

## Polish industrial production looks solid as exports remain immune to slowdown

Industrial production surprised positively in January and so far Polish exports remain immune to the slowdown in the Eurozone. With solid internal demand, we think 1Q19 growth should be above 4%



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Polish industrial production accelerated in January from 2.8% to 6.1% year on year - above the market consensus of 3.8% and close to our forecast of 5.5%. The recovery was broad-based with both exports and domestically oriented branches improving. The statistical office (GUS) highlights the strong performance of electrical equipment (17.7%) and transport equipment producers (13.3%).

On the domestic side, production of non-durable consumer goods expanded by 7.8% YoY after a relatively soft 4Q. Finally, the energy sector also contributed one percentage point to production.

Looking ahead we expect a benign moderation of industrial production (excluding calendar effects). The contribution of energy producers is likely to diminish from February onwards, and the acceleration of consumer goods production will only be able to offset the lower input of the energy sector partially. Secondly, there is major uncertainty related to the export sector, but so far exports

have performed relatively well, but a prolonged slowdown in Eurozone is concerning.

Overall today's data suggest gradual moderation of GDP in the first quarter – we expect deceleration from 4.8% in 4Q18 to 4.1- 4.2%YoY. Private consumption expenditures remain robust, but a downturn in the global economy is likely to result in lower investments. Therefore, we still see further moderation below 4% in the quarters ahead.

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