

Poland: Production fell in March and is set to get worse

Industrial output growth declined from 4.7% to -2.3% year-on-year in March. The drop is relatively modest, as the country lockdown affected the economy for only one to two weeks of the month. High frequency data points to a much stronger contraction in industry in April



GUS reports that carmakers were hardest hit by Covid-19 (output down by 28.6% year-on-year). Production also contracted significantly in furniture (14.7%), electronics (11.1%) and general machinery (10.4%). Mining output was also lower (-15.9%) due to the expected drop in demand for energy over the coming months. Output increased the most among pharmaceuticals and food producers (by 39.7% and 7.1% YoY, respectively). This is hardly surprising given the stockbuilding by households ahead of the lockdown.

The high frequency data points to a much sharper decline in April. Electric energy consumption was down by 5-6% YoY in late March. It collapsed by 20% YoY during the first two weeks of April, which points to much weaker industrial output.

GDP implications:

Based on a current data we estimate that 1Q20 GDP growth slowed to 1.5%YoY against 3.2%YoY in 4Q20. We still don't know March retail sales, which are due tomorrow. Despite a relatively shallow deterioration in industry, we expect far more severe disruptions in market services and transport. GUS coverage of both segments is relatively lacklustre, what may result in higher forecast errors. In 2Q20 we expect the economy to contract by 8.9% YoY. For the whole 2020 we forecast 4.5%YoY recession.

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