

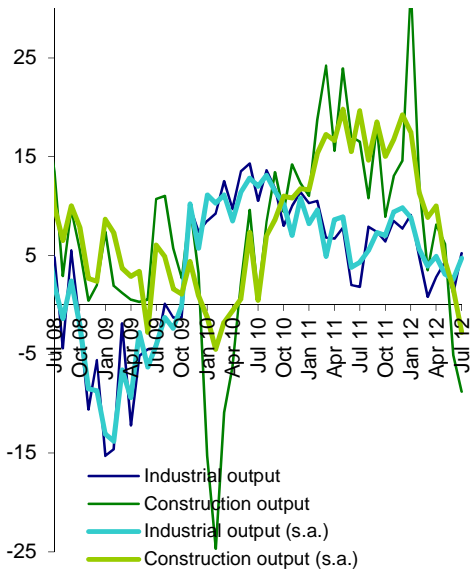
# Instant comment

## Mixed output data

20 August 2012

The CSO released today rather mixed output data. Industrial output growth sat, in line with our expectations, above 5%YoY, while a decrease by almost 9%YoY occurred in construction and assembly sector. So far we do not change our GDP forecast for Q3 (slightly over 2%) and wait for information about retail sales (coming Friday) and GDP for Q2 (next week). After releases of this data we will revise out quarterly economic forecasts for H2 and 2013. PPI inflation rose by 3.7%YoY, more or less with line with our expectations.

Output growth, %YoY



### Industry performs quite well, a deep fall in construction

Industrial output increased in July by 5.2% YoY, i.e. almost in line with our forecast (5.4%) and faster than median of market expectations (slightly below 4%). This positive outcome was partly due to one more working day in comparison with July 2011. It is worth noting that seasonally adjusted output growth was also stable and amounted almost to 5% (in comparison with 3.5% in Q2). Manufacturing was the main sector contributing to this growth. However, we do not expect that July's outcome will be repeated in the upcoming months and we still support our expectations for further deceleration of the economy.

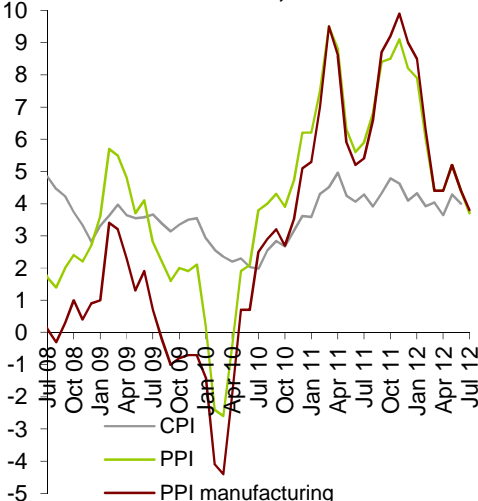
In contrast with pretty good industrial output, information about construction and assembly output clearly disappointed. A fall by 8.8% in yearly terms was recorded (out forecast of increase by 1.7%, consensus – fall by 0.5%, the range of forecasts – from -6.4% to +5.5%). The decrease occurred also in case of seasonally adjusted measure (by 2.8%YoY) and in all branches of construction sector, the deepest in case of civil engineering.

So far, data for Q3 are mixed – PMI surprised to the upside and industrial output rebounded (perhaps temporarily but that still is a fact). On the other hand, labour market data and construction output showed a rather gloomy outlook. We are waiting for data on retail sales (this Friday) and GDP for Q2 (next week) and then we will revise our forecasts for H2 2012 and whole 2013.

### Stronger zloty lowers producer prices

PPI inflation fell in July to 3.7%YoY, down from 4.4%YoY in June, i.e. more or less in line with expectations (our forecast: 3.6%, market: 3.8%). In monthly terms producer prices declined by 0.2%, including decrease in manufacturing by 0.2%, while prices in other industries were relatively stable. The highest decrease was noted mainly in export branches (as manufacture of basic metals, chemicals and chemical products, machinery and motor vehicles), which in our opinion was due to zloty strengthening in July. We predict that pressure on producer prices will remain low in forthcoming months due to weak demand. However, potential zloty weakening and commodity prices increase are the main risk factors, which could result in higher readings of PPI inflation.

Inflation, %YoY



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