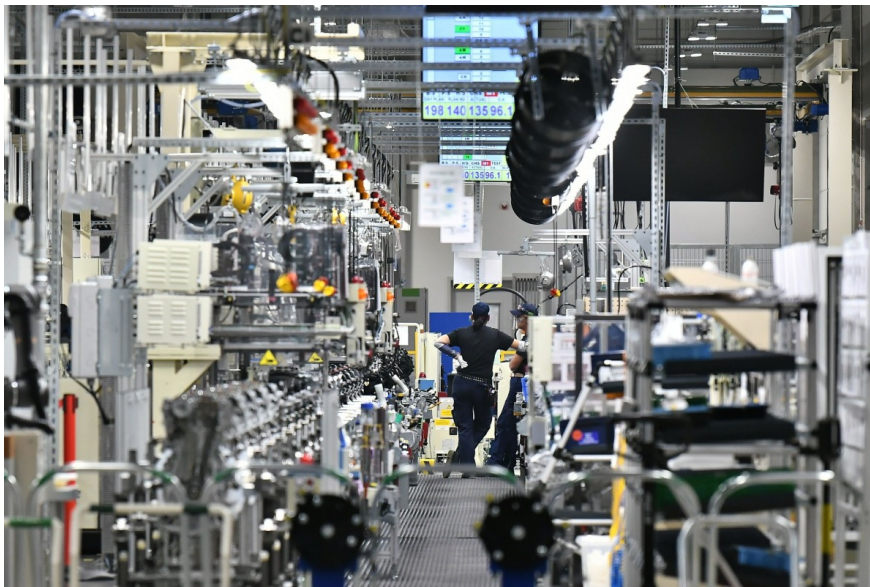


Polish industry shows unexpected strength in June

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.

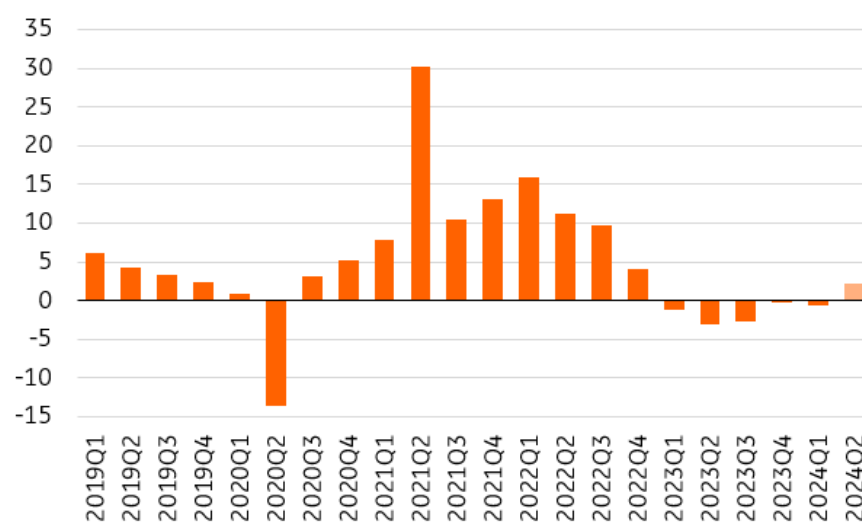
The production of energy-related goods and consumer durables increased in June, and were up by 5.3% YoY and 4.4% YoY respectively. Against this backdrop, the production of capital goods (-3.0% YoY) and intermediate goods (-2.0% YoY) was noticeably weaker. Production growth was recorded in 21 out of 34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

Author

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.