

Instant comment

Output data neutral

18 September 2013

Pace of growth of industrial output decelerated in August to 2.2%YoY, but this was mainly due to seasonal factors (working days effect). The release was above our forecast, but we saw an upward risk after data on PMI for manufacturing and production of autos (indeed, this sector showed the highest pace of growth). Construction-assembly output was roughly in line with expectations (it contracted by 11.1%YoY). We expect further improvement of economic situation will take place in September, which will be additionally supported by positive working days effect. Consequently, 2Q13 will show a considerable acceleration of pace of GDP growth (to ca. 1.5%YoY). Today's data did not have much impact on the market – data was close to consensus and investors await Fed's decision.

(Temporary) deceleration in industry

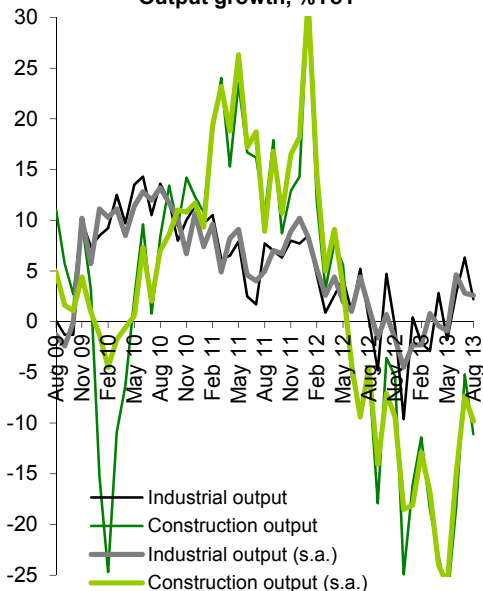
In August the industrial output increased by 2.2%YoY, slightly below market consensus (2.7%YoY). Data was clearly above our forecast (0.5%YoY), but we have recently mentioned in our reports we see visible upward risk to this estimate after strong PMI and decent data on production of autos. Indeed, manufacturing of motor vehicles, trailers and semi-trailers increased at fastest pace (15.4%YoY) while other transport equipment advanced by 8.2%YoY. The total number was below July's release (6.3%YoY), but this was mainly due to working days effect. Pace of growth after seasonal adjustment reached 2.6%YoY (vs. 2.8%YoY in July) and this is a better measure of what happens in the Polish manufacturing. We expect that due to positive working day effect, pace of growth of industrial output will accelerate again in September. Thus, industrial output will grow on average by even 5%YoY in 3Q, clearly more than in 1H (when it declined slightly). Further improvement in industrial sector will be driven by economic rebound seen in case of Polish main trading partners, mainly in the euro zone

As regards the construction and assembly output, in August the decline was slightly deeper than suggested by forecasts (-11.1%YoY as compared to consensus and our forecasts at ca. 9%). Still, in our view this sector is also out of the woods and we may see some improvement later in the year.

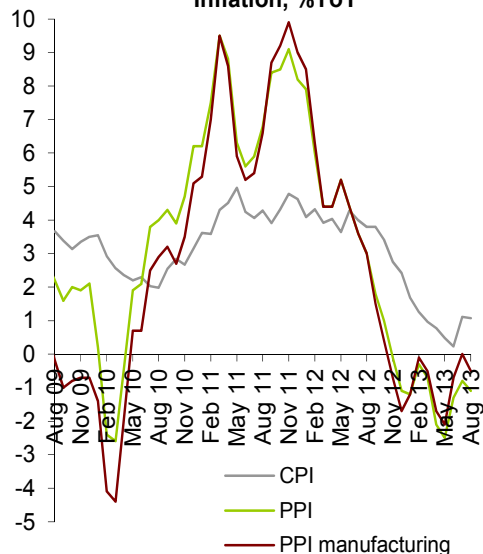
PPI surprises to the downside

PPI inflation amounted to -1.1%YoY in August, i.e. slightly less than our (-0.9%) and market expectations (-0.7%) and declined versus July (-0.8%YoY). In monthly terms producer prices declined by 0.3% (by 0.4% in manufacturing). In our view, prices were cut due to the zloty strengthening in August, which lowered prices of exported goods. As for the domestic market, currently we see no signs of growing inflationary pressure. We are expecting that PPI indicator will remain in negative territory in the upcoming months.

Output growth, %YoY



Inflation, %YoY



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