

19 December 2018

Economic Comment

November above forecasts

Marcin Luziński, +48 22 534 18 85
marcin.luzinski@santander.pl

Grzegorz Ogonek, +48 22 534 19 23
grzegorz.ogonek@santander.pl

Industrial output surprised to the upside in November, adding 4.7% y/y, while construction expanded by 17.1% y/y, also above consensus. November numbers are in line with GDP slowing down in 4Q18 only slightly from 5.1% recorded in 3Q18. In the quarters to come, we are expecting the industry to slow, dragged lower by weaker sentiments in German industry and exports. Construction is likely to remain strong as we are expecting the EU-financed public investment to peak in 2019. Sentiment of consumers worsened substantially in December. It does not have to translate to weaker growth of private consumption as household incomes are still growing at a reasonable pace.

Output did well despite additional day off

Industrial output surprised to the upside in November, adding 4.7% y/y (consensus: 4.2% y/y, we: 3.3% y/y). Slowdown from the October's 7.4% y/y was widely expected given the negative working-day effect, but it seems that the additional one-off holiday on 12 November did not affect economic statistics as strong as regular holidays. In seasonally adjusted terms output expanded by 5.5% y/y and 0.1% m/m.

Construction expanded by 17.1% y/y, also above consensus, driven mostly by civil engineering (20.4% y/y), which we associate mostly with public investment. Seasonally adjusted data showed a rise by 15.9% y/y and 0.4% m/m.

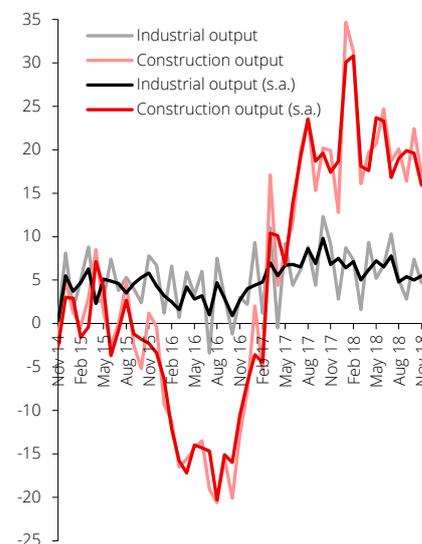
So far, the industry and construction are doing quite well, contrary to signals from the PMI survey. November numbers are in line with GDP slowing down in 4Q18 only slightly from 5.1% recorded in 3Q18. In the quarters to come, we are expecting the industry to slow, dragged lower by weaker sentiments in German industry and exports. Construction is likely to remain strong as we are expecting the EU-financed public investment to peak in 2019.

December anxiety of consumers

Sentiment of Polish consumers worsened substantially in December. Both the current situation index and the expectations index declined to the lowest levels in 20 months, and the scale of monthly decline was the largest in three years. What changed the most was the expectations about future economic and financial situation. The major purchases index dropped again and unemployment fear grew a bit more.

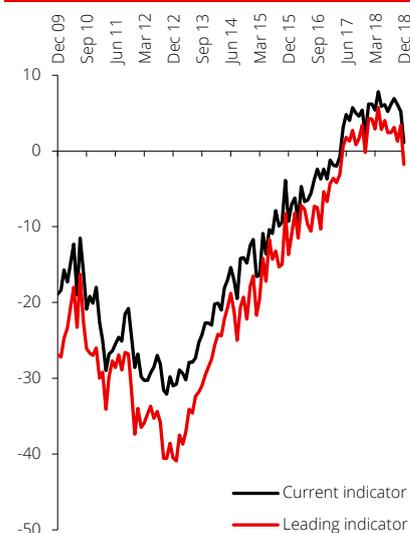
The path of consumer sentiment indicators from recent months suggests a change of direction to a downward trend. It does not have to translate to weaker growth of private consumption as household incomes are still growing at a reasonable pace. The December readings might have also been affected negatively by the confusion about 2019 electricity bills. Apart from this, a new pattern has been shaped in recent years with a decline of consumer sentiment in the final month of the year, irrespective of the direction of the trend at that time.

Output growth, % y/y



Source: GUS, Santander Bank Polska

Consumer sentiment



Source: GUS, Santander Bank Polska

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: skarb.santander.pl
Piotr Bielski + 48 22 534 18 87
Marcin Luziński + 48 22 534 18 85
Grzegorz Ogonek + 48 22 534 19 23
Konrad Soszyński + 48 22 534 18 86
Marcin Sulewski, CFA + 48 22 534 18 84

This publication has been prepared by Santander Bank Polska 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. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska 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 Santander Bank Polska 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 Santander Bank Polska 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@santander.pl, <http://www.santander.pl>.*