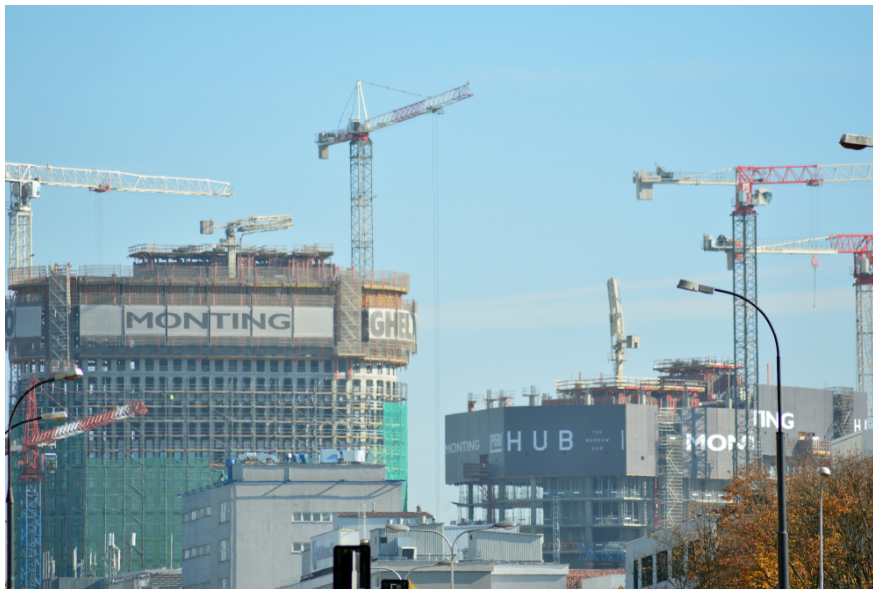


Poland: Slow recovery of industry

Industrial output declined by 17% year-on-year in May after collapsing in April (-24.6%). This was close to the consensus estimate and our forecast (-18%). High frequency data suggests a slow recovery – we expect another contraction (YoY) in June



Construction of the 'Warsaw Hub', Poland

-17% Industrial production in May, YoY change

As expected

The decline in activity was generally softer in segments that went into a non-mandatory lockdown in April, due to the lack of components from foreign partners or insufficient demand, i.e. the production of vehicles (-58% YoY vs -78% in April) or furniture (-19.7% vs -50%).

We expect industrial activity to contract (in YoY terms) in June as well, only at a slower pace. Many segments of manufacturing, e.g. automakers, are still operating well below capacity. Moreover, high frequency data suggests a very gradual recovery, e.g. consumption of electricity (-12% YoY in April, -7% in May and -9% so far in June). Even though demand for electricity may be limited by

milder weather (last year we had a heatwave), the underlying manufacturing activity is likely still weak.

Leading indicators from core EU countries suggest a faster recovery than previously expected, but a second Covid-19 wave is still a major risk. In addition, high frequency data on consumer activity shows that Poles are still less willing to visit shops. Hence, we stick to our call for a 4.5% YoY contraction this year.

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