

Instant comment

Is industry recovering?

17 July 2013

Pace of output growth in industry (3.0%YoY) and construction (-18.3%YoY) was above forecasts. Decent results were again recorded in sectors largely exposed to exports and this suggests that long expected by us scenario of export-led economic recovery is materializing. Today's data increase odds that pace of GDP growth will be gradually accelerating in coming quarters. However, it will be still below potential growth, we expect ca. 1% on average in 2013. PPI remained in negative territory (-1.5%YoY) confirming lack of cost pressure in manufacturing.

Output bottoming out

Industrial production advanced in June by 3.0%YoY, exceeding market's and our expectations (1.5% and 1.2%, respectively). According to the CSO estimates, seasonally adjusted figure posted an increase by 4.5%YoY – the strongest gain since February 2012. At the same time, construction and assembly output was also better than expected – annual decline slowed down to -18.2%YoY (-16%YoY after seasonal adjustment) from -27.5%YoY in May, while our and market's forecasts assumed an over 20-percent drop.

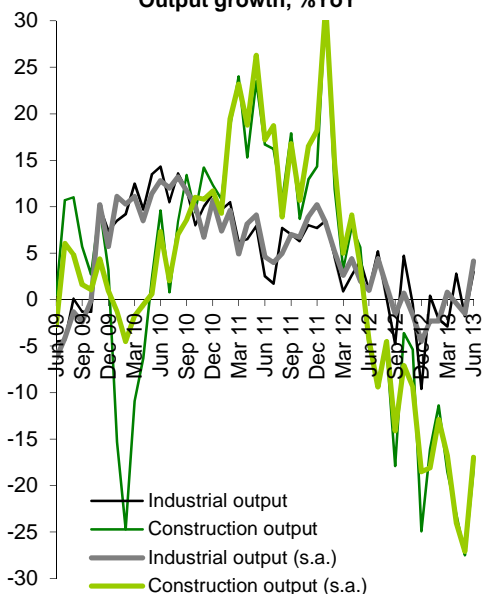
Improvement in output versus May was up to a certain extent due to waning negative effect of working days, which lowered May's reading. However, scale of the rebound is suggesting that we may be witnessing some recovery of activity in Polish industry, which was actually heralded by improving business cycle indicators in recent months. PMI survey suggested rising export orders and it seems that this trend is reflected in output data, as we again have seen marked rise in most export-oriented industry branches (e.g. furniture 9.9%YoY, motor vehicles 7.7%YoY, electrical equipment 16.8%YoY). These numbers confirm that our predicted scenario of export-driven recovery begins to materialize. Result of construction sector is better than expected, but one should remember that it was supported by effect of strongly declining statistical base – after June 2012 preparations for Euro 2012 Football Championship ended and the construction market collapsed.

Data on June's industrial output diminish the worries expressed recently by the CSO governor that the pace of GDP in 2Q may be lower than in 1Q. In our opinion the pace of economic growth accelerated slightly in 2Q to 0.8%YoY.

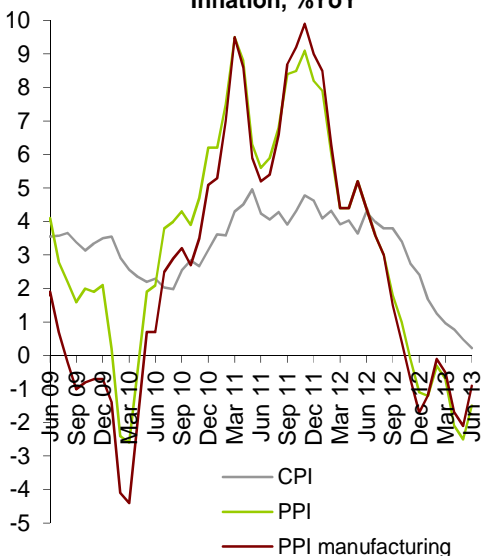
PPI slightly above expectations

In June the PPI inflation reached -1.5%YoY, slightly above our (-1.6%YoY) and market (-1.8%YoY) expectations. On monthly terms producer prices increased by 0.5%, mainly in manufacturing (0.7%MoM) which in our opinion resulted mainly from zloty's weakening versus main currencies (average EURPLN was higher in June by 2.5% than in May). In mining and extraction prices declined by 1.5%MoM as commodity prices fell on global market. Data show weakness of producers' cost pressure. In our opinion PPI will stay below or close to zero in the remainder of the year.

Output growth, %YoY



Inflation, %YoY



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