

## Poland: Sound 3Q GDP despite weaker industrial activity

While September industrial activity figures disappointed, GDP growth should remain robust in the third quarter. However, we expect a slowdown from the fourth quarter onwards



Industrial production disappointed in September, slowing from 5% to 2.8% year-on-year (consensus at 4.1%). According to estimates from the statistics office GUS, this is consistent with a modest acceleration from 5% to 5.4% YoY after seasonal and working day adjustments. A solid contribution came from the energy and mining sectors, increasing overall IP growth by one percentage point. Manufacturing production expanded by a modest 2% YoY. So far, the data has revealed no sign of underperformance in the export-oriented segments, despite a sharp slowdown in the PMI indices (especially new orders).

We expect September to be the last month when seasonally-adjusted growth exceeds 5% YoY. Given a worsening of sentiment in nearly all surveys (e.g. GUS, National Bank of Poland and Markit PMI polls) we forecast a slowdown of IP growth from 6% in 3Q18 to 3% YoY in 4Q18.

One negative surprise came from construction output, where growth decelerated from 20% to 16.4% YoY. The data structure confirms a strong expansion in infrastructure projects (civil

engineering works achieved 23.1% YoY growth) and the residential market. According to GUS, dwellings under construction remain at a historic high.

Despite a negative surprise from the September data, we still see GDP growth close to 5% YoY in 3Q18. However, a slowdown should occur in 4Q18– we forecast growth of 4.2% YoY.

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