

# Instant comment

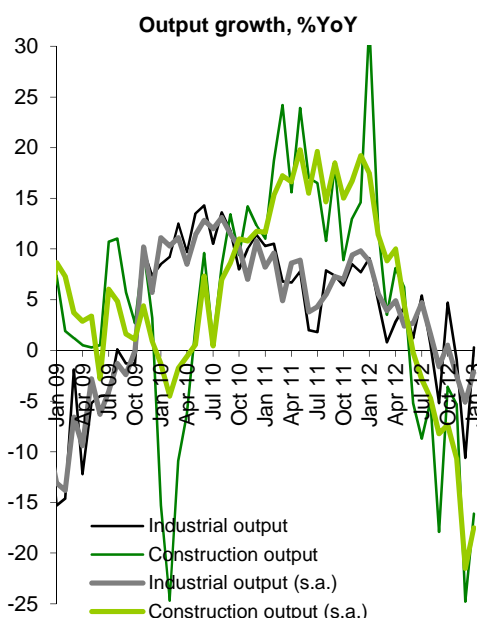
## Improvement in industry?

19 February 2013

Data on industrial output in January were better than expected (rise by 0.3%YoY as compared to consensus forecast at -2.8%YoY), but improvement against December was partly due to working days effect and it is too early to say, based on these figures, that Polish industry is recovering. Data from construction showed a continuation of weak tendencies from the previous months (decline by 16.1%YoY). In general, we think that data are not hawkish and we maintain our forecast the MPC will trim rates by 25bps at the upcoming meeting. Financial market reacted to this release by a strengthening of the zloty against the euro by ca. 0.01PLN and by increase of bond yields by ca. 3bps.

### Industrial output above expectations, construction not really

In January industrial output advanced by 0.3%YoY (we expected -3.5%YoY, market consensus at -2.8%YoY). A positive growth was recorded in case of 20 out of 34 sectors (a month ago only 4 sectors avoided contraction). Still, it is worth to notice that January's data were under positive impact of number of working days. Industrial output after seasonal adjustment declined by 2.1%YoY (similar to what we had seen in past months – in Q4 2012 industrial output declined by 2.4%YoY). The January's seasonally adjusted release proved better than data for December (-5.1%YoY), but it cannot be excluded that data for the last months of 2012 were revised up by the CSO (as monthly data for January do not match annual pace of growth). Details will be released in late February when Statistical Bulletin will be published. For the time being, it seems to us that it is too early to interpret January's data as a sign of recovery in industrial output and thus we do not perceive them as hawkish. Furthermore, construction and assembly output remains sluggish (contraction in January by 16.1%YoY versus our forecast at -15.2%YoY and market consensus at -19.7%YoY). After seasonal adjustment the decline reached 17.5%YoY. The situation in this sector remains subdued and we do not expect a rebound in coming quarters.



### PPI falling due to lower gas prices

PPI inflation decreased in January to -1.2%YoY from -1.1%YoY in December, after price growth of 0.1%MoM. Pressure on a rise in producer prices, particularly in manufacturing (growth by +0.4%MoM) came from the zloty depreciation (the EURPLN increased in January by 1% on average), but influence of this factor was offset by decline in prices of gas and coal. We are expecting that the PPI inflation will remain below zero in coming months, but we do not exclude a gradual upward move.

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Additional information is available on request. Please contact Bank Zachodni WBK S.A. Rates Area. Economic Analysis Department, ul. Marszałkowska 142, 00-061 Warsaw, Poland. phone +48 22 586 83 63, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>

**Maciej Reluga Chief Economist** +48 22 586 8363

**Piotr Bielski** +48 22 586 8333

**Marcin Luziński** +48 22 586 8362

Email: ekonomia@bzwbk.pl

**Agnieszka Decewicz** +48 22 586 8341

**Marcin Sulewski** +48 22 586 8342