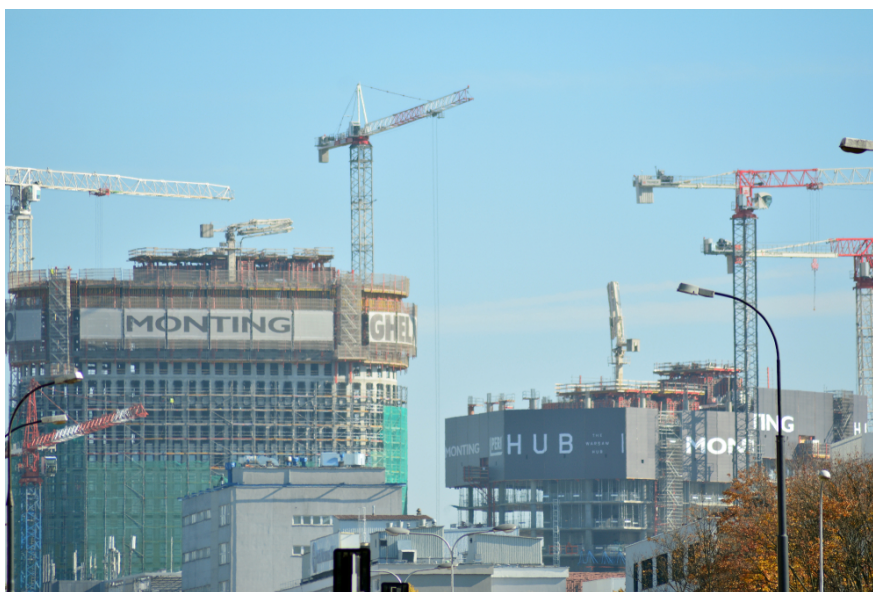


Poland: Decent industrial activity in July

Industrial production and construction output recovered after a very soft June. The current data suggests stable GDP growth in the third quarter



Construction of the 'Warsaw Hub', Poland

Industrial production

Industrial production recovered in July from -2.7% to 5.8% year-on-year, slightly below market expectations (6.5%). The strong acceleration reflects much more positive calendar effects and more normal weather conditions following unusually high temperatures in June.

The underlying structure is balanced. The strongest growth was seen in transportation equipment (26.3% YoY), likely supported by orders from national railways. The export sector recorded decent growth e.g. in automotive and electrical equipment production. At the same time, non-durable consumer goods increased by 5.7% YoY, which confirms still sound domestic demand.

Construction output

Construction output rebounded from -0.7% to 6.6% YoY. Growth relied solely on infrastructure projects – civil engineering expanded by 19.4% YoY. Building construction remained in negative territory (-2.9%), reflecting the worsening outlook for the real estate sector.

GDP implications

Today's data suggests relatively stable GDP growth in 3Q. We expect 4.3% YoY growth vs. 4.4% quarter ago. The performance of construction suggests weaker investment. Still, exports have been robust, so despite stronger consumption and imports following the expansion of the child benefits programme, net exports should not detract too much from growth.