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# Economic Comment

## Output and PPI rebound

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Polish industrial output rose in September by 5.6% y/y vs 5.0% market expectations after three negative surprises. In seasonally adjusted terms there was a rebound from 1.7% y/y to 3.5%, but this is still far below 1H average at almost 6%. So industry is slowing down, but in a gradual manner, and so is in our view the whole economy. PPI inflation showed 0.9% y/y in September, markedly surprising to the upside (consensus at 0.5% y/y).

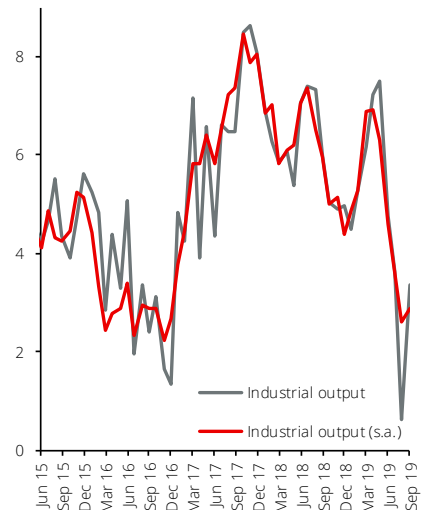
### Industry output does not give up so easily

Polish industrial output rose in September by 5.6% y/y vs 5.0% market expectations. This comes after several poor readings (including two unexpected y/y declines in August and June). Export oriented sectors are doing fine, including cars, but on the other hand some categories again showed declining production (heavy industries, refineries) or poor growth (mineral products industry – supplier of local construction sector). In seasonally adjusted terms there was a rebound from 1.7% y/y to 3.5%, but this is still far below 1H average at almost 6%. So industry is slowing down, but in a gradual manner, and so is in our view the whole economy, probably going from 4.5% y/y GDP growth in 2Q to 4.1% in 3Q.

### PPI on the upward march

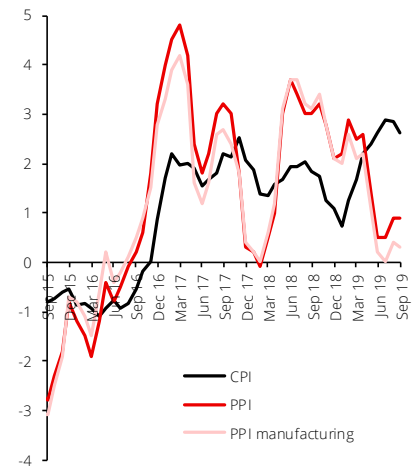
PPI inflation showed 0.9% y/y in September, markedly surprising to the upside (consensus at 0.5% y/y). There were main two sources of the surprise: revision of August data to 0.9% y/y from 0.7% y/y and strong rise of prices of metal ores and oil. In monthly terms PPI rose by 0.4% and upward tendencies were broad-based, most likely reflecting the effect of PLN depreciation and build-up of corporate margins. In our view, PPI inflation is likely to increase further at the turn of 2019 and 2020 and exceed 2 or even 3% mark.

### Industrial production, %y/y, 3M moving average



Source: GUS, Santander

### Inflation measures, % y/y



Source: GUS, Santander

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