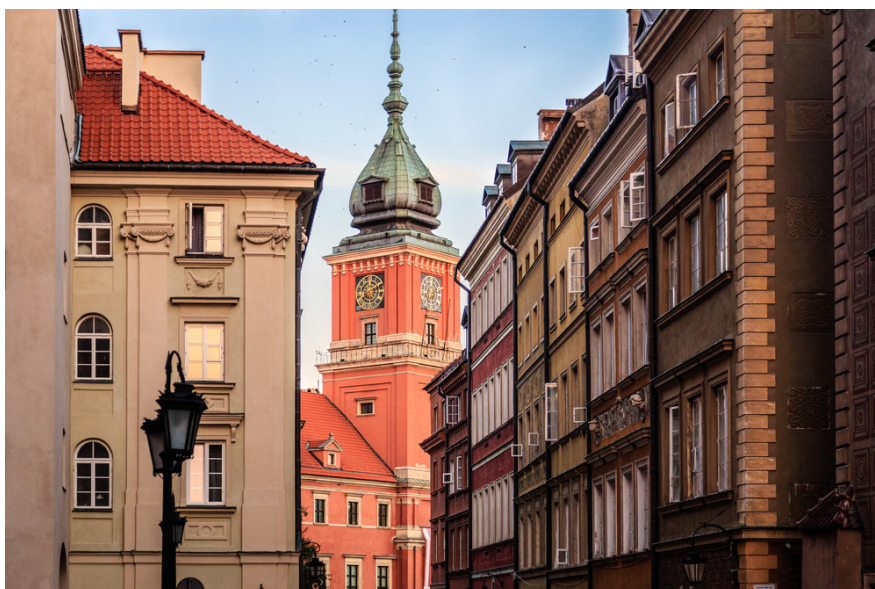


Poland: Production slowdown hints lower GDP growth in 2H18

Negative calendar effects affect industrial output in August.
Weakening activity abroad signals slower production in the coming months ahead



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Industrial output slowed down from 10.3% year on year in July to 5.0%YoY in August, below the consensus expectations of 5.2%YoY.

This mainly reflects negative calendar effects (the difference in the working days subtracted 2pp from the headline number compared to July), and base effects from 2017 - industrial output jumped 3pp last year.

Export-oriented branches maintained a solid momentum. Still given declining PMI (including export orders) in the region its hardly encouraging - in the months to come activity is likely to slow.

Headline dynamics were also lower due to negligible contribution from the energy sector (0pp in August vs 1pp in July). In the previous month, the temperature was 3°C higher compared to last year, which created stronger demand related to things like air conditioning. In August, such

discrepancy moderated to 1°C and didn't trigger abnormal production.

We expect the slowdown to continue in September reflecting both negative calendar effects and potential slowdown of external demand.

On the other hand, construction activity remained solid - 20% YoY in August (above the consensus of 18%YoY). EU payments to beneficiaries rise by 70%YoY (on average in 2018), hinting even higher construction output growth in 2H18.

Industrial activity figures suggest GDP slowdown in the coming months, but a cumulation of EU-backed projects should maintain GDP growth above 4%YoY in 2H18.

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