

Poland: Industrial collapse in April

Industrial output declined by 24.6% year-on-year in April vs -2.3% in March. Data supports our below-consensus GDP forecast for 2020 at -4.5% YoY



Construction of the 'Warsaw Hub', Poland

Unlike some of the Western EU countries, in Poland there was no enforced lockdown in manufacturing. Hence the drop in production was led by segments that entered a voluntary closure, facing either a shortage of foreign demand, or disruptions in supply chains. The strongest output declines occurred among producers of cars (-79% YoY) and in furniture (-50%). Both sectors are export-dependent. Significant drops also occurred in other areas that rely on external demand e.g. machine production (-34%). Activity among segments linked to construction was weak as well (declines between 17-25% YoY). The only significant manufacturing segment with improved activity was production of pharmaceuticals and medical equipment.

Daily data on electricity consumption, a good activity proxy, suggests no significant recovery in May so far. Electricity consumption declined by 8% YoY in the first half of May, compared to the -8.3% average in April. Industrial activity in May is also likely to be affected by the Covid-19 outbreak in Southern Poland, particularly in mining regions.

GDP implications:

We expect the GDP consensus for 2020 (currently at -3.5%) to gradually gravitate towards our

forecast of -4.5% YoY. Yesterday, the Polish Ministry of Finance flagged a likely revision of their forecasts to -4% or -5% YoY. Similar forecasts were presented by the International Monetary Fund and European Commission.

Industrial activity should rebound in July or the second half of 2020. Experiences from other countries affected by Covid-19 suggest that economies quickly recover 50-60% of the related drop in production. However, it's important to consider what comes next, specifically, how fast consumer spending and investments recover and how severe the outbreak will be after the lockdown has been lifted.

Author

Rafal Benecki

Chief Economist, Poland

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.