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# Economic Comment

## Industry starts climbing out of the trough

Marcin Luzziński, +48 22 534 18 85, [marcin.luzinski@santander.pl](mailto:marcin.luzinski@santander.pl)

Grzegorz Ogonek, +48 22 609 224 857, [grzegorz.ogonek@santander.pl](mailto:grzegorz.ogonek@santander.pl)

In May Polish industrial output fell by 17% y/y vs -24.6% y/y previously. In SA terms this means a 12.2% m/m rebound from the April trough. We expect production growth to keep reducing the scale of the y/y decline in the following months. PPI inflation declined to -1.5% y/y in May from -1.3% y/y in April.

### Labour market kept worsening in May...

In May Polish industrial output fell by 17.0% y/y vs -24.6% y/y in April vs market expectations at -17.6% and our -16.7% call. In SA terms this means a 12.2% m/m rebound from the April trough. Manufacturing output dropped by 18.6% y/y vs 27.5% previously.

The largest decline was seen among industries producing investment goods, -38.4% y/y vs -50.9% previously, output growth of consumer durables improved the most, to -13.7% y/y from -47.8%, and consumer non-durables again saw the smallest decline (-8.7% y/y). Cars, machinery and equipment and furniture were still the most depressed industries, together with coal mining. Electrical appliances industry actually saw a y/y rise in May, by 1.2%, and electronics were down by only 10.1% y/y, despite being mostly dependent on external demand.

We expect production growth to improve in the following months, possibly entering single-digit y/y declines area as we move to 2H20.

### Producer prices further down

PPI inflation declined to -1.5% y/y in May from -1.3% y/y in April. A positive price growth was recorded in mining (+1.3% m/m) and manufacturing of coke and oil products (+3.2% m/m), thanks to a rebound of commodity prices on global markets. Other sectors recorded falling prices, due to the Covid-related weakening of demand.

We expect the PPI deflation to deepen in the months to come.

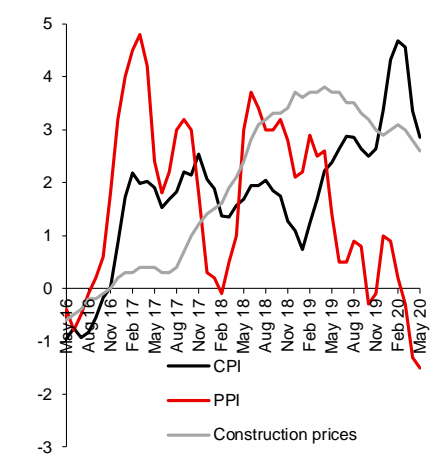
Construction prices rose by 2.6% y/y in May versus 2.8% in April. In monthly terms, prices climbed by 0.2% m/m. As it was already shown by construction output data, this sector was not strongly affected by the epidemic.

Production by main industrial groupings, %/y



Source: GUS, Santander

Inflation measures, % y/y



Source: GUS, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)

website: [santander.pl/en/economic-analysis](http://santander.pl/en/economic-analysis)

Piotr Bielski +48 22 534 18 87

Marcin Luzziński +48 22 534 18 85

Wojciech Mazurkiewicz +48 22 534 18 86

Grzegorz Ogonek +48 22 534 19 23

Marcin Sulewski, CFA +48 22 534 18 84

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