

## Poland: Strong production won't prevent a GDP slowdown

Despite solid industrial activity in July, GDP growth is unlikely to exceed 5%YoY in the third quarter this year. We expect a moderate slowdown to 4.6%YoY



Polish industrial production accelerated from 6.8% to 10.3% year on year in July, in line with the market consensus of 10.0%YoY. On a seasonally adjusted basis, the dynamics accelerated from 6.6% to 7.8%YoY. There were three major factors shaping this activity:

Solid external demand. Export branches were growth leaders in July with a superior role of machinery producers (25%YoY NSA), transportation vehicle manufacturers (e.g. railways equipment – 20.6%YoY) and electrical equipment companies (17.5%YoY).

A solid activity of sectors closely linked to constructions (i.e. metal production – 18.7%YoY), supported by strong public investments growth.

Relatively strong contributions (1.3pp) delivered by the utilities sectors (energy production, water supply). The increase is supported by weather conditions, likely with a transitory impact. The

contribution should lower from September.

Construction sector expanded by 18.7%YoY, below 24.7%YoY recorded in June and consensus expectations of 22.3%YoY. Construction of buildings decelerated strongly from 33.6% to 14.1%YoY, while growth in sectors carrying out infrastructural investments exceeded 20% annually.

Despite the solid readings in July, GDP is unlikely to maintain the growth visible in previous quarters.

We expect 3Q18 GDP to decelerate from 5.1% to 4.6%YoY due to less favourable statistical effects.