

News Release

Embargoed until 0900 CEST (0700 UTC) 1 June 2022

S&P Global Poland Manufacturing PMI[®]

PMI slips into contraction territory

Key findings

Output and order books down sharply in May

Inflationary and supply-side pressures persist

Confidence in future production down to lowest in 19 months

Amid ongoing supply-side delays, high inflation and market instability, May's survey pointed to another difficult month for Polish manufacturing companies. Overall operating conditions deteriorated for the first time in nearly two years, amid noticeable drops in both production and new orders. Confidence slipped to its lowest level since October 2020, whilst employment growth remained modest.

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 – declined to a near two-year low of 48.5 during May. That was down from 52.4 in April and indicating a modest deterioration in the health of the manufacturing economy.

There was a dual contraction in production and new orders recorded by the survey during May. Moreover, rates of reduction were noticeable, hitting their sharpest for two years. There were widespread reports that market instability, linked in turn to the war in Ukraine, and high inflation was weighing on sales both at home and abroad. New export orders declined again in May, the third successive month this has been the case. Demand from key EU markets was reported to be lower.

Cost inflation remained severe in May, and a substantial proportion of these higher input prices were passed through to clients in the form of increased output charges. Raw materials, energy and fuel were again said to be higher in price. However, rates of inflation for both inputs and at the factory gate were noticeably softer when compared to April.

Shortages of inputs remained a factor underpinning inflation during May.

This was again highlighted by a deterioration in average lead times, which remained severe (despite the incidence of delivery delays being the lowest since October 2020).

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



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

Comment

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

"May's survey highlighted the continuation of the themes seen in recent surveys, namely around high inflation - especially for fuel/energy costs - and the market instabilities caused by the war in Ukraine.

"These factors, and the uncertainty they continue to bring, led to a noticeable drop off in sales and demand for Polish manufactured goods, and in turn a sharp reduction in production. Supply-side and logistical difficulties in the delivery of inputs also continued to weigh on productive capabilities.

"Whilst falls in both cost and output price inflation, plus a lower incidence of delivery delays, lead to some hope of a lessening of these constraints in the coming months, firms remain somewhat subdued in their outlook: business confidence in the year ahead dropped in May to its lowest in over a year-and-a-half."

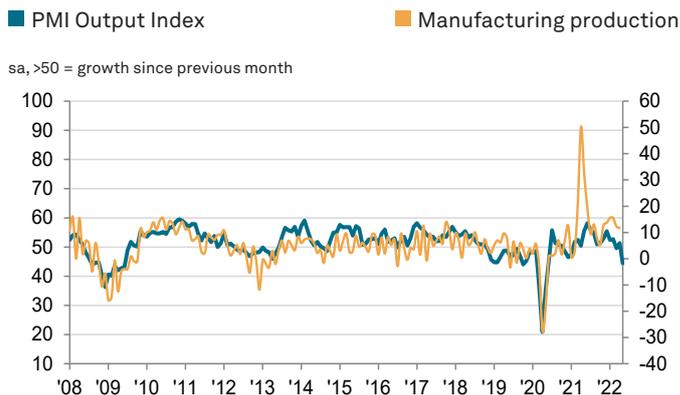
PMI[®]

by S&P Global

Production capabilities continued to be affected by these difficulties, and firms signalled a modest rise in backlogs of work as a result. This helped explain a rise in employment for a sixth successive month, although with new orders showing a negative trend, the rate of jobs growth was modest amid some evidence of the non-replacement of leavers.

Elevated inflation and supply-side delays were again cited as a factor for the stockpiling of goods that were available to purchase on goods markets. Inventories of purchases subsequently rose for a fourteenth successive month. Purchasing activity also rose, although as production and new orders fell, the rate of growth was marginal and the lowest in the current sequence of expansion.

Finally, confidence in future production levels softened as worries over inflation, the war in Ukraine and associated market instabilities persisted. Overall sentiment declined to its lowest level in 19 months.



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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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