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Economic Comment

Output better than the headline suggests

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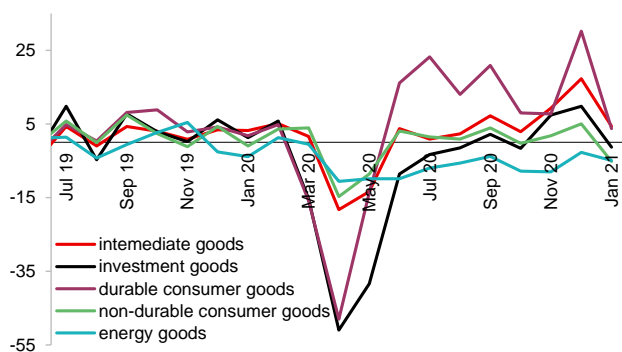
In January Polish industrial output rose by 0.9% y/y vs market expectations at 1.9% and our 0.1% forecast. At first view, this is a major loss of pace vs the December 11.2% y/y print, but in SA terms production was up 5.7% y/y, less than in December (7.1%), but more than in any other month of 2020. We think the industry could post a double-digit growth on average this year. PPI climbed to 0.7% y/y in January from 0.1% on weaker PLN and higher commodity prices, but the core part of the index also accelerated.

In January Polish industrial output rose by 0.9% y/y vs market expectations at 1.9% and our 0.1% forecast. At first view, this is a major loss of pace vs the December 11.2% y/y print, but it is justified to a large extent by calendar and seasonal effects: in SA terms the output rose by 5.7% y/y, less than in December (7.1%), but more than in any other month of 2020 and 2H19, so should still be seen as a respectable result.

The January data strengthen the hypothesis that there was an extra effort to speed up production in December (this would also explain the surprisingly strong wage growth in that month), possibly due to extra demand from abroad, e.g. before the end of Brexit transition period.

The largest deceleration was seen in consumer durables, to 3.7% y/y from 30.2%, investment goods slowed down to -1.3% y/y from 9.8% and intermediate goods to 4.4% y/y vs 17.3% previously. We see some negative impact of bottlenecks in the European automotive sector due to low supply of semi-conductors, but a minor one - Polish car industry's contribution to total output was 1.2pp lower than in December. On the other hand the output growth of electric equipment (including the booming batteries business) remained above 30% y/y.

Output by main industrial groupings, %y/y



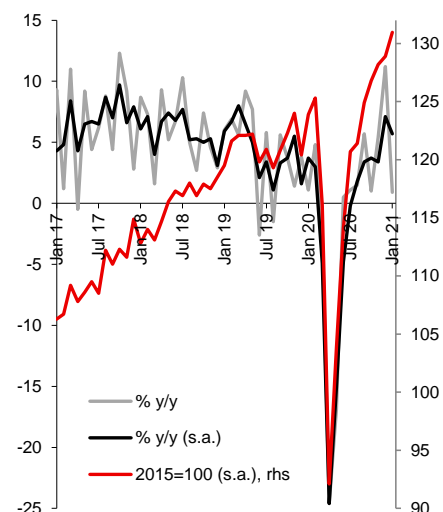
Source: GUS, Santander

We consider the January output data as generally positive, seeing through the large deceleration of the headline figure. We think the industry could post a double-digit growth on average this year.

PPI on an upward trend

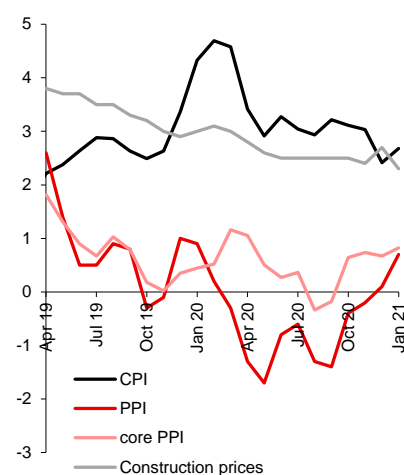
Producer prices climbed by 0.7% m/m and 0.7% y/y in January versus 0.1% y/y in December 2020. The increase was mostly driven by weaker PLN and higher commodity prices, which translated into rise of prices in mining by 2.8% m/m and in manufacturing of coke and oil products by 7.8% m/m. However, tendencies in other sectors also point upward and prices in non-commodity sectors (core PPI) rose by 0.3% m/m to 0.8% y/y from 0.7% y/y in December. We are expecting PPI inflation to go further up and exceed 2.0% y/y in the months to come thanks to low statistical base effect and dynamic rise of commodity prices. Construction prices rose by 0.1% m/m and 2.3% y/y vs 2.7% y/y in December.

Industrial output



Source: GUS, Santander

Inflation measures, % y/y



Source: GUS, Santander

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