

Poland: Industrial production recovery much stronger than consensus

June industrial production grew by 0.5% year-on-year, after a drop of 17% in May. This reflects improving exports and adds 0.23 percentage points to 2Q20 GDP. Still, market services are the key unknown in forecasting the scale of the second quarter GDP contraction



Construction of the 'Warsaw Hub', Poland

The recovery was stronger even compared to our forecast (-3.0%), which was the highest among economists polled by Bloomberg, and substantially above the consensus (-6.9%). The rise in production largely reflected calendar effects – we had two more working days compared to 2019, but this was well known by everyone.

The production reading was also much better than what high frequency indicators had suggested. Electricity consumption (commonly used as a gauge during the pandemic) was lacklustre in June. However, this was not due to a lasting recession among manufacturers – production in this segment grew by 0.9% YoY. This year, summer has been substantially colder than in 2019, likely reducing demand for electricity for air conditioning. Also, stronger production was driven by better exports.

We estimate that improved production in June should add an extra 0.5ppt to the overly pessimistic consensus estimate for 2Q GDP, or 0.23ppt to our forecast.

However, it's market services that will likely shape 2Q GDP growth. This sector is hardly covered in monthly data. In its pessimistic GDP projection, the National Bank of Poland likely assumed a major deterioration in demand for such services. The difference between the NBP and consensus with regards to the contribution of market services in 2Q GDP is over 2ppt, so a strong production reading should not change 2Q20 GDP expectations very much. The retail sales figures published tomorrow should provide a bit more insight with regards to 2Q20 GDP.

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.