

## Poland's industrial activity surprises to the upside as inflationary pressures mount

Industrial output in Poland is supported by a diversified production structure. Companies are still able to find customers despite higher prices. We think the chances of a rate hike for Poland in November have increased



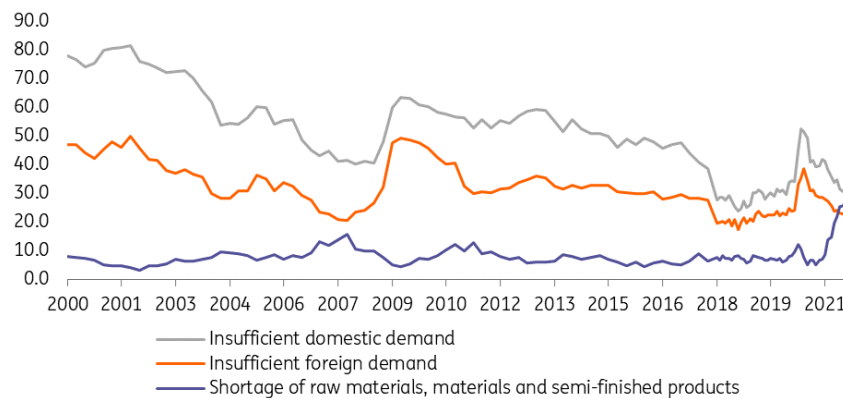
A car factory in Poland

In September volume of Poland's industrial production rose by 8.8% YoY, exceeding the consensus forecast (8.2%). Coal mining accelerated strongly, with production rising by 19.6% YoY. This is supported by increasing global demand and prices. Coal is still Poland's primary energy source, and the next one, gas, has become more expensive.

But we also see some other reasons for the solid production growth. Poland's diversified industry is doing better than car monocultures in neighbouring countries (car factories in Czechia were closed in 4Q21 due to supply disruptions). Production of clothes accelerated to 22.3% YoY after 14.1% growth in August. Manufacturers are probably increasing capacity in the country to deliver their orders given rising shipping costs and lengthening delivery times worldwide.

On the other hand, the automotive sector is deteriorating. In September car production fell 17.3% YoY after a 12.9% decline in August. Problems with the availability of microprocessors are ongoing, forcing some companies to suspend operations. This generates further disruption to logistics chains, auto production is one of the most logistically complex manufacturing processes. In September the share of manufacturing companies that indicated a shortage of raw materials, supplies and semi-finished products as a barrier to their operations increased to 28.3%, the highest in the history of the CSO survey.

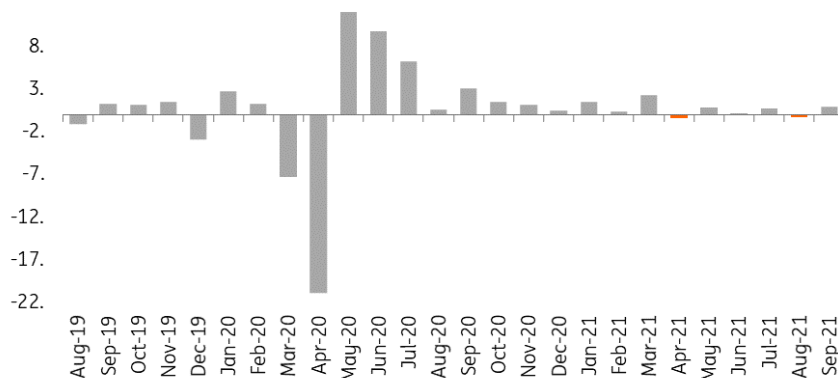
## Manufacturing: Factors limiting activity



Source: CSO

The YoY production results are affected by the base effects and often by differences in the number of working days. Therefore, it is better to use seasonally adjusted MoM changes to assess current trends. These, at the aggregate level, also point to an improvement in manufacturing after the weaker recent months. In September, production rose by 0.9% MoM, which was the best result since March this year. Poland's aggregate production may benefit from its highly diversified structure, especially compared to its regional peers.

## Industrial production (%MoM, seasonally adjusted)



Source: CSO

As demand is sustained, companies are able to pass on increasing costs to the prices of final products. In September, producer price inflation (PPI) rose again, to 10.2% YoY from 9.6% in August. Companies are still able to find customers despite higher prices, which suggests that

inflationary pressure in the economy is likely to stay for longer. In our view, today's industrial and PPI results increase the likelihood of another rate hike in Poland in November.

We do not yet know all the data for September, but we preliminary estimate 3Q21 GDP at around +5% YoY.

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@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](http://www.ing.com).