

# Poland

## Polish economic growth maintained in Q2, good prospects for Q3

### Key findings

- **Second quarter growth beat market forecasts.**
- **Manufacturing PMI suggests growth will strengthen in Q3.**

### Gross domestic product rose 1.1% yr/yr

The Polish Statistics Office reported a better-than-expected figure for gross domestic product (GDP) covering the second quarter on 28 August. National output rose 1.1% compared to Q2 2008. The official outcome was more than twice as strong as the market forecast. Market analysts had forecast GDP growth to slow since the first quarter – where the economy grew 0.8% – to around 0.5%.

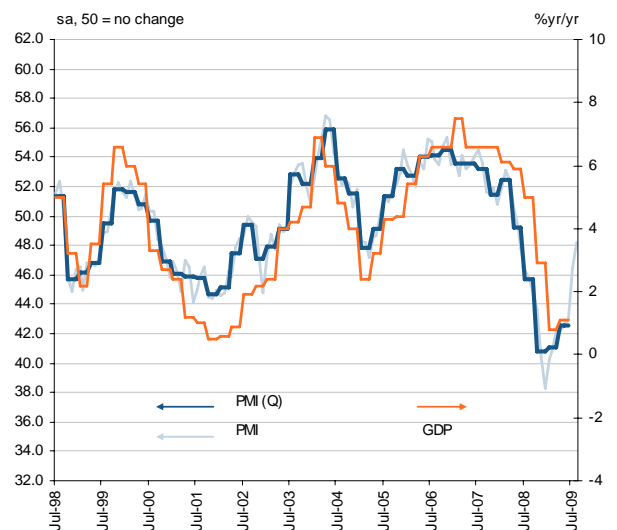
The strong GDP trend was reinforced on 1 September by the latest release of PMI data covering Poland's manufacturing sector. Compiled by Markit for HSBC, the PMI edged closer to the 50.0 no-change mark in August, signalling a stabilisation of the manufacturing sector's business climate. One of the key components of PMI, output, indicated growth for the first time since May 2008, while the rate of job shedding in the sector slowed to the weakest for almost a year.

### Polish PMI tracks official data well

The PMI survey has an excellent track record against both official industrial production and gross domestic product data. As Chart 1 shows, the headline PMI has a close relationship with the annual rate of change in GDP, especially when the monthly PMI is converted to a quarterly series. Since the PMI survey began in June 1998, the PMI has a correlation of 0.82 with the official annual rate of change in GDP. Over time, a PMI

reading of 50 is consistent with an annual rate of expansion of 4.3%.

Chart 1: Poland Manufacturing PMI vs GDP



Regression analysis applied to PMI data suggests that market analysts were too pessimistic in forecasting second quarter growth. The PMI data were consistent with an annual rate of expansion of 0.9%. Moreover, PMI data for June were released on 1 July, almost two months prior to the official GDP numbers.

PMI data for July and August bode well for economic prospects in the third quarter. Taking the August PMI as an estimate for Q3 (assuming September data repeat the August gain from July) suggests a third quarter expansion of 3.5% on a year-on-year basis.

### Forthcoming data:

1 October: Poland Manufacturing PMI (September)

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