Mixed December data from Poland's industry

Poland's industrial output was still down on a year-on-year basis in December, but it increased in seasonally-adjusted month-on-month terms, albeit with uncertainty related to energy output. There are signs of a modest rebound after two very weak months in the fourth quarter of 2023

Poland's industrial production fell by 3.9% YoY in December after a 0.3% fall in November (revised upwards from -0.7%) but less than expected, (our forecast -6.4%, consensus: -5.2%). Energy was exceptionally strong (11.4% YoY, probably the result of a warm winter a year ago, possibly overestimated due to the strong volatility of energy prices). Manufacturing continues to perform poorly in YoY terms (down 5.6%). It remains under pressure from weak demand from Europe, cautious spending by Poles and the negative working days difference.

Seasonally-adjusted (SA) data shows a far more optimistic picture. We had two fewer working days in December 2023 than a year earlier. On a SA basis, industrial production rebounded strongly by +2.9% MoM from November 2023, after two months of slight decline. Even when excluding the uncertain energy sector, manufacturing recorded a marginal increase (seasonally adjusted MoM) after a few weaker months, which we cautiously take as a sign of recovery.

The path in industrial production over the course of 2023 largely followed the data from Europe, in particular Germany, where industry has been stuck in recession. The marginal improvement in manufacturing matches some recovery in soft indicators for the eurozone, such as the PMI.

In December, 23 of 34 industry divisions recorded declines on a year-on-year basis

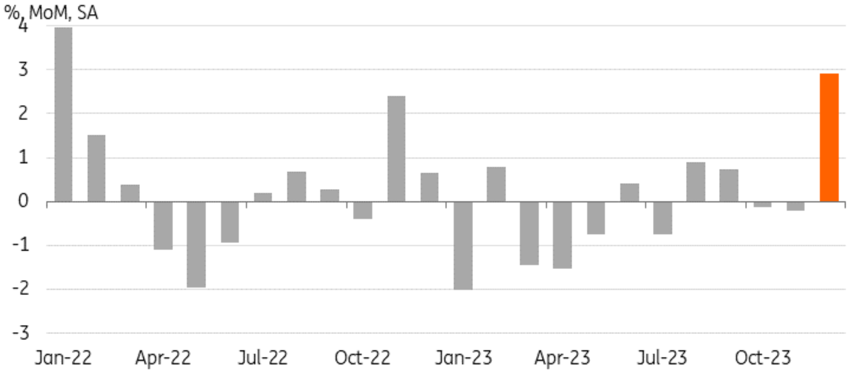
As far as the sectoral performance is concerned, declines in YoY terms were recorded in 23 of the 34 industry divisions reported by the statistical office (these are working day impacted data though). These included the manufacture of electrical equipment (-23.8%), chemicals (-15.3%), wood products (-13.7%), rubber and plastics (-13.3%), non-metallic minerals (-11.8%), and machinery repair and maintenance (-9.0%).

On the other hand, there was an impressive increase in the production of other transport equipment (+47.8%). This is a very volatile category. A big jump was recorded by the previously mentioned manufacturing and supply of electricity, natural gas and water (+11.4%), but this is a category that we believe may be subject to large price fluctuations that overstate the real growth. We also saw increases in production in the categories of printing (+7.5%), pharmaceuticals (+3.5%) and the manufacture of motor vehicles and trailers (+2.5%). Generally, the data shows growth in the production of energy-related goods and some investment goods (vehicles), but the production of consumer goods, including durable goods (e.g. furniture), is performing poorly.

December brought a mixed picture for industrial activity, after two very weak months in the fourth quarter of 2023. The seasonally-adjusted data for December reflects an increase in production, even when excluding volatile output in energy. The revision of the PMI in Poland in December after an impressive rise a month earlier suggests a rather gradual improvement in the coming months, following trends from Germany and the eurozone. This week we will see the flash PMIs for January where we expect a slight improvement.

We estimate that the economic recovery in Poland continued in the fourth quarter and GDP grew by 1.4-1.5% YoY vs 0.5% YoY in the third quarter of 2023. We estimate full-year GDP growth of 0.3-0.4% YoY, in line with our forecasts. We expect further improvement and project real GDP growth of around 3% in 2024.

Industrial production in Poland, change in %, MoM, seasonally adjusted



Source: CSO.

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