

Poland: Strong December points to growth of 5.7% for 2021

December's production data points to strong fourth-quarter GDP of 7.4% year-on-year, with full-year growth at 5.7%.

Disruptions to global supply chains may undermine the first-quarter data, but GDP growth of at least 5.6% YoY can be expected. The elevated PPI reflects supply shocks in the autumn



Construction of a bridge in Gdansk, Poland

December brought another strong increase in production, at 16.7% YoY vs. 15.2% in November. We think the strong performance of manufacturing is due to the temporary improvement in global supply chains seen in the middle of the year. Energy also added to the strong overall level of production. The steep rise in natural gas prices is fostering domestic electricity production based on coal. Despite skyrocketing carbon permits, energy from coal is still cheaper than from natural gas, though more expensive than from renewables.

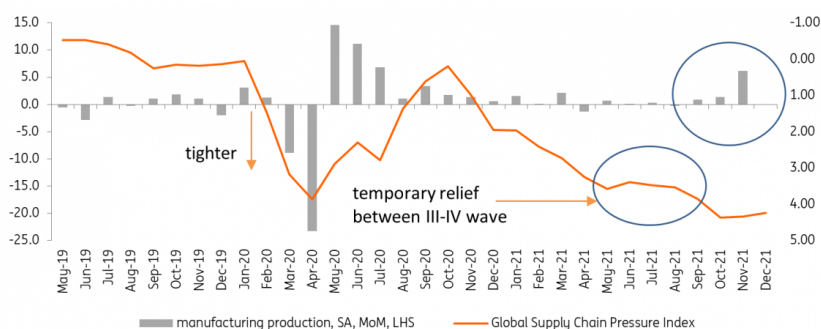
Construction output grew by 3.1% YoY in December, significantly weaker than the consensus estimate (9.0% YoY), and the month prior (12.7% YoY). The slowdown occurred across all the categories, indicating that weather and a strong 2020 base played a role. The decline in output was most evident for the construction of buildings (from 12.6% to 1.7% YoY), though it's too early

to suggest that this is a result of weaker housing demand e.g. due to rising interest rates. Late 2021 data indicates record levels of housing starts and building permits as well.

Based on industrial and construction production, we estimate GDP in 4Q21 of around 7.4% YoY and 5.7% YoY for 2021 overall. A strong deterioration in supply chains (see the global supply disruption chart below) and Omicron should weaken growth slightly in 1Q22 in quarterly terms, but year-on-year growth should rise by 5.6%, at least.

Temporary relief in global value chains helped manufacturing economies

The Global Supply Chain Pressure Index (RHS) and Manufacturing Production MoM (LHS)



Source: Fed, GUS, ING

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