

Poland's PMI undershoots on supply shortages

The main index declined to 56pts, undershooting the consensus (56.5pts.). Companies report slower growth in production and are facing supply shortages. Given strong demand, this is resulting in a further rise in the backlog of orders and is keeping upward pressure on prices



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GUS surveys also showed that the share of companies facing component shortages is at record high, while fewer indicate insufficient demand. Meanwhile, Markit reports strong demand, both internally and externally, while export orders in particular look strong. This is resulting in a further rise in order backlogs, which have now expanded for 11 straight months - currently at a pace close to the record in June. Companies were also forced to further reduce inventories.

This confirms that Polish producers face increasing supply chain disruptions, as seen in other European countries. It has forced them to largely limit planned employment, although this is still reported to rise. The output price index was lower compared to the previous reading, but still the fourth highest in the PMI survey's history. Input price growth slowed as well (subindex was the lowest in six months), but is still high historically.

Companies' expectations worsened somewhat but they still anticipate double-digit production growth on the back of a post-pandemic recovery.

The overall picture points to CPI remaining elevated. The mix of strong demand and insufficient production suggests rising costs to be passed onto the final consumer. Still, given uncertainty over the fourth wave of the pandemic, we expect the MPC to start the tightening cycle with a 15bps hike in November. So far, four members openly support a hike: Jerzy Kropiwnicki, Łukasz Hardt, Eugeniusz Gatnar and Kamil Zubelewicz.

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