

## Poland's PMI lags improved production

The manufacturing PMI rose from 40.9 to 43 in September on less pessimistic new orders and current production. But approach the reading with caution – very poor past readings were not reflected in actual output and this recovery comes after the improvement in actual manufacturing results



Source: Shutterstock

New orders have improved since August when they hit a 27-month low. Still, the pace of the decline has remained strong. Export orders have continued to shrink as well, with surveyed companies linking this primarily to weaker demand from Germany. The decline in current production, meanwhile, slowed to its weakest level since May. Despite falling output, backlogs of work fell for a fourth consecutive month. In response to shrinking demand, companies once again reduced purchasing activity, drawing on accumulated inventories. Manufacturers also announced job cuts in response to the deteriorating economic environment, and at the fastest pace since May 2020.

We note the rebound in the input cost sub-index, which posted the strongest increase in three months. In response to rising costs, companies once again raised prices of finished goods strongly, albeit at the slowest pace since early 2021.

We approach the PMI survey results with caution. The index has recorded very strong declines in recent months, but these have not been reflected even roughly in the actual industrial production data. Therefore, in the case of the improvement indicated in the September report, we do not assume that this will have a clearly positive impact on hard data readings.

Indications of slower price increases in finished goods were visible in the PPI. However in the CPI - among other things, the large increase in the core component indicates another wave of price increases related to energy costs.

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