

## Polish manufacturing bottoming out and producer prices starting to stabilise

Industrial production fell 3.1% YoY in September, but there are early positive signs as seasonally adjusted data points to a turnaround. Producer prices (PPI) also started stabilising, but deflation in YoY terms is there to stay for some time



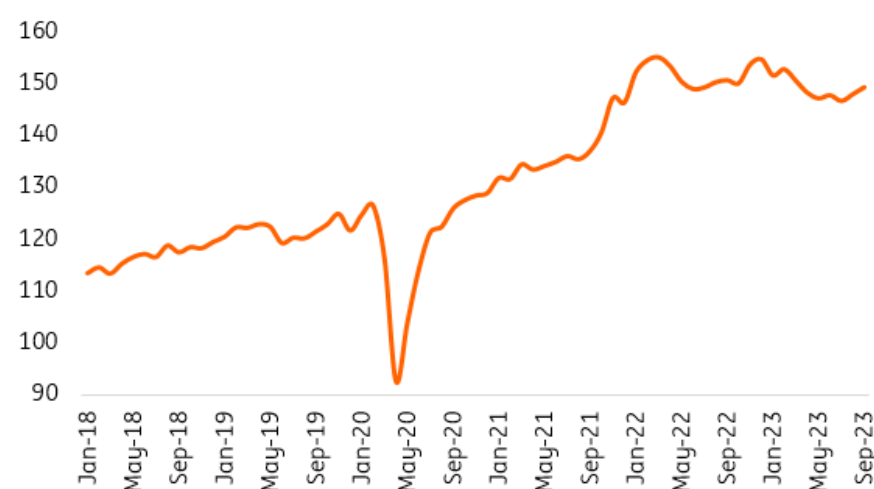
A factory in Poland

Industrial production fell by 3.1% YoY in September (ING: -3.8%; consensus: -3.0%) with a further deepening of the decline in manufacturing (-3.7% YoY vs. -2.0% in August), though it is worth remembering that September this year had one working day less than in September 2022, what deducted ca 3pp from production in YoY terms.

There are, however, some encouraging signs as seasonally adjusted data points to a 0.9%MoM increase in output. It was the second consecutive month of rising activity growth in seasonally adjusted terms.

## Industrial output bottoming out

Industrial production, 2015=100, SA



Source: GUS.

Large annual declines in production were recorded in export-oriented industries: metals (-15.7% YoY), electrical equipment (-15.0% YoY), and electronic and optical products (-10.4% YoY). At the same time, increases were recorded in areas related to investment and energy. Production in the “repair and installation of machinery and equipment” increased by 7.3% YoY. Growth was also observed in the “electricity, gas, steam and air conditioning supply” (+3.7% YoY). This suggests that we should see continued expansion of investment and further deepening of the decline in exports in the composition of 3Q23 GDP.

## Economy reached a bottom and should slowly recover

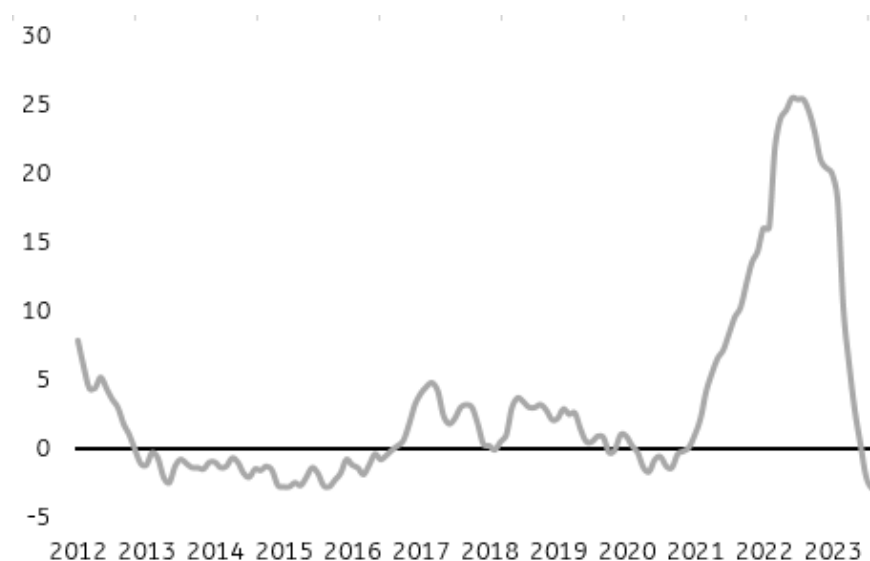
Although the headline production indicator on an annual base still looks dismal, the seasonally adjusted data suggests that industry has most likely found the bottom and has started to rebound. Business surveys suggest that the decline in orders is slowing down, which should support a gradual stabilisation and then a bounce back in activity in the coming months.

## Producer prices stabilise but the recent decline is yet to pass to consumer prices

Producer prices (PPI) fell by 2.8% YoY in September (ING: -3.4%; consensus: -2.7%), following a 2.9% YoY decline in August (data revised). On an annual basis, we still have deflation, but the price level is beginning to stabilise. The MoM decline in prices over the past two months has stalled. Despite strong reductions in wholesale fuel prices, the magnitude of the price decline in the 'coke and refined petroleum products production' category turned out shallower than expected.

## PPI deflation continues, but price level ceased to decline

PPI inflation, %YoY



Source: GUS.

The decline in the producer price level is probably behind us, but on an annual basis, the coming months will be marked by deflation due to strong base effects. The recent slide of producer prices is yet to pass into CPI inflation.

### 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).