

## Poland: Strong GDP in 4Q, despite slowdown in the Eurozone

November activity data came in above our expectations. Today's release suggests solid 4Q GDP growth at 5.1% YoY. However we still expect deceleration in 2019.



Source: Shutterstock

### Industrial production

Industrial production growth decelerated in November, from 7.4% YoY to 4.7% YoY, and close to consensus. The weaker dynamics mainly reflect calendar effects. Statistical office comment indicates an acceleration from 5% to 5.5% YoY after seasonal adjustment is taken in to account.

Performance from export sectors remains strong, despite soft sentiment indicators (e.g. the PMI falling below the 50pt threshold). Econometric models based on survey data had suggested industrial output dynamics of 0-3% YoY in 4Q but, after two months, a result close to 5% YoY is much more likely.

There are two important export sector trends: strong performance from capital goods producers (e.g. machinery, electric equipment) and weaker performance in the case of consumer goods (e.g. furniture, automotive, consumer electronics). We still see significant downside risks for the former should European companies cut investment plans in response to any prolonged slowdown. The

poor performance of consumer goods exporters in our opinion increases the probability of such a prolonged slowdown, with transitory factors an unlikely explanation for their weak performance.

The strongest growth dynamics were recorded in the production of other transportation vehicles, including railways (28.5% YoY), reflecting strong utilization of EU funds. The contributions from utilities increased the headline figure by 1ppt. We expect both sectors to provide lower contributions in coming quarters.

## Construction output

Moderate deceleration was also apparent in construction output. The headline figure fell from 22.4% to 17.1% YoY, again close to expectations and mainly due to calendar effects. The performance of infrastructure investment is still solid - civil engineering grew by 20.4% YoY, with special constructions up 18.4% YoY. However, we expect moderation in coming quarters - reflecting lower local government outlays and problems with settlement of railway tenders.

### Conclusions for GDP growth.

After the November data we revise our 4Q GDP forecasts upwards. The dynamics should remain similar to the 5.1% YoY recorded in 3Q, whereas previously we had anticipated a slowdown to 4.6% YoY. However, with the uncertain Eurozone economic outlook we keep our 2019 GDP forecast at the lower level (3.6% YoY).

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@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>.