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Economic Comment

High output after summer break, PPI beats 10%

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

Grzegorz Ogonek, +48 48 22 534 18 84, grzegorz.ogonek@santander.pl

Industrial output surprised positively in September rising 8.8% y/y vs 8.2% consensus and our 7.6% forecast. The seasonally adjusted growth rate was 0.9% m/m, the strongest since March. It seems the Polish industry is resilient to the material shortages issues. PPI inflation rose in September to 10.2% y/y from 9.6% in August. Our estimate of core PPI rose to 7.6% y/y from 7.3% and by 0.5% m/m. We expect a further acceleration of PPI in the coming months.

Resilient industrial output despite supply issues

Industrial output surprised positively in September rising 8.8% y/y vs 8.2% consensus and our 7.6% forecast. The seasonally adjusted growth rate was 0.9% m/m, the strongest since March. The strong reading comes after some disappointments in previous months which we linked to input shortages.

Looking by industrial groups and comparing to the same period of 2019 there was an acceleration in consumer non-durables output and energy while consumer durables and intermediate goods maintained very high pace of growth exceeding 20%. On the other hand the growth in investment goods faded almost entirely. Car sector output rebounded by almost 40% m/m which is natural in September and similar to the behaviour in the previous years.

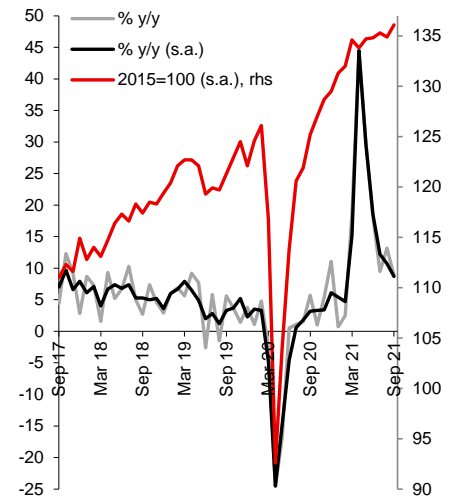
It seems the Polish industry is more resilient to the material shortages issues than we thought. We expect industrial output to keep growing around 8% y/y on average in 4Q21 while its 2022 growth could be around 10%.

PPI keeps accelerating and beating market forecasts

PPI inflation rose in September to 10.2% y/y from 9.6% in August (revised from 9.5%). The price growth was 0.7% m/m in total PPI and in manufacturing alone. Significant price hikes were seen in many categories, but were the most striking in coking coal and oil refining sector (+4.3% m/m), amid the quick rise of global coal and crude oil prices. Our estimate of core PPI rose to 7.6% y/y from 7.3% and by 0.5% m/m. We expect a further acceleration of PPI in the coming months.

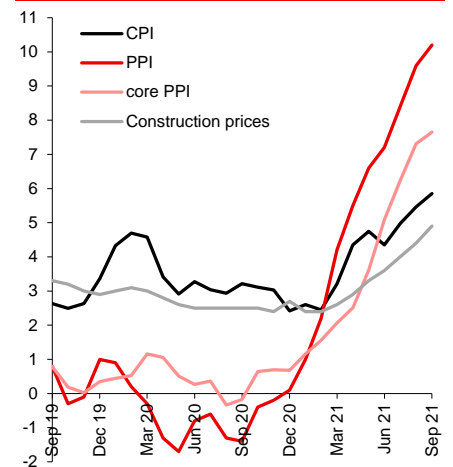
Prices of construction output increased at a higher rate, by 4.9% y/y in September from 4.4% in August, with m/m price change at 0.7%. The construction prices inflation indicator is the highest since 2008 and this is not its final word in our view.

Industrial output in Poland



Source: GUS, Santander

Inflation measures, % y/y



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: santander.pl/en/economic-analysis

Piotr Bielski +48 22 534 18 87

Marcin Luzziński +48 22 534 18 85

Wojciech Mazurkiewicz +48 22 534 18 86

Grzegorz Ogonek +48 22 534 19 23

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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>.