

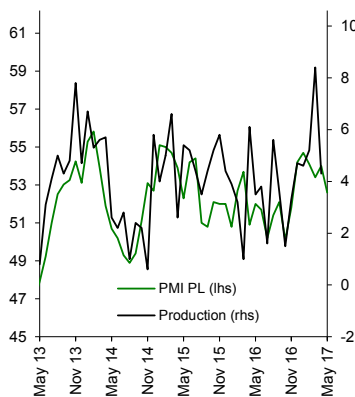
# INSTANT COMMENT

1 June 2017

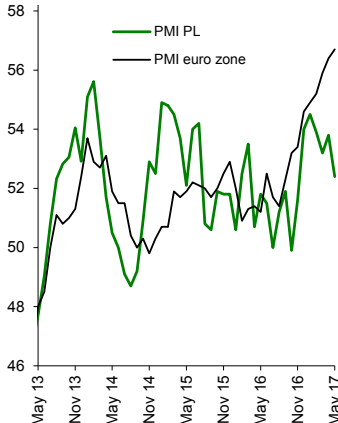
## Cracks in the sentiment – PMI down

PMI index for Polish manufacturing in May fell to 52.7pts (the lowest level in 6 months) from 54.1pts due to a decline in subindices for output, new orders and employment. This move was in line with the development of Statistics Office's business climate indices for May reported earlier and suggests that the Polish economic growth will stabilize at 4%. At the same time, the PMI suggested a strong rise of price pressure on Polish producers.

PMI and industrial output (s.a.)



PMI in manufacturing



PMI index for Polish manufacturing in May fell to 52.7pts (the lowest level in 6 months) from 54.1pts due to a decline in subindices for output, new orders and employment (the slowest job creation in seven months). To be precise – these subindices still point to expansion, but at a less pronounced rate than in the previous months. The March surge of industrial output (in seasonally adjusted terms) looked unsustainable when compared with the PMI performance at that time, and the mix of worse-than-expected April production and now the unexpectedly weak May sentiment index suggests that all the forecast updates made for the Polish real economy based on the mentioned outstanding March output start to look a bit stretched. The imperfect breakdown of 1Q17 GDP growth (not to say 'disappointing', because we still talk about a hefty 4.0% y/y growth) also raised second thoughts on what the economy can show this year.

The 1.4-point monthly drop of PMI is nothing uncommon. There were four declines of this or larger size recorded in the course of 2016. That said we are already down 2.1 pts vs January reading of PMI which is striking once one compares this to what happened to Euro zone business sentiment in this period. We could say the Polish sentiment indicator has the quality of a leading indicator for its Euro zone counterpart (in 2013-2014 in particular, see chart on the left), which raises the question if the poor May PMI for Poland expresses idiosyncratic weakness or it is a harbinger of a correction in the broader, European sentiment. The disappointing Czech PMI (down from 57.5 to 56.4, while the market expected a rise to 57.9) suggests the latter as the two countries form an important part of the supply chain for the Western Europe.

This move in Polish PMI was actually in line with the development of Statistics Office's business climate indices for May reported earlier (the main index showed the first significant drop since November) and suggests that the Polish economic growth will stabilize at 4% y/y in the quarters of 2017, but the high dependance of 1Q result on inventory changes (0.7pp) is a risk factor.

At the same time, the PMI report suggested a strong rise of price pressure on Polish producers who claimed in the survey that they managed to pass on the input price inflation to customers. That said the sub-index of output charge inflation moved to a six-month low and we assume that PPI slowed down from 4.3% y/y to 2.8% in May while the market consensus is 3%.

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. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854, Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>.

### ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854, Warszawa fax +48 22 586 83 40

email: ekonomia@bzwbk.pl

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

Piotr Bielski +48 22 534 18 87

Marcin Luziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Izabela Sajdak, CFA +48 22 534 18 86

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