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Snap

## 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.

### 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).

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