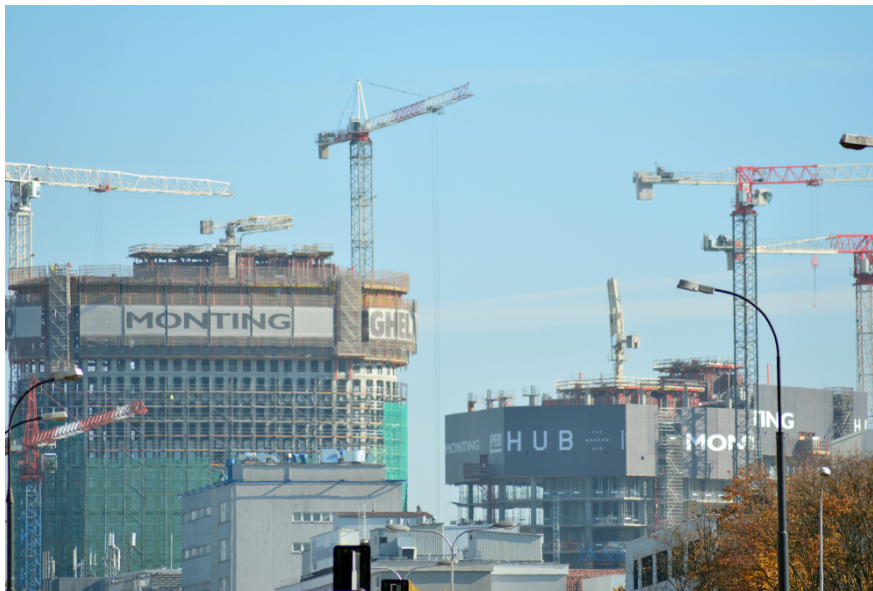


Polish industry shrugs off Covid-19

November's industrial output was up by 5.4% year-on-year, compared to expectations of 3.3% YoY. Production benefited from strong foreign demand, robust supply chains and a lack of significant social distancing restrictions that buffeted the service sector



Construction of the 'Warsaw Hub', Poland

5.4%

Industrial production, YoY

Growth well beyond expectations

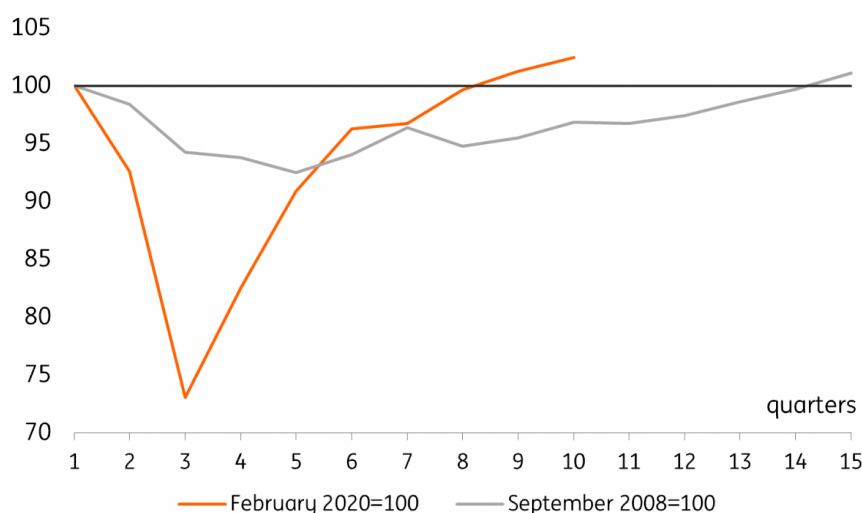
Better than expected

Despite tightening restrictions, production output in November exceeded market expectations. Growth was supported by the working days advantage (+1), but also by the upswing in the industrial situation globally. For the second month in a row, we saw solid growth in the production of durable consumer goods (7.7% YoY in November, 7.8% YoY in October). This was due to a shift in household demand, as many services remain unavailable. Production of capital goods accelerated to 7.3% YoY after a 1.4% YoY drop in October. This gives hope for a gradual recovery of investment.

December production should be even better. In addition to the favourable calendar effects, growth

should be supported by a low base from last year and improved mood in Poland's largest trading partners. Our restriction index, aggregating data on population mobility and the level of administrative constraints, points to the same conclusion.

The pace of industrial production recovery after the crises of 2008 and 2020



Authorities both in Poland and worldwide are trying to protect production chains while selectively limiting the activity of sectors where the risk of Covid-19 transmission is the highest. An additional support for industry is the shift of consumption from inaccessible services to durable goods. The favourable economic situation in Asia is contributing as well.

The slowdown in the Polish economy in 4Q20 due to the second wave of Covid-19 should be much shallower than in 2Q20. The GDP decline in 4Q20 may be less than 3% YoY, compared to -8.4% YoY in 2Q20. We estimate that GDP will fall by about 2.8% on average for the whole 2020. This is much less than we and the market consensus expected a few months ago.

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