

Production in Poland misses expectations. PPI continues to rise

Supply problems are dragging on industrial production. Strong demand is allowing higher costs to be passed on in the prices of finished goods



Wind power plant factory, Szczecin, Poland

+13.2% YoY

Worse than expected

Industrial production in August

Consensus at +13.8%

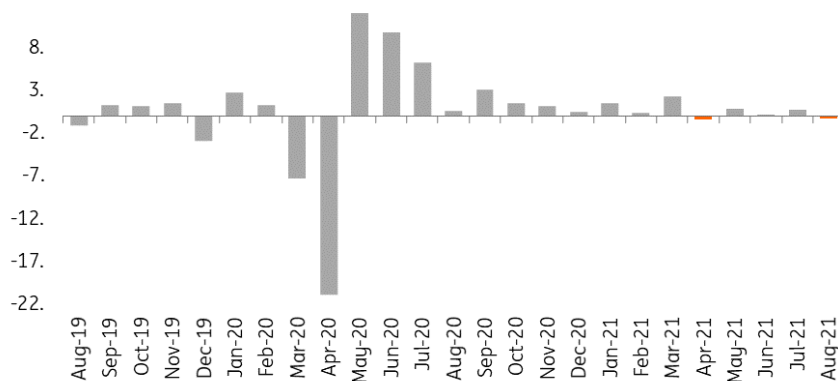
August industrial production grew by 13.2% YoY, up from 9.8% in July. The outcome was slightly below consensus expectations (+13.8%). The acceleration in the annual pace of growth was not a surprise, boosted as it was by 2 more working days than last year. What is more worrying is the second Month-on-Month decline this year.

The growth in computer production slowed to 15.8% YoY from 25.9% in July, as did the production of electrical equipment (to 15% YoY from 26.4% in July). Car production fell for the second month

in a row, by 12.9% YoY after a 4.7% drop in July. This is due to continuing problems in accessing production components, mainly microprocessors. Although the epidemic situation in South-East Asia is slowly improving, which should ease the bottlenecks gradually, the effects are unlikely to be seen before H2 2021.

After seasonal adjustments, production in August fell by 0.3% MoM. This is the second drop in production this year - after a period of strong increases last year on the back of a rapid rebound in demand for goods.

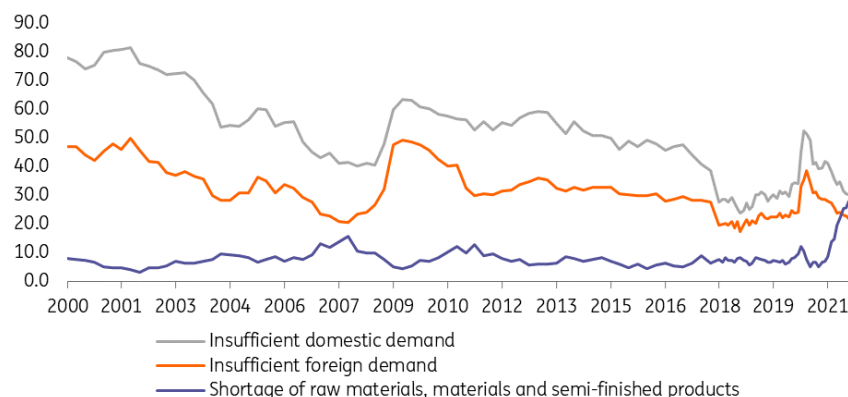
Industrial production (%MoM, seasonally adjusted)



Source: CSO

Manufacturing companies are increasingly affected by problems on the supply side. In August over 28% of them indicated that shortages of raw materials, materials and semi-finished products are barriers to their further development. This is the record high level in the history of the CSO research. Since June the share of manufacturing companies in Poland for which access to components is a barrier to growth has exceeded that of companies indicating insufficient foreign demand, and is nearing the share of companies complaining about insufficient domestic demand.

Manufacturing: factors limiting activity



Source: CSO

It is the supply-side, not demand, that now constitutes the biggest impediment to industry's further expansion. Companies are taking advantage of improving demand to pass on rising costs in

finished goods prices. Producer Price Inflation (PPI) in Poland accelerated to 9.5% YoY in August, from 8.4% in July.