

## Poland: Further declines in industrial activity and PPI

Industrial production fell by 3.2% in May for the fourth consecutive month. Producer price growth slowed to 3.1% year-on-year from 6.2% YoY a month earlier. Ongoing disinflation may allow for symbolic policy easing by the National Bank of Poland this autumn



The drop in industrial production of 3.2%YoY came close to expectations (consensus: -3.0% YoY), following a 6.0% YoY decline in April (revised). This was the fourth consecutive month of year-on-year production decline. Adjusted for seasonal factors, production fell by 1.0% month-on-month, contracting for the third consecutive month. Manufacturing output fell by 2.7% YoY. We also saw declines in mining (11.2% YoY), power generation (6.5% YoY), as well as water supply and waste management (2.4% YoY).

Among the manufacturing divisions, the deepest year-on-year declines were seen in the production of wood products (22.5%) and chemicals (20.7%). By contrast, the largest increases were seen in the repair, maintenance and installation of machinery and equipment (36.2%), the manufacture of electrical equipment – including automotive batteries – (14.5%) and the manufacture of vehicles (11.7%).

The slightly slower-than-April year-on-year decline in industrial production was due to a more favourable calendar pattern, among other factors. May's manufacturing PMI report also suggested a slight improvement in new orders and current production, but a continued decline in seasonally adjusted month-on-month production remains concerning. We expect that the year-on-year decline in production will continue over the coming months. A positive sign is the increase in the production of capital goods (9.1% YoY), suggesting continued investment growth.

Producer price growth (PPI) slowed in April to 3.1% YoY (ING: 4.7%; consensus: 4.6%) from 6.2% YoY a month earlier (revised data). Compared to April, prices declined in all sections except water supply and waste management. This is the fourth consecutive month that the PPI index declined in month-on-month terms, and prices in manufacturing have been falling since November. On a year-on-year basis, declines in processing prices (1.7%) are being supported by a significant discount in the coke and refined petroleum products manufacturing division (30.5%). Prices in mining (15.5%) and energy production (37.0%) are still markedly higher than a year ago.

Producer prices remain on a clear disinflationary path, and the Monetary Policy Council expects CPI inflation to fall further as well. Recent statements by National Bank of Poland President Adam Glapinski indicate that the drop in CPI inflation to single-digit levels in September, which we expect, could result in a rate cut this autumn. This will not yet be the start of a full easing cycle, which we expect only in the fourth quarter of 2024. We see a number of inflation risks in the medium term, highlighted by central bankers in core markets maintaining a restrictive monetary policy stance.

## Authors

### Piotr Poplawski

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

### Leszek Kasek

Senior Economist

[leszek.kasek@ing.pl](mailto:leszek.kasek@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 <http://www.ing.com>.