

## 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



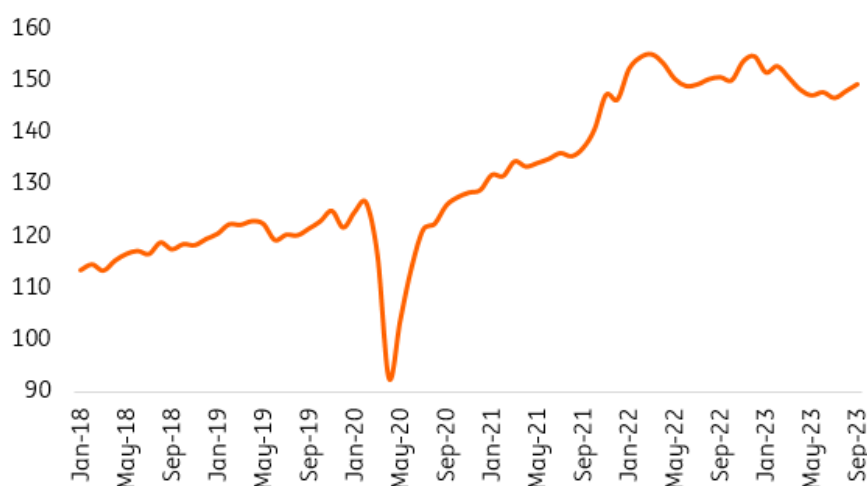
A factory in Poland

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

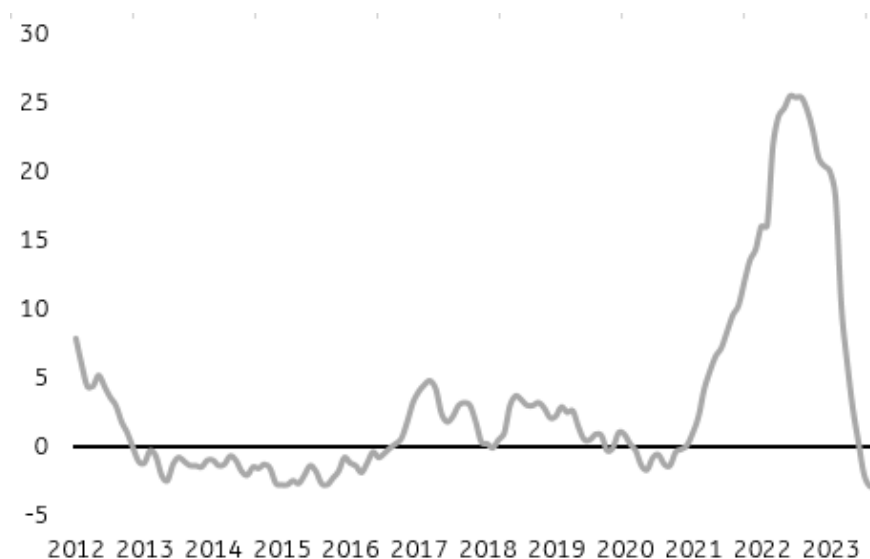
Although the headline production indicator on an annual base still looks dismal, the seasonally adjusted data suggests that industry has most likely found the bottom and has started to rebound. Business surveys suggest that the decline in orders is slowing down, which should support a gradual stabilisation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

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