

## Poland: Manufacturing PMI rises in November but deterioration expected

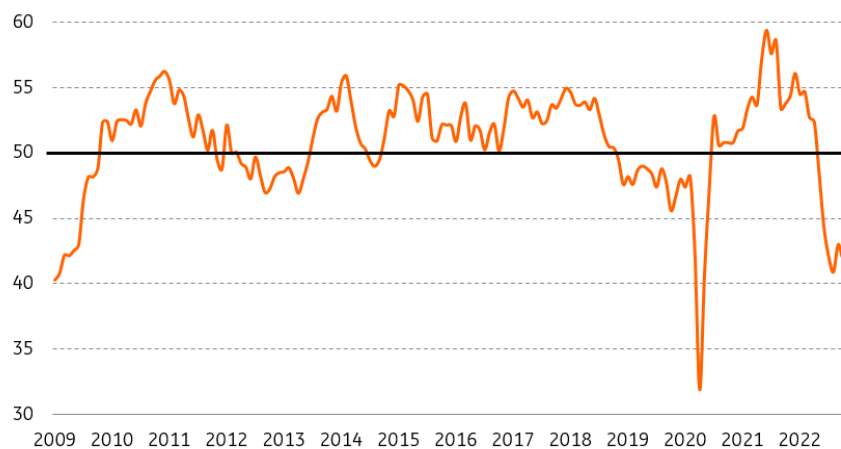
Poland's manufacturing PMI went up to 43.4pts in November, but we are still seeing rapidly deteriorating conditions in industry. Output and new orders continued to decline, albeit at a slower pace. Further improvement in supply chains was reported, but prices are still rising. Much softer industrial output readings are expected in the coming months



The Polish manufacturing PMI index rose to 43.4pts in November from 42.0pts in October (consensus: 42.8pts). Despite the slight improvement, the PMI index still indicates a sharp contraction in industrial activity. Production and new orders fell again, albeit at a slightly lower rate than previously. Businesses complain about the unfavourable macroeconomic environment. Purchasing managers reported a decline in inventories, lower purchases, and employment reductions.

## PMI slightly up but still deeply in negative territory

Poland's manufacturing PMI, pts.



Source: S&P Global.

Export orders declined for the ninth consecutive month, particularly to key European markets. Production backlogs are falling at a rapid pace and purchasing activity declined at the fastest rate since April 2020. Fewer problems with sourcing materials and the functioning of supply chains are supporting the Polish and European industry, allowing backlog orders to be fulfilled. This also translated into reduced upward cost pressures, which were the weakest in more than two years. Despite this, costs continued to rise (mainly due to more expensive gas and electricity), resulting in a sharp increase in output prices.

The coming months will see a marked slowdown in industrial production growth. On the one hand we are dealing with deteriorating foreign demand, and on the other we have a high reference base from last year, when an impressive and hard-to-explain increase in energy production was reported. The usefulness of the PMI in predicting changes in production has been limited in recent months. The slump in purchasing managers' assessments has been accompanied by the solid health of domestic manufacturing. This does not change the fact that the long-painted pessimistic picture of Polish manufacturing by manufacturers is now becoming a reality and will be reflected in hard data.

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