



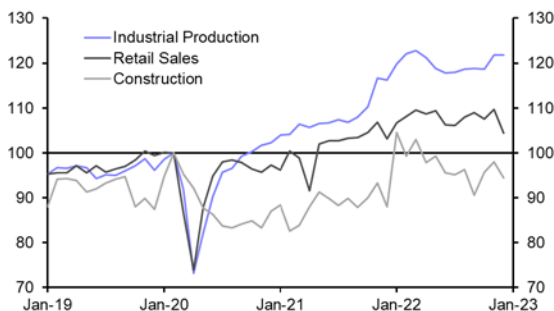
# EMERGING EUROPE DATA RESPONSE

## Poland Activity Data (Dec.)

Industry resilient, but retail sales hit by high inflation

- **Polish industrial production remained resilient in December but high inflation weighed heavily on real incomes and took its toll on retail sales. On balance, we think that Poland’s economy is likely to have done little more than stagnate in Q4 as a whole.**
- **Data released today showed that industrial production expanded by 0.7% in seasonally-adjusted month-on-month terms in December while retail sales collapsed by 4.8% m/m.** In year-on-year terms, industrial production growth slowed from 4.4% in November to 1.0% and retail sales from 1.6% to 0.2%, both of which were below consensus expectations.
- **The small rise in industrial production last month was largely due to manufacturing, which offset a decline in mining output.** The breakdown showed that basic metals manufacturing contracted by 21.8% y/y, but this was more than offset by continued growth in output in other areas, including a rebound in chemicals production since last summer and ongoing strength in motor vehicles manufacturing.
- **Meanwhile, the sharp fall in retail sales in December was the largest monthly decline since April 2021 and took the level of retail sales to its lowest level since Q3 2021.** (See Chart 1.) The breakdown showed weakness in clothing and footwear and furniture and household appliance sales. Consumers were resilient in the face of rising inflation for most of last year but real incomes started to decline meaningfully towards the end of 2022 (see Chart 2) and consumers cut back on spending in the run up to Christmas.
- **Overall, the batch of activity data for December paint a mixed picture about the performance of Poland’s economy in Q4. Industrial production expanded by 1.9% q/q (up from -0.7% q/q in Q3) but retail sales contracted for the second consecutive quarter, by 0.4% q/q.** Q4 as a whole was a bit stronger than we had expected and the economy may have avoided a contraction in GDP. But even so, headwinds to growth are likely to persist and our GDP growth forecast of 0% for 2023 remains below the consensus.

**Chart 1: Industrial Production, Retail Sales & Construction (SA, Q4 2019 = 100)**



Sources: Refinitiv, Capital Economics

**Chart 2: Poland Nominal & Real Wages (% y/y, 3m Avg.)**



Sources: Refinitiv, S&P Global, Capital Economics

**Table 1: Poland Activity Data**

	Industrial Production		Mining	Manuf.	Elec. & Gas	Water	Retail Sales		Construction
	% y/y	% m/m (SA)	% y/y	% y/y	% y/y	% y/y	% y/y	% m/m (SA)	% y/y
<b>Sep.</b>	+9.8	+0.1	+8.6	+11.0	-3.2	+2.6	+4.1	+0.9	+0.3
<b>Oct.</b>	+6.6	-0.3	+4.5	+9.2	-17.0	+0.5	+0.7	-1.3	+3.9
<b>Nov.</b>	+4.6	+2.7	+0.6	+6.1	-8.5	+0.7	+1.6	+2.0	+4.0
<b>Dec.</b>	<b>+1.0</b>	<b>+0.7</b>	<b>-6.9</b>	<b>+3.4</b>	<b>-16.3</b>	<b>+1.8</b>	<b>+0.2</b>	<b>-4.8</b>	<b>-0.8</b>

Sources: Central Statistics Office. Note: Data not seasonally adjusted



**Disclaimer:** While every effort has been made to ensure that the data quoted and used for the research behind this document is reliable, there is no guarantee that it is correct, and Capital Economics Limited and its subsidiaries can accept no liability whatsoever in respect of any errors or omissions. This document is a piece of economic research and is not intended to constitute investment advice, nor to solicit dealing in securities or investments.

**Distribution:** Subscribers are free to make copies of our publications for use at their location. No other form of copying or distribution of our publications is permitted without our permission.

