

Poland's industrial recovery led by automotive sector

Latest positive industrial production numbers from Poland beat the consensus forecast despite less favourable calendar effects than in June. A strong recovery in the auto sector is largely responsible



Workers at a car factory in Poznan in Poland

1.1%

Polish industrial production (YoY)

Consensus: -2.0% YoY

Better than expected

July's Polish industrial production increased by 1.1% YoY, beating the consensus (-2.0% YoY) and the Jun reading (0.5%YoY), despite less favourable calendar effects than the previous month. This is largely down to a strong recovery in the automotive sector, with figures jumping from -15.2 to 0.6% YoY.

In June there were two more working days compared to 2019, the effect was absent in July. Hence the calendar-adjusted industrial production numbers increased from -4.9% to 0.2% YoY.

Recovery among export-oriented businesses wasn't as strong as the PMI would suggest. While automotive scored an impressive recovery, production of electric appliances, for example, slowed from 16.9 to 7.1% YoY. Still, a sharp rise in export orders reported in the PMI suggests a more broad-based recovery among exporters in the months to come. Production of foodstuffs slowed as well (from 6.3 to 3.3% YoY), suggesting that the impact of deferred demand from the lockdown period is fading.

Industrial activity, alongside labour market developments, underlines that the recovery after the first Covid-19 wave continues faster than expected. While this is a major argument for a stable monetary policy, the National Bank of Poland has other concerns. These are chiefly PLN remaining stronger compared to past crises, and very weak credit activity (and potentially investments). As such we don't exclude further easing, despite solid domestic activity.

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