the pandemic-related shutdowns of 2020 and the height of the global financial crisis in 2008. This highlights a rapid loss of momentum in the sector and unsurprisingly is leading firms to slim down operations as confidence about the future sinks."

"Perhaps some hope will be found in price indices that are finally showing clear signs that inflationary pressures are easing, whilst supply constraints are becoming less acute. However, these are most likely being driven by demand contractions and it remains to be seen how far the downturn will have to be to finally bring us back to a semblance of demand-supply equilibrium."

PMI[®]

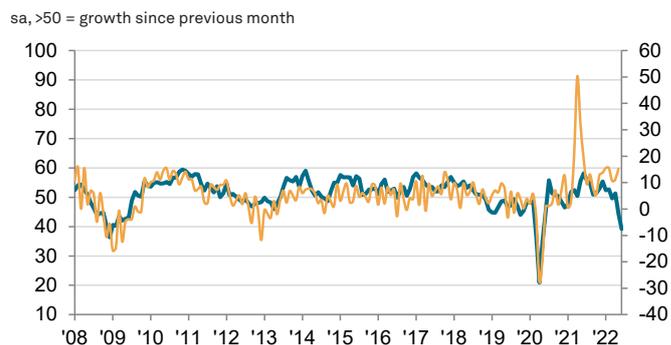
by S&P Global

inflation, amid ongoing transportation challenges at vendors and a lack of available stock in general. However, in a sign that price and supply factors may be dissipating, the incidence of delivery delays was the least acute since October 2020 whilst cost inflation slumped to its the weakest in over a year-and-a-half. In a similar vein, output charges continued to rise at a noticeable clip, albeit to the least extent since early 2021.

Moreover, there was a noticeable reduction in the demand for inputs, with purchasing activity declining to the greatest degree for two years. A lack of new orders and lower production requirements were often cited, whilst firms also noted efforts to draw on existing inventory wherever possible. Overall, stocks of purchases declined for the first time since March 2021.

Meanwhile, the noticeable drop-off in sales and production, driven by a challenging economic environment, weighed heavily on sentiment during June. Business confidence was at its lowest in 25 months, according to the latest survey. Falling confidence and the slide in sales, which led to a steep drop in overall workloads, subsequently weighed heavily on hiring activity. Amid reports of the non-replacement of leavers, and forced redundancies due to cost considerations, employment declined for the first time since November 2021.

■ 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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