

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.

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