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## Economic Comment

### A quarter of industrial output gone in April

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Industrial output tumbled by 24.6% y/y in April, way more than we and the market feared (-12.9% and -12.4%, respectively). This is the deepest blow the Polish industry has taken after 1990, bringing the output back to levels seen 7 years ago. The industry suffered due to full-scale Covid-19 lockdowns, staff absences and reduced demand. We hope that April marked this year's trough and we are going to see a gradual recovery in the months to come.

The reading poses downward risk for our forecast of 2Q20 GDP growth (-11.7% y/y), but the data came after better-than-expected 1Q20 reading so our entire year estimate at about -4% holds.

#### Industry at the trough?

The deepest cuts in output were recorded in export-oriented branches: automobile industry (-78.9% y/y), leather industry (-70% y/y), furniture (-50% y/y), textiles (-35% y/y), machinery and equipment (-34% y/y). An increase in output was recorded in only 4 out of 34 branches, including drugs (+14.8% y/y).

As regards types of industrial goods, the deepest falls were seen in investment and durable consumer goods (-50.9% y/y and -47.8% y/y, respectively), while other sectors were relatively less hit: intermediate goods contracted by 18.2% y/y, non-durable consumer goods by 15.1% y/y and energy goods by 10.6% y/y.

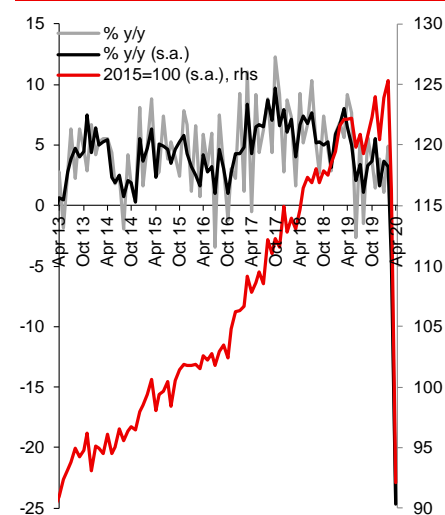
While some sectors are likely to receive support in May thanks to a gradual defrosting of the economy (e.g. textiles as big shopping malls reopened), in general the outlook is not particularly positive, as demand in Europe is likely to remain subdued. Still, we hope that April marked this year's trough and we are going to see a gradual recovery in the months to come.

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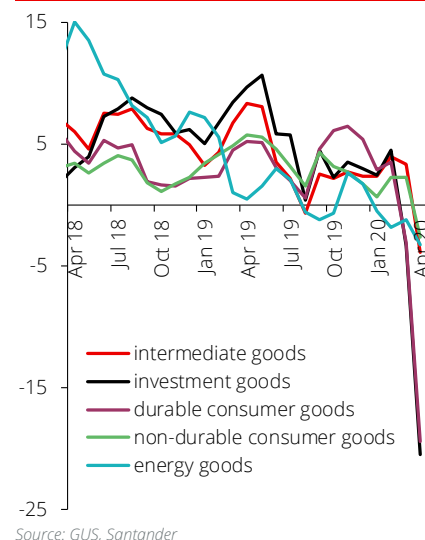
#### Producer prices kept declining in April

PPI growth was -1.3% y/y in April, in between market expectations (-1.4%) and our forecast (-1.2%). Prices in manufacturing fell by 1.9% y/y, which is the lowest print since late 2015, led by a 38% y/y drop in oil refining. The largest rise was seen in water and waste management (5.5% y/y), pharmaceuticals (4.3%) and food industry (3.9%). Construction price growth was seen slowing down gently in April to 2.8% y/y after staying at c3% for the last five months and vs 2019 annual average of 3.5%.

#### Industrial output: level and % y/y



#### Industrial output by good type, 3 month moving average, % y/y



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