

## Poland: Another PMI drop on activity and new orders

The September manufacturing PMI slipped once again to 40.9pts from 42.1pts (consensus 41.8pts). Outside of the pandemic period, this is the lowest score since the financial crisis. However, the PMI has for months been pointing to an overly pessimistic picture of manufacturing

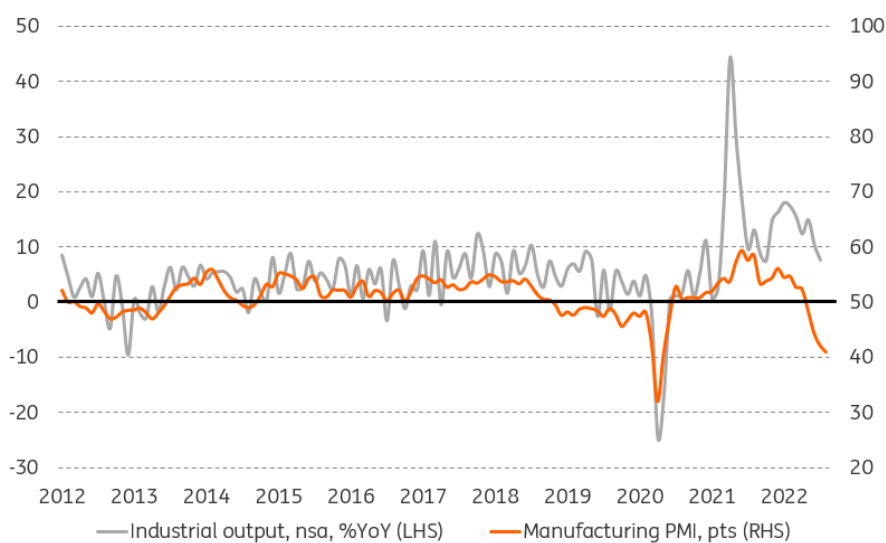


Both production ratings and new orders fell at the fastest pace since the first wave of Covid-19 in May 2020. Surveyed companies indicate that high price increases have weakened demand from customers. Export orders also fell for the sixth consecutive month. We note, however, that the results of the national PMI have for months been pointing to an overly pessimistic picture of the economic situation in manufacturing – the trend indicated by the survey is confirmed in the production data, but the scale of the actual slowdown is much weaker.

The surveyed companies indicated that the rate of cost growth was the lowest in 21 months, and the price of finished goods in 19 months, although both indicators remained at historically high levels. Despite weaker demand, companies were still forced to pass on rising prices to customers.

## Manufacturing output and PMI in Poland

PMI points to a very negative manufacturing outlook



Lower production and fewer orders led to the sharpest reduction in purchasing activity by Polish manufacturers since June 2020. Companies sought to use inventories (this is the third month of inventory reduction). Such a trend also seems to be confirmed by, among other things, the balance of payments data, where we see weakening imports of components and raw materials. Surveyed companies also reported further deterioration in employment ratings and job cuts for the third month in a row. The latest data on employment in the business sector admittedly did not increase manufacturing jobs, but there was no decline either.

September's PMI results confirm the weakening fortunes of manufacturing industries and the continuing pass-through of rising costs to consumers. This is confirmed by data from the beginning of the third quarter, indicating a weakening of the previous drivers of the Polish industry.

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