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Economic Comment

Output disappointed, PPI - on the contrary

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In August, Polish industrial output rose by 13.2% y/y vs. market expectations at 13.7% and our 15.9% forecast. While the outcome is lower than expected, it is not bad and we would still say that industrial activity remains strong. It does however suggest that the supply chain issues are a growing problem. PPI growth accelerated in August to 9.5% y/y, reaching 10-year high and beating market consensus 9.2% and our forecast 9.0%. It seems that problems with supplies and rising costs of transport and components have the broadening influence on producer prices, which is likely to have a pressure on consumer inflation

Output growth still solid, but not up to expectations

In August, Polish industrial output rose by 13.2% y/y vs. market expectations at 13.7% and our 15.9% forecast. Compared to the same month of 2019, total output was up 12.7% vs. 13.3% a month earlier and 10.8% on average in 2Q. In SA terms, the growth rate was 10.7% y/y vs. 12.6% previously and the m/m measure was negative only the second time so far this year (-0.3%).

intermediate goods production was up 19.3% y/y and 22% higher than in August 2019 (similar to previous months), the respective growth rates for investment goods were 6.9% and 5.3% (steady relatively low pace), and for consumer goods 10.6% and 25%.

While the outcome is lower than expected, it is not bad. It does however suggest that the supply chain issues are a growing problem - car production is particularly affected with output down 12.9% y/y. The high pace of growth of intermediate goods production shows that in general the business conditions remain very positive.

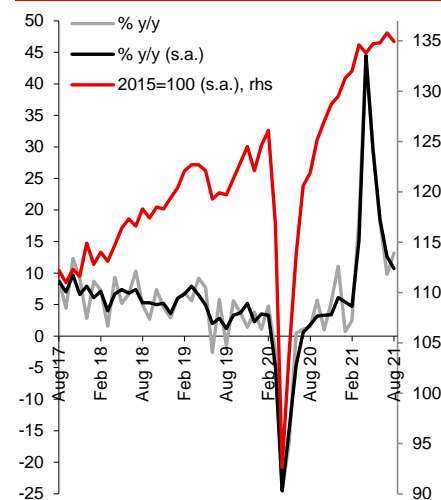
PPI keeps accelerating and beating market forecasts

PPI growth accelerated in August to 9.5% y/y, reaching 10-year high and beating market consensus 9.2% and our forecast 9.0%. July's data have been revised up from 8.2% to 8.4% y/y. The monthly rise in producer was the biggest in energy production (0.7% m/m) but also solid and widespread in manufacturing (0.6% m/m). In annual terms prices of production of oil products went up 55.3% y/y, while prices of metal production by 41.9% y/y. This impact of global commodities prices seems to be fading already as oil refining and coking coal production had negative m/m price growth in August.

However, the core PPI measure we calculate by removing the components linked to global commodity prices reached 7.4% y/y in August - another multi-year high when it comes to inflation measures in Poland.

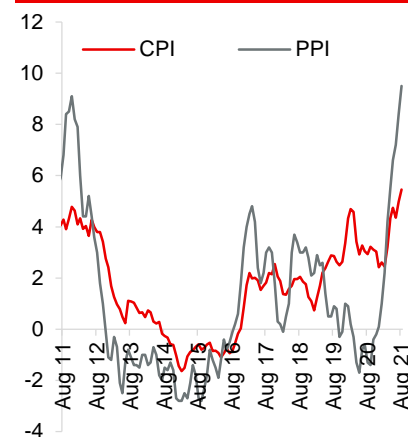
It seems that problems with supplies and rising costs of transport and components have the broadening influence on producer prices, which is likely to have a pressure on consumer inflation.

Industrial output in Poland



Source: GUS, Santander

Inflation measures, % y/y



Source: GUS, Santander

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