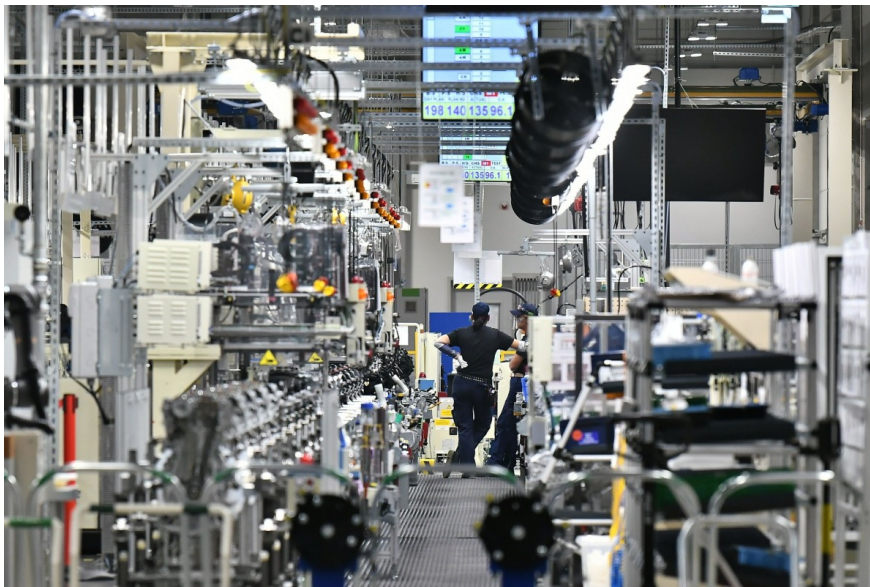


## Polish industry shows unexpected strength in June

Polish industrial output expanded by 0.3% YoY in June after declining by 1.6% YoY in May, despite forecasters projecting yet another drop due to negative calendar effects and soft external demand. Output data also confirms an ongoing recovery for Poland's economy



Toyota Motor  
Manufacturing in  
Walbrzych, Poland

Polish industrial production rose by 0.3% year-on-year in June (ING: -1.3%). This follows a decline of 1.6% YoY after a slight upward revision from -1.7% in May, despite negative calendar effects (one working day less than in June 2023) and weak demand for Polish exports from main trading partners like Germany and France. Manufacturing output rose by 0.1% YoY, while notable increases were recorded in energy generation (+2.9% YoY) as well as water supply, sewage and waste management (+4.3% YoY). Seasonally adjusted data showed a solid growth of 1.8% month-on-month.

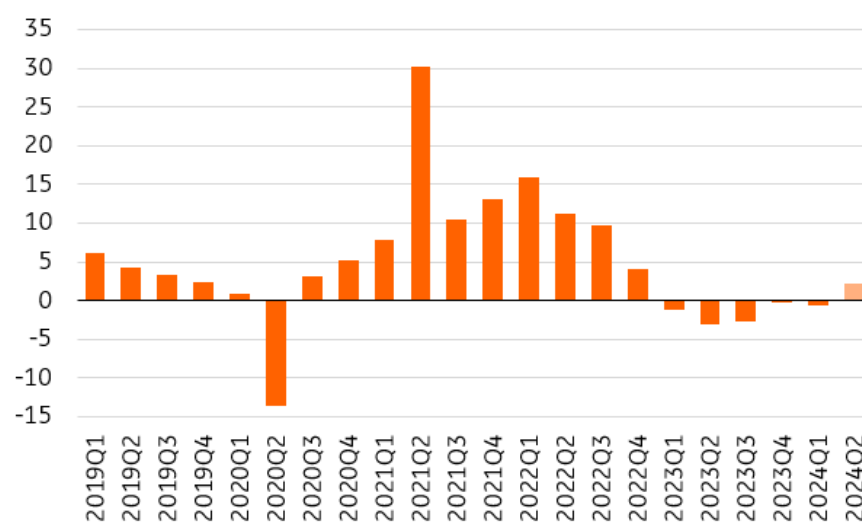
The production of energy-related goods and consumer durables increased in June, and were up by 5.3% YoY and 4.4% YoY respectively. Against this backdrop, the production of capital goods (-3.0% YoY) and intermediate goods (-2.0% YoY) was noticeably weaker. Production growth was recorded in 21 out of 34 industry sectors.

The largest increases occurred in other transport equipment (30.4% YoY), chemicals (11.2% YoY) and paper products (6.9% YoY). Declines were recorded in the manufacturing of electrical equipment (-29.2% YoY), including batteries for electric vehicles, the repair, maintenance and installation of machinery and equipment (-10.9% YoY) and the manufacturing of beverages (-9.5% YoY).

Producer prices (PPI) fell by 6.1% YoY in June (ING: -5.8% YoY), following a 7.0% YoY decline in May. Prices in manufacturing fell by 5.2% YoY, in energy generation by 15.3% YoY and in mining by 5.5% YoY. Prices increased in water supply and sewage and waste management (2.5% YoY). Producer price deflation is likely to prevail until the end of 2024.

## Industrial production up in 2Q24 after 5 quarters of YoY declines

Industrial output, %YoY



Source: GUS, ING.

June's industrial data confirms a continued slow recovery in the sector. We estimate that in the second quarter of this year, production increased by around 2.2% YoY, after five quarters of declines on an annual basis. This fits with the scenario of a gradual improvement in the condition of the Polish economy.

We estimate that GDP growth in the second quarter was close to 3% YoY, following a 2.0% YoY increase in the first quarter. The second quarter economic picture will be completed by June construction and retail sales data, which will be released next week. We continue projecting economic growth of 3% in 2024, mainly on the basis of a recovery in consumption.

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