

Poland's PMI dips further in April amid poor output and orders

In April, the PMI for domestic manufacturing fell to 46.6 from 48.3 against a consensus of 47.9. Both assessments of current production and new orders worsened, and at the fastest pace since the beginning of the year. Reported production costs fell for the first time in seven years



Opel factory in Gliwice, Poland

The slump in orders is particularly evident in the case of exports (the fastest decline since November), which businesses primarily linked to the worsening situation in Europe. Companies surveyed indicated that demand was still being affected by high prices and general uncertainty. Manufacturers also continued to cut jobs. At the same time, purchases fell at the fastest pace in three months, as companies preferred to use up already accumulated inventory.

The overall industrial picture is thus not optimistic, both in terms of domestic and export demand. This seems to be confirmed by industrial economic indicators from major European economies, and China. The reduction in inventories, after two years of restocking, plus overall weakness in industry are factors behind our downbeat forecast for this year's GDP growth (around 0.5% year-on-year).

Reported production costs fell for the first time in seven years. With demand deteriorating, this has forced price cuts in finished goods for the first time since August 2020. Weak domestic demand and the uncertain global situation (e.g., as far as China is concerned) suggest that disinflationary processes in the country will continue, supporting expectations for relatively quick cuts in interest rates. However, we are concerned that the decline in core inflation will be relatively slow and will keep CPI at around 9% YoY in December, ruling out a loosening of the National Bank of Poland's policy this year.

Author

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.