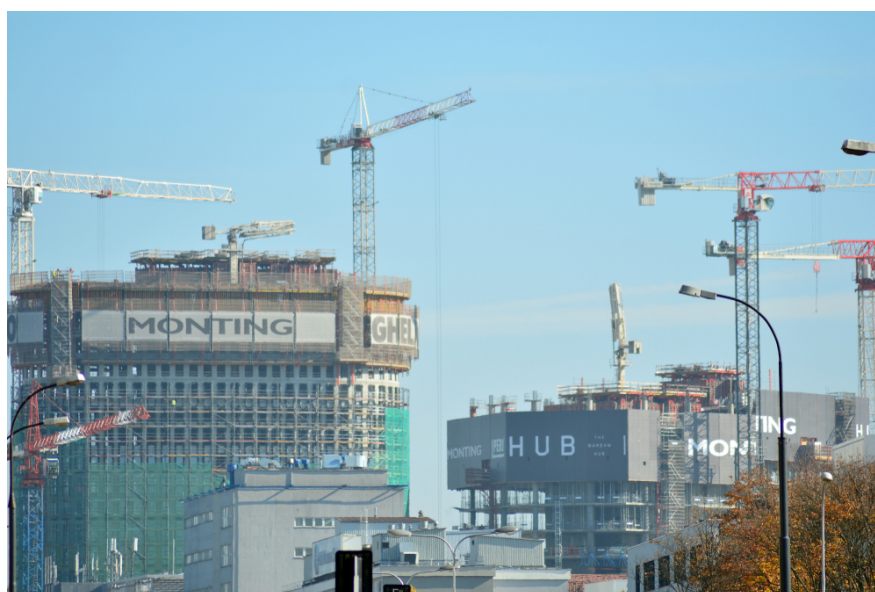


Poland: Industrial production disappoints

Industrial production fell into negative territory in August. The softer reading suggests third quarter GDP is likely to moderate towards 4%



Construction of the 'Warsaw Hub', Poland

Industrial production fell in August from 5.8% to -1.3%, below local consensus expectations (2.1%). After calendar and seasonal adjustments, the rate fell from 4.7% to 1.7% year-on-year. There were several reasons behind the weak reading.

The most negative contribution came from the automotive sector (-10.8% YoY) and oil refineries (-8.9%). Both factors are likely to be transitory, as August is a month when technical breaks disrupt car manufacturing. The refining industry likely suffered from a halt in oil transported from Belarus after the discovery of sulphur-contaminated oil. Production in both sectors is likely to return to a more standard level in the next few months.

More disappointing was output related to construction. Weak production of metal products and non-metallic minerals is likely to continue given the weak performance of the real estate market, road and rail infrastructure investment and troubles at metallurgical companies, with production falling due to higher energy prices (effect of CO2 emission rights cost increase).

The performance of export sectors was quite decent. Production of electronics increased 7.3% YoY, electrical equipment was up 6.4% and rubber products rose 4.2% YoY. These were the highest rates among sectors.

Today's data suggests industrial production should decelerate in the third quarter by approximately one percentage point from 4.6% recorded in the second quarter. Overall, GDP is likely to moderate from 4.5% to 4.0-4.1% YoY.