

Poland

## Poland sees lacklustre industrial recovery

Industrial production rose 1.6% year-on-year in October, in line with consensus and against a 3.3% YoY decline in September (revised from 3.1%). However, the recovery is chiefly a result of more supportive calendar effects. In seasonally adjusted terms, output declined. Leading indicators suggest only a gradual recovery ahead



Opel factory in Gliwice, Poland

In month-on-month terms, output declined by 0.1% after two months of growth. This confirms the performance of economic indicators, e.g. PMIs, from both Poland and Germany are improving, but remain at low levels.

Once again, the largest annual declines were recorded in export-related industries such as the manufacture of electrical equipment (16.6% YoY), computers, and electronic and optical products (13.0% YoY). In contrast, increases were recorded in areas related to domestic demand such as the manufacture of clothing (19.1% YoY) and pharmaceuticals (13.5% YoY), among others. Production is also growing strongly in areas related to investment and energy, such as repair, maintenance and installation of machinery and equipment (19.6% YoY). We also saw strong growth in the generation and supply of electricity, gas, steam and hot water (17.2% YoY). This suggests that we should continue to see rising investment and a deepening of the decline in exports in the GDP structure at the beginning of 4Q23.

The overall picture of manufacturing data for the past few months points to a slow improvement, although for the time being this is mainly in industries linked to domestic demand. The improvement in economic indicators at home and in Poland's key trading partners suggests that the worst is over for industry and the turn of the year will see further improvement in activity.

In contrast, the decline in PPI inflation in October accelerated to 4.1% from 2.7% YoY in September (after revision). This is mainly due to the high 2022 reference base, but we also saw a decline in MoM terms. Compared to September, prices declined most sharply in the coke and refined petroleum products manufacturing and processing section, in conjunction with global energy commodity prices and a stronger zloty. However, MoM declines occurred in most manufacturing segments. We believe that the coming months will be marked by further deflation in producer prices.

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