

## The Polish economy is cruising ahead

The figures look good for Poland, but where's the investment growth?

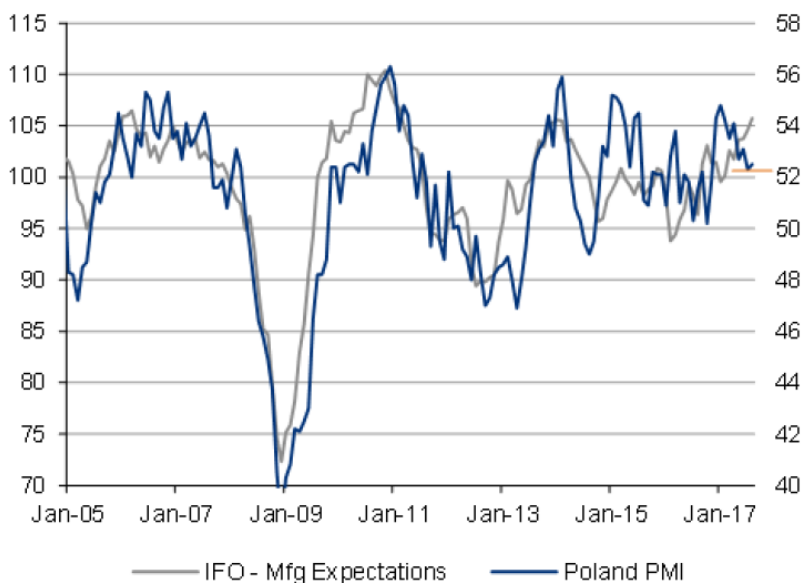


Source: shutterstock

**52.5** Poland PMI in August  
Up from 52.3 in July

After several months of downward correction, Polish PMI accelerated modestly from 52.3pt to 52.5pt, driven by orders and, to a lesser extent, output. This coincides with slightly higher EU funds paid in the third quarter of this year, but labour constraints are a worry. The manufacturing index seems to have bottomed out after seven months of downward correction. It last peaked in December to January 2016-17 when the first large tranche of EU money was paid. Then fresh inflows were subdued and investment recovery slowed and strongly underperformed Germany's economic indicator, the Ifo index, in the first half of this year.

## Polish PMI underperformed IFO in 2Q17

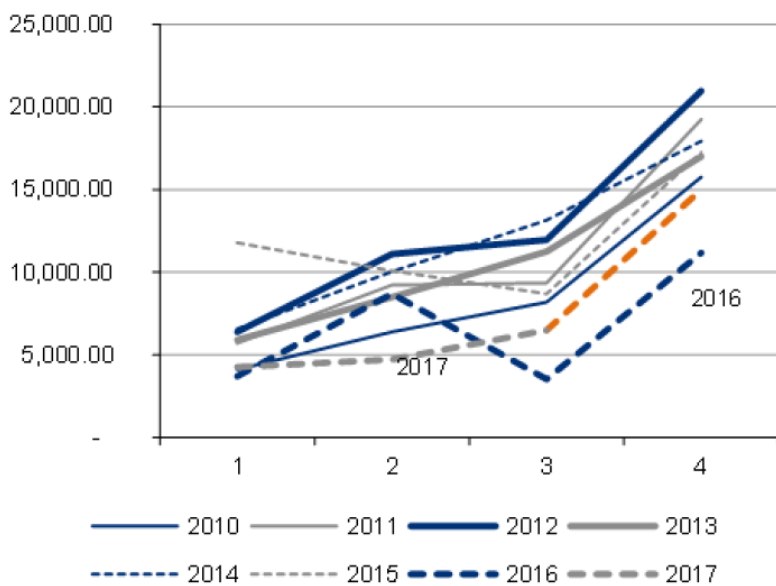


Source: Markit, IFO

The Polish economy is cruising fast thanks to domestic demand, with growth in the second quarter of this year at 3.9% year-on-year and consumption growth at 4.9% YoY. But the lacking element is investment. However, we're expecting improvements here and, with higher inflows of EU funds, this should shape the growth profile in the coming quarters.

Companies reported a rise in work backlogs for the first time since February 2015, due to both shortages of labour and supply constraints. The shortage of labour has been reported for many months, but doesn't seem to be that burdensome, given that only the retail sector has started competing for workers through wages, while pay in other sectors has remained subdued.

## EU funds paid in quarters - weak 2Q17



Source: MinDev

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