

April's rebound in Polish production offsets dismal March reading

We opted not to revise our Polish economic growth forecast for 2024 down after a dismal industrial reading in March – which has proved to be the right decision. April brought a bounceback and confirmed that an industrial recovery is underway, even if not impressive. We still see Poland's economy expanding by 3% this year



The industrial landscape of the Gdansk Shipyard, Poland

Industrial output rebounded in April after weakness seen in March

Polish industrial production rose by 7.9% year-on-year in April (ING: 6.2%, consensus: 5.6%), following a 5.6% YoY decline (revised) in March. Seasonally adjusted data shows a 7.0% month-on-month increase in production, meaning that manufacturing has recovered from the March decline. Averaging over the last two months indicates that the recovery in manufacturing is progressing. Alternative data also indicates that the rebound has continued and the exceptional weakness seen in March was a one-off.

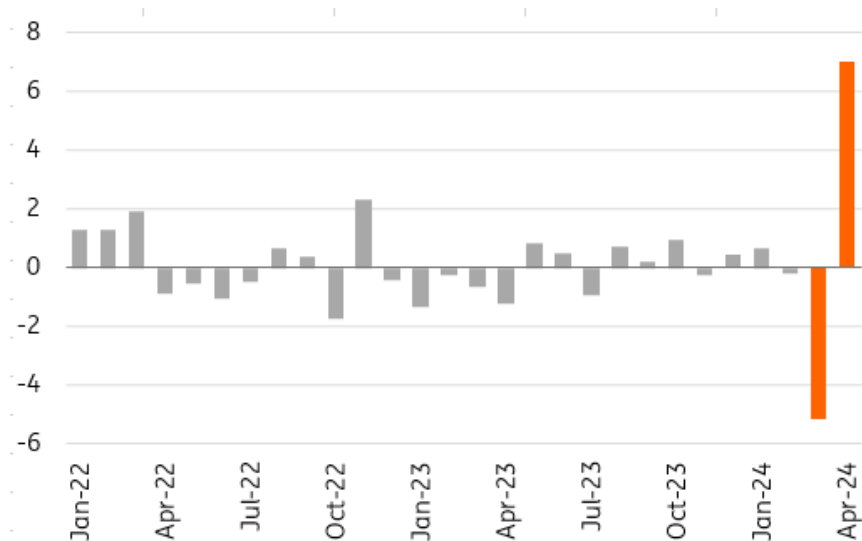
The high volatility of industrial production data in March and April was due to calendar effects. The

weak performance in March was a consequence of two fewer working days and an early Easter. In contrast, April this year had two more days than the year before, which boosted industry data.

In April, production growth was recorded in the vast majority of industrial divisions (31 out of 34), with declines occurring in the manufacture of electrical equipment, mining and metal production. There was solid growth in the production of consumer goods, both durable (12.9% YoY) and non-durable (9.9% YoY). This allows us to be more optimistic about the outlook for consumption, where we expect to see a steady improvement. The production of capital goods grew at slightly slower pace (7.6% YoY).

High volatility in industrial output data induced by calendar effects in recent months

Industrial output, MoM SA



Source: GUS

PPI deflation to ease in the coming months

Producers' prices remain in deep deflation. In April, the PPI index fell by 8.6% YoY (ING: -8.2%, consensus: -8.3%), following a decline of 9.9% YoY (revised from -9.6%). Compared to March, producer prices rose by 0.2%, mainly driven by higher prices in mining (+4.2% MoM), while price levels were broadly stable in other areas. The main part of the downward adjustment in the level of producer prices is probably behind us. The following months will bring a gradual reduction in annual deflation, and by 2024/25, we should already see an increase in PPI on an annual basis.

Our outlook

Given the high volatility of production due to calendar effects, the state of the economy is easier to assess by looking at the last two months together. The picture that emerges from the March and April data suggests that the recovery continued in the first and second quarters of this year, but at a moderate pace. The performance of domestic manufacturing is overshadowed by the problems of the German economy, which is under increasing competitive pressure from other countries.

Despite the unfavourable external environment, we remain optimistic on Poland's economic

recovery. We refrained from downward revisions of annual GDP forecasts after the weakness seen in March, and April's rebound confirmed that the economy is on the recovery track. Real disposable income growth (at a pace not seen in more than two decades) should be the main driving force behind consumption in 2024. In our view, the rebound is very likely to be driven by a recovery in domestic demand rather than an improvement in foreign trade, as the cyclical improvement in Germany is there but is slower than in other eurozone economies.

Despite the strong zloty, weak external demand and decelerating public investment, we project GDP growth to amount to 3% this year and accelerate in 2025 thanks to stronger investment activity.

Authors

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Adam Antoniak

Senior Economist

adam.antoniak@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 <http://www.ing.com>.