

## Poland: PMI stable on supply chain problems

Poland's PMI stabilised at 50.8 in October while the current production and new orders assessment both deteriorated. However, delivery times and employment improved, likely due to the pandemic



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A deterioration in the assessment of production and new orders confirms the pessimistic GUS and European Commission survey results. The PMI also indicates weaker internal and external demand.

However, longer delivery times and a higher employment subindex boosted the headline PMI. In normal times, this would indicate strong demand and activity. However during the pandemic it most likely reflects capacity constraints, with workers in quarantine and supply chain disruptions. Surveyed companies reported the fastest growth in employment since June 2018.

The poor PMI structure signals weaker industrial activity as indicated by other indexes. The stabilisation of the PMI despite lower production and orders is due to the rise in the delivery time subindex, which in turn is caused by adverse effects rather than stronger activity. Still, the deterioration of economic activity is significantly less severe than during the first Covid-19 wave in the second quarter. This supports our call for 4Q20 GDP to decline but the contraction is expected to be only about one third of that seen in the second quarter in quarterly terms.

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