

## Polish manufacturing sentiment lower than expected

Polish manufacturing PMI in March rose to the highest level since January 2018, but the reading was slightly below market expectations. Companies reported the highest output price pressure in the history of the survey



Wind power plant factory, Szczecin, Poland

# 54.3

PMI in March

consensus at 55.5

Lower than expected

Poland's manufacturing purchasing managers index rose from 53.4 in February to 54.3 in March - the highest level since January 2018, but slightly lower than the market consensus of 55.5.

The components of the PMI point to an increase in new orders - the fastest since July 2020, which is mainly due to the rise in export orders.

Companies reported a recovery in demand in Europe, particularly Germany. Firms said they are experiencing capacity constraints. The volume of outstanding business rose the most since January 2007. They linked backlogs to a combination of improving demand, reduced supply and labour shortages.

Scarce raw materials, higher transportation costs and the weaker zloty generated inflationary pressures. Input price inflation accelerated for the sixth consecutive month to the highest level since data has been collected in June 1998, which has led to a series-record rate of output price inflation (since January 2003).

Polish manufacturers expect production to increase once the pandemic is contained. The vaccination programme is estimated to accelerate significantly in 2Q21, which should gradually unlock the economy. The projected rebound in global GDP should boost Poland's manufacturing sector, considering its high geographic and product diversification.

Reported delays in deliveries and problems with the availability of raw materials generate cost pressure visible in Poland and other economies. So we forecast that the upcoming recovery will be accompanied by higher inflation.