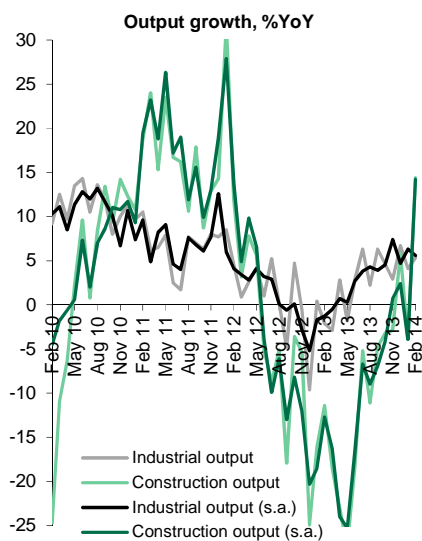


# INSTANT COMMENT

19 March 2014

## Production growth confirms economic recovery

Industrial output growth accelerated in February to 5.3%YoY (slightly below forecasts) while construction output growth surged 14.4%YoY (clearly above expectations). Taking into account the impact of weather, which influenced both releases, data show in our opinion a continuation of an economic revival and support expectations that these trends will be maintained in coming quarters. Producer prices contracted more than anticipated (by 1.4%YoY) confirming that an economic recovery develops amid low inflation pressure.



### Output growth accelerating gradually

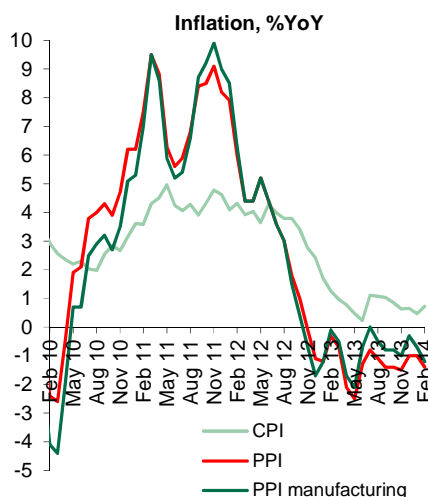
Industrial output expanded in February by 5.3%YoY (5.6%YoY after seasonal adjustment). Production growth proved lower than we and market expected (6.1%YoY), which may have been due to a deeper decline of output in electricity, gas, steam and air conditioning supply (-5.9%YoY) due to mild winter (similarly as in December we had underestimated this effect). Output growth in manufacturing accelerated to 7.3%YoY from 5.9%YoY one month earlier, with the most considerable increases – similarly as in previous months – in export-oriented branches, like production of furniture (18%YoY). We are expecting a quick rise of production in the upcoming months (on average by 6% in the whole year).

Construction and assembly output surprised to the upside, showing a leap by 14.4%YoY, significantly beating our (4.1%) and market (0.7%) expectations. This was the highest growth rate in this sector for two years, but we should not neglect the weather effect (which, contrary to industrial output, was exerting a positive impact).

Data on industrial and construction output indicate a continuation of positive tendencies in the economy. These trends should persist in the coming months, leading to acceleration of an economic growth to slightly above 3% in Q1. We maintain our annual forecast of GDP growth at 3.5%YoY.

### PPI shows low upward pressure on prices

PPI inflation was at -1.4%YoY, slightly below our forecast (-1.3%YoY) and market expectations (-1.1%YoY). In monthly terms producer prices fell by 0.1%, in line with our forecasts, but in annual terms pace of growth was lower due to January's data revision (-1.0%YoY). Data showed nothing new – inflationary pressure is still low, and changes in PPI are driven mostly by changes in exchange rate and commodity prices on global markets. We are expecting that the rebound in economic activity will translate into growth of producer prices in upcoming quarters, but this year the PPI growth should remain subdued.



This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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 22 534 18 88, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>.

#### ECONOMIC ANALYSIS DEPARTMENT:

ul. Marszałkowska 142. 00-061 Warszawa fax +48 22 586 83 40

email: ekonomia@bzwbk.pl

Web site: <http://www.bzwbk.pl>

Maciej Reluga (Chief Economist) +48 22 534 18 88

Piotr Bielski +48 22 534 18 87

Agnieszka Decewicz +48 22 534 18 86

Marcin Luzziński +48 22 534 18 85

Marcin Sulewski +48 22 534 18 84

#### TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400