

As Polish PMI slips, industrial recovery remains strong

The drop in Polish PMI is the result of continued supply-side constraints and accompanied with increasing cost pressures is likely to boost CPI inflation



Source: Shutterstock

57.6

PMI in July

Market expectations at 59.1

Lower than expected

The July PMI reading in Poland came in slightly below expectations at 59.1 and the June reading (59.4).

We forecasted that given increasing supply chains disruptions, it would be difficult for the industry to beat historical records for another month consecutively. A slightly weaker manufacturing sentiment was also indicated by business climate indexes of the Central Statistical Office and the

European Commission (ESI).

Although lower than June, the PMI index is still the second-highest ever reading and points to an increase in production, albeit at a slightly slower pace than the previous months. Growth rates for new orders and employment declined slightly compared to June, though they remain historically elevated. Delivery times continued to lengthen in July, holding back production growth and generating backlogs.

Although the pace of production growth has somewhat slowed, surveyed companies still point to strong demand. This, with constraints on the supply side, generated in July the third-highest inflation of the input prices, which translated into higher prices for finished goods.

According to our models, higher producer prices should drive up CPI inflation with a lag of two to three quarters.

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