

Record inflationary pressures build for Polish manufacturers

Despite the slowdown in PMI, the manufacturing sector in Poland remains strong and is accompanied by record inflation expectations. We expect GDP to grow by 4.8% on average this year and CPI inflation at 3.9% YoY



Steel manufacturing at ArcelorMittal steel mill, Warsaw, Poland

Source: Shutterstock

53.7 PMI in April

consensus at 55.0

Lower than expected

Despite the fall of Polish purchasing managers index to 53.7 in April from 54.3 in March, the index is still significantly above its long-term average of 50.4 and at the second-highest level since June 2018. Details signal a solid overall improvement in manufacturing accompanied by record inflation expectations.

The data shows a positive contribution of all the surveyed areas for the first time since July 2018. However, the growth of the production component in April was severely limited by supply shortages and high staff absences due to Covid-19 for the third consecutive month. Order backlogs increased at the fastest rate in survey history and manufacturers shed inventories to meet the demand. The demand for labour increased for the eighth consecutive month and at the fastest pace since June 2018.

Strong demand and disruptions from supply chains contributed to the record input price inflation in April. The output price inflation also rose significantly as manufacturers tried to pass on higher costs to customers. New orders rose for the fifth consecutive month in April, with export orders rising at the fastest pace in seven years. The growth of domestic orders was weaker.

Despite the slowdown in PMI, the manufacturing sector in Poland remains strong. This is indicated by other surveys, such as those of the Central Statistical Office and the European Commission. Manufacturing data for March was better than expected.

As pandemic restrictions are relaxed, hard data should strengthen further, further supported by the low base of 2020.

We expect GDP to grow by 4.8% on average in 2021, and CPI inflation at 3.9% YoY.

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