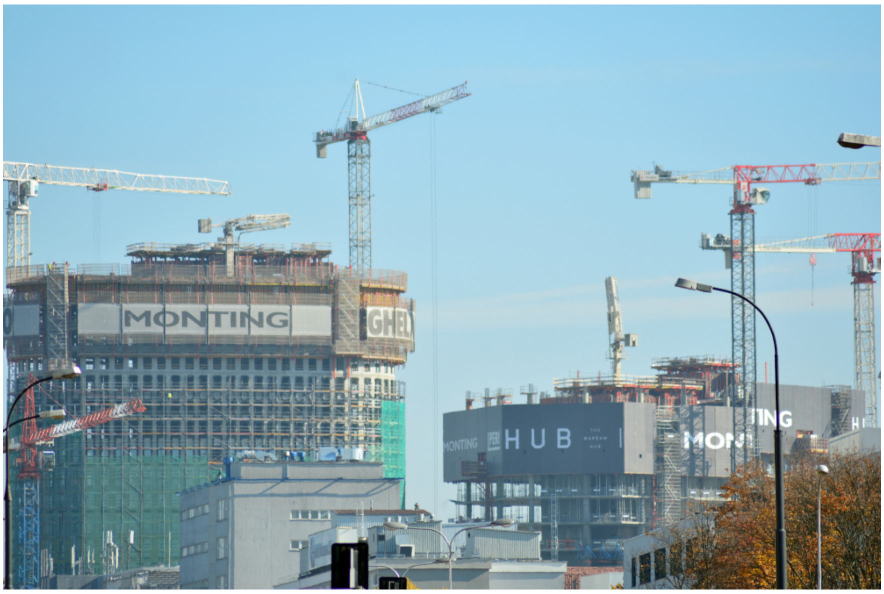
# Poland: Still solid industrial production

Unlike eurozone manufacturing, Polish industry remains buoyant. Generous fiscal stimulus is helping, as is the structure of production. We see no imminent threat, as long as consumer spending in the eurozone remains stable




Construction of the 'Warsaw Hub', Poland

Industrial production decelerated from 9.2% to 7.7% year-on-year in May, close to the consensus estimate (7.5%). This largely reflects the effect of fewer working days. Seasonally-adjusted production remained robust at 5.1% YoY vs 6.8% YoY year-to-date.

The growth structure remained broadly balanced with a strong contribution from both exporters and domestic subsectors. Production of investment goods saw double digit growth (12%) while the automotive sector recorded solid growth of 12.6% after a few months of significantly weaker activity.

Looking ahead, we expect strong production growth to be sustained. Generous fiscal stimulus has revived domestic demand in Poland (we expect consumption growth to return to about 5% YoY). Moreover, resilient domestic demand in the eurozone (see today's PMI services) is also helping Polish production. According to WIOD data from the University of Groningen, Polish exports are mainly consumed locally in the eurozone. So the recession of German production, caused by trade wars and a global trade slowdown, is not particularly painful for Polish manufacturing. Only

14% of exports are consumed in other economies e.g. the US and Asia. Additionally, Poland should remain resilient to the US auto tariffs and slowdown in China.

Today's data suggests a strong GDP reading in 2Q. We expect an acceleration from 4.7% to about 5% YoY (with some upside risk). Domestic demand seems to be stable and the underlying structure suggests solid investments as well (we forecast 8.5%YoY growth).

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