

News Release

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S&P Global Poland Manufacturing PMI[®]

Downturn in Polish manufacturing sector gathers pace during July

Key findings

Rapid falls in both production and new orders

Confidence sinks whilst jobs and input buying both cut

Price indices turn downward, but inflation remains high

Operating conditions in Poland's manufacturing sector deteriorated considerably during July. Output and new orders fell sharply as high inflation and an uncertain economic climate weighed on demand, whilst firms cut staffing levels on average for a second month in a row. Confidence about the future hit is lowest since April 2020.

Although trends in inflation metrics remained downward during July, price pressures were again elevated, with costs and charges continuing to rise at historically high 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 – fell to 42.1 in July. That was down from 44.4 in June, and the third month that the index has posted below the 50.0 no-change mark. Moreover, the latest reading was the weakest since May 2020.

The deterioration in the headline PMI reflected concurrent and considerable drops in both production and new orders. In both cases, rates of contraction were the worst since the height of the pandemic in 2020 and only surpassed previously by those seen during the global financial crisis in late 2008. Elevated inflation and the uncertain geopolitical climate all added to a general downturn in demand, both at home and abroad: sales to external markets were down to a similarly marked degree as total new orders, with firms reporting an unexpected and worrying slowdown in European economic activity.

Similar factors weighed on confidence, with worries mounting over recession in the coming months. Sentiment turned negative for the first time since April 2020, and firms indicated a move into more defensive business positions given expectations of a continuation of the current downturn. Leavers were generally not replaced, with lower sales and production requirements, plus signs of spare

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



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

Comment

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

"Poland's manufacturing sector experienced a worryingly sharp deterioration in performance during July. We should be under no illusions of the scale and speed that the downturn is occurring: the index numbers we're seeing for both output and new orders have only been beaten to the downside during periods of extreme stress (the global financial crisis and the pandemic).

"Firms and their clients are understandably growing worried about recession, with high inflation and geopolitical uncertainty, especially in relation to Ukraine, leading to much hesitancy within the European marketplace.

"Companies may take some crumbs of comfort that this retrenchment of demand is, at least, starting to show up in price indices. Although inflation remains elevated it seems firmly on the downslope, with costs rising to the lowest degree for 20 months in July."

PMI[®]

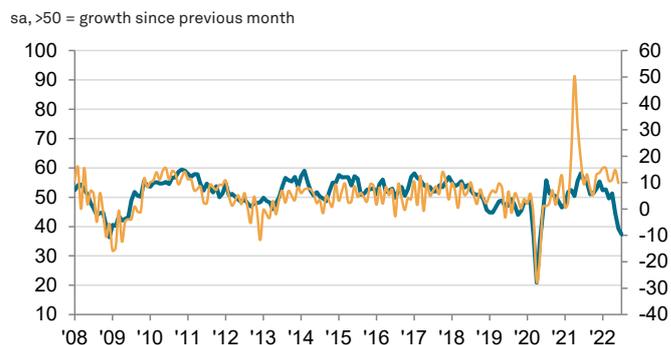
by S&P Global

capacity (backlogs of work declined for a second month in succession), leading to a cut in staffing levels. The rate of contraction was again solid, and little changed since June.

Firms also sought to reduce their inventory holdings of semi-manufactured goods and raw materials, with stocks cut for a second month in a row and at the sharpest rate since April 2020. This reflected in part a similarly sharp decline in purchasing activity given steep downturns in orders and current production requirements.

Lower demand for inputs helped to alleviate some pressure on supply chains, with the incidence of lengthening delivery times the lowest since October 2020. That said, vendors continue to face shortages of materials and are still experiencing logistical challenges. This is in part underpinning high levels of input price inflation. With energy prices remaining high, and reports of unfavourable exchange rates, overall input costs again rose considerably, despite the rate of inflation being the lowest for 20 months. Similarly, firms continued to pass on higher costs to clients wherever possible.

■ 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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