

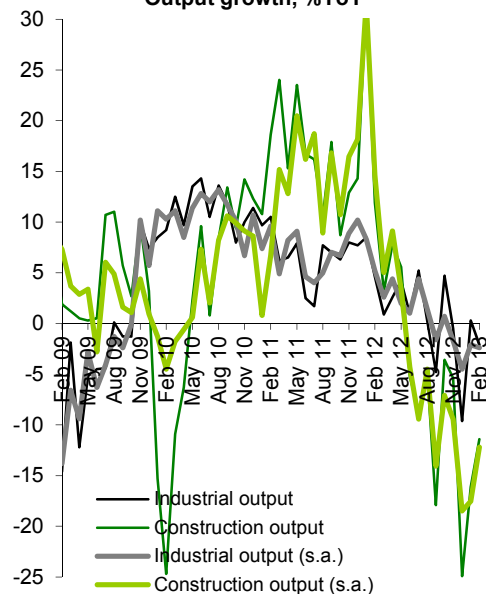
Instant comment

No major surprises in data

19 March 2013

Industrial output fell in February by 2.1%YoY, i.e. slightly less than we expected and close to market expectations. What is interesting, growth rate of seasonally adjusted figure was even lower, which seems rather strange taking into account one working day less than in February 2012. Construction and assembly output declined by more than 10%, confirming the continuation of problems in the sector. Producer prices fell by 0.4% on an annual basis. In general, today's data do not change much as regards economic outlook and should be neutral for the monetary policy prospects and for the market.

Output growth, %YoY



Slight decline of industrial output

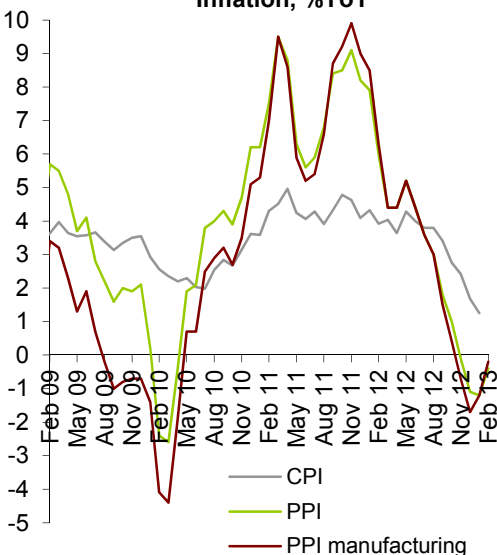
Industrial output declined in February by 2.1%YoY, roughly in line with market consensus and the figure was slightly above our forecast (-3.3%YoY). After the seasonal adjustment, the pace of industrial output contraction remained at level similar to that in January (-2.4%YoY), though given one working day less this year than a year ago it is rather strange that it is below non-adjusted figure. Construction and assembly output recorded next deep contraction (by 11.4%YoY, more that our forecast at -6%YoY). The pace of drop was lower than in last two months, but two-digit plunge was recorded in all branches of construction.

All in all, these data confirm that slowdown of the Polish economy has continued in 1Q, but the pace of deterioration is abating. We do not change our forecast of GDP growth in 1Q at 0.5%YoY. We still expect this to be a trough of the cycle. March figures are likely to be close to February's levels. This should not prompt the MPC to change its "wait-and-see" mode and official interest rates shall stay flat in the upcoming months.

Slight increase in PPI

As we expected, PPI inflation increased in February to -0.4%YoY from -1.2%YoY in January. In monthly terms producer prices grew by 0.3%, with the highest changes in prices mining and quarrying (+0.5%) and manufacturing (+0.4%). As regards manufacturing, the most significant growth was noted in the case of manufacture of coke and refined petroleum products (3.2%), which shows that PPI increase resulted mainly from commodity price growth on the international market. What is more, zloty weakening against the main currencies in February had upward impact on the PPI figure, as it raised prices of export products. Due to the fact that factors which were the main drivers of PPI growth in last two months (by 0.3-0.4%MoM) should not influence the index continuingly, in coming months 12M PPI will remain below zero, showing lack of cost pressure in the Polish economy.

Inflation, %YoY



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