

Poland: Industrial production sees upside surprise

Industry continues its upward trend. In December, production grew by 11.2% vs 5.4% in November and the consensus estimate of 8.3% year-on-year. The seasonally-adjusted growth rate was 0.5% vs 1.2% MoM in November. The export division saw the largest increase. The data shows a strong rebound in consumer demand for goods and investment demand looks good



Wind power plant factory, Szczecin, Poland

11.2%

Industrial production in December

Compared to consensus at 8.3% YoY

Higher than expected

Industry has continued to recover after hitting bottom in the second quarter of last year. This is supported by continuing demand from Asia, a relatively good situation in Germany's industry and

a shift in demand from inaccessible services to durable goods. In December, the low base of December 2019 and favourable working days also played a role.

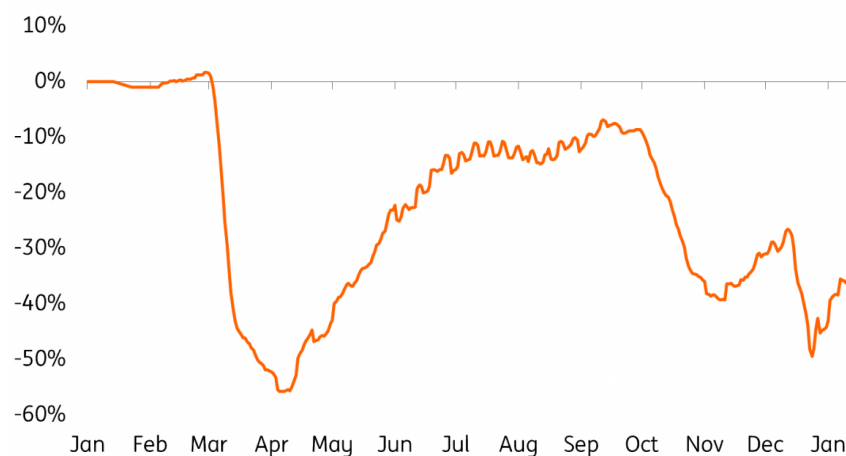
The highest growth was recorded in exports, such as computers, electronic and optical products, electrical equipment, rubber and plastic products, wood products, and furniture. The production of electrical equipment, which includes batteries for electric vehicles, alone contributed ca. 2.5ppt to the annual growth of production in December.

The data shows a strong rebound in consumer demand for durable goods, where growth accelerated to 30.2% YoY from 7.7% in November. Investment demand also looks strong, production of capital goods grew in December by 9.8% vs 7.3% YoY a month before. This, after the good construction data, is another indicator of improving investment demand.

We have already received the most important monthly data for December. All of the figures came as a positive surprise. The labour market remains strong, construction is recovering and industrial production continues to grow. Although retail sales have been negative recently, the declines were lower than expected, and consumer spending growth seems to be limited by administrative barriers rather than household budget constraints.

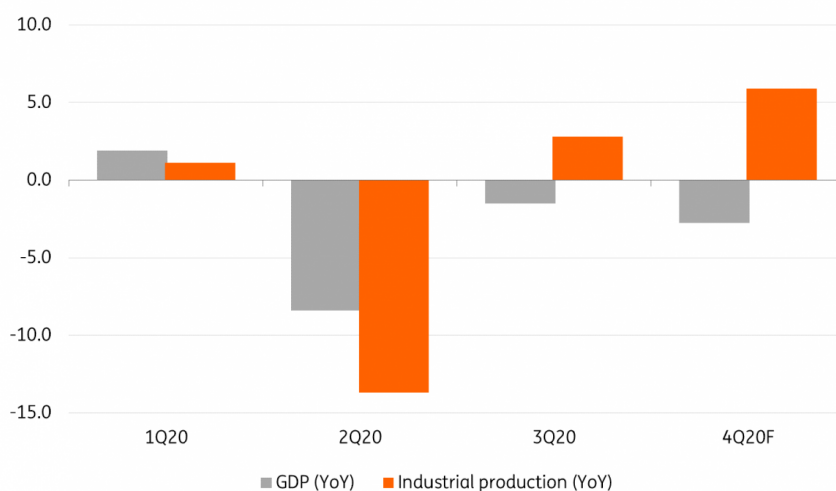
Restriction index

Our measure aggregating data on population mobility and information on the scale of administrative constraints.



The new Covid cases in the fourth quarter in Poland were several times higher than in the spring, but our restriction index indicates that the administrative constraints were one quarter to a half less onerous than in the spring. In addition, the economy is becoming more resilient to further restrictions. We estimate that in 4Q20, the quarter-on-quarter drop in GDP was only about one tenth of what it was in 2Q20. We forecast that GDP in 4Q20 declined by ca. 2.5-2.8% YoY, and by 2.8% for the whole of 2020. Despite the negative figure, this would be almost twice as good as the expectations formulated in the spring.

GDP vs Industrial production in Poland



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 <http://www.ing.com>.