

Poland: Resilient production, spike in prices

The spike in global prices boosted production in the local energy sector, the sector adding 2.5ppt to 7.8% YoY overall production growth. Manufacturing maintained its strong trend, outperforming Central European peers. Producer price surprises on the upside should pass through to CPI, so magnifying second round effects.



Steel manufacturing at ArcelorMittal steel mill, Warsaw, Poland

Source: Shutterstock

October production in Poland (up 7.8% YoY) proved to be better than expected and on our side of consensus (ING 6.5% YoY vs 5.4% YoY consensus). Production growth was only marginally weaker than in September (8.8% YoY) despite the negative calendar effect (one working day less than a year ago).

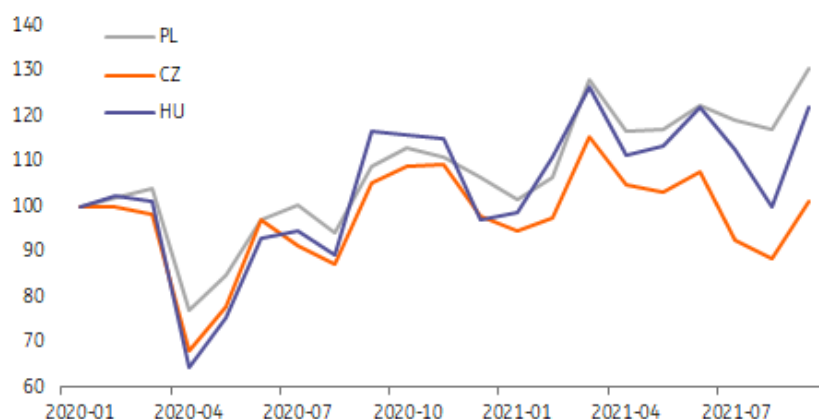
Power and gas alone are responsible for 2.5ppt growth, of 7.8% YoY overall production growth. Manufacturing is also doing well (+ 5.5% YoY). The slight slowdown here can be attributed to calendar effects (one working day less than a year ago).

Data for 3Q21 shows that Poland is doing better than other economies in Central Europe. the Czech Republic is experiencing the weakness of the automotive industry due to the lack of

microprocessors and Romania is suffering from low vaccination rates and pandemic-related costs. The diversified nature of Polish industry is helping it to grow at a stronger rate than its neighbors in these conditions.

Industrial production in CEE (2020 = 100)

Source: local statistical sources



The October data do not yet take into account the impact of the new Covid wave - December will be more heavily burdened. In November the decrease in customer mobility in its main trading partners and in Poland was limited. Official restrictions in Germany could come at the end of November, and possibly only in December in Poland. The fourth Covid wave should also hurt GDP in the first quarter of 2022.

We still see full-year GDP growth in 2021 as close to our forecast of 5.4% YoY. 2022 GDP may suffer, not only from Covid restrictions affecting the beginning of 2022 but also from the side effects of 20 year high inflation rates. These hit disposable income and should undermine consumption. We see downside risk to our 5% YoY GDP forecast for 2022.

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