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## Economic Comment

### Disappointment in manufacturing

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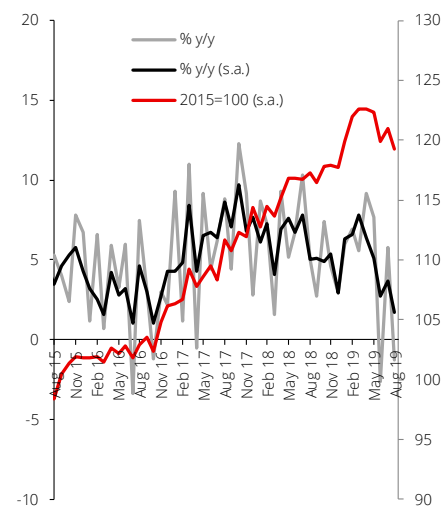
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August industrial production declined 1.3% y/y, more than expected and more than implied by lower number of working days, in our view. The data seem to confirm our forecast that GDP growth in Poland is likely to continue slowing gently in 2H19, despite the new boost for private consumption coming from the government cash transfers.

In August Polish industrial output declined by 1.3% y/y, while the consensus was +1.3% y/y and our forecast was +0.9%. Manufacturing output also declined 1.3% y/y. Correcting for seasonal and working day effects, output rose 1.7% y/y, the weakest growth in three years. Half of industries recorded a drop of output in August. Investment goods recorded the largest decline, -4.5% y/y, while consumer goods production rose marginally. In terms of the level of production (seasonally and working days adjusted), the August figure is the lowest this year.

With Europe slowing down it was hard to expect the Polish industry to remain resilient forever. And indeed, the August data from the manufacturing sector confirm, in our view, that the economic stagnation in the euro zone is finally taking its toll on Polish producers. The government's initiatives aimed at boosting cash transfers to households sector should be mitigating the pace of economic slowdown, in our view, via stimulating private consumption. However, we think it will be not enough to offset the weakening of external demand and likely investment slowdown. Thus, we expect GDP growth in 2H19 to continue slowing gently, towards 4.0% y/y in 4Q19 and 4.3% average in 2019.

Polish industrial production



Source: GUS, Santander

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