

Poland: Weak activity in December

Both activity and labour market data disappointed in December. The structure of production highlights temporary problems related to domestic demand, rather than to Eurozone sentiment. We expect a modest GDP deceleration in 2019, from 5.1% to 3.6% YoY.



Source: Flickr

Activity:

Industrial production decelerated in December, from 4.7% to 2.8% YoY and below the consensus expectation (5%). Surprisingly the worst performance was recorded in sectors linked to construction (production of metals and metallic products), or not dependent on global sentiment (such as production of beverages). On the other hand, some export sectors recorded strong performance, including production of electric equipment (12.1% YoY) and consumer electronics (5.1%). Finally the headline reading was also lowered by 0.4ppt due to a negative mining contribution.

Construction output also came in below expectations – December headline dynamics decelerated from 17.1% to 12.2% YoY (consensus: 15%). The weaker performance was related to infrastructure investments, such as in civil engineering (which recorded modest growth of 11.4%, down from the 20%+ readings in recent months) and in special construction. Weaker construction output should result in lower growth in investments in 4Q. The December performance of

construction output contradicts the optimistic data on, for example, payments of EU funds.

After the December disappointment, 4Q18 GDP growth is likely to fall slightly below 5% YoY (to approximately 4.8%). We expect further moderation in 2019, in line with the Eurozone economy performance, and forecast 3.6% growth vs. 5.1% YoY in 2018.

3.6% GDP in 2019
ING forecast

Labor market:

Wage dynamics decelerated in December, from 7.7% to 6.1% YoY and below the consensus expectation (7.3%). Detailed data will be available next week – our models indicate a broad-based slowdown across industry, construction and services. Base effects in the retail trade also weighted negatively. The surprise was likely related to lower bonuses in the mining sector in December – these seasonally increase average wages in November and December and often cause data volatility.