

Polish PMI in industry beats expectations, despite Omicron

In December, manufacturing PMI in Poland climbed to 56.1 vs 54.4 in November. This is the highest print since July 2021, and is largely driven by further improvement in new orders and production



Thermal power plant in Wrocław, Poland

Reported current production grew at the fastest rate since July, while new orders the fastest since August 2021. This likely reflects the loosening of sanitary restrictions in Asia in September and October last year. This not only improved the availability of components to local producers, but likely supported external demand for Polish products as well. In the previous months local manufacturers reported lower foreign orders, suggesting that their foreign counterparts were unable to increase production, facing shortages in their supply chains. In December, the Polish producers reported a rise in export orders for the first time in four months.

However, delivery times increased as well. This suggests that demand continues to outpace production, despite less severe supply disruptions. In tandem with rising costs (energy, wages, etc), this again resulted in a rise in reported input prices in December. Companies also increase their purchases, likely fearing renewed problems with supply, given the Omicron variant. Producers may have also increased purchases ahead of expected price increases. This all should add to inflationary pressures as well.

The structure of the PMI reading points to a persistent pressure on prices. The Polish producers are unable to meet demand, despite less severe supply chain disruptions. Also, they face rising costs, which – given strong demand – should translate into higher final prices.

In a broader perspective, today's data (alongside a solid print in Czechia), bodes quite well for manufacturing activity in the eurozone in early 2022, despite the Omicron variant. Central and Eastern European producers are placed rather lower on the ladder of international production chains compared to e.g. Germany.

Author

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.