

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).

Authors

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.