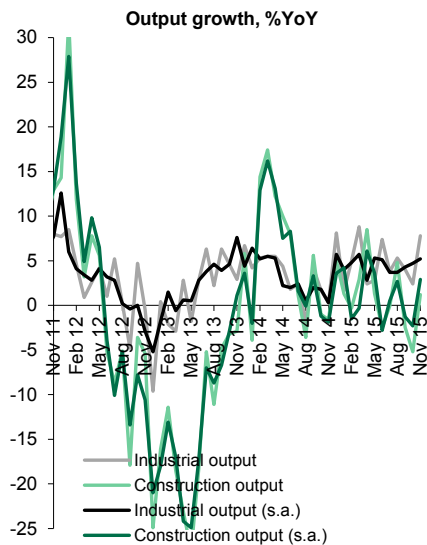


INSTANT COMMENT

17 December 2015

Economic activity indicators surprise to the upside

Industrial output rose in November by 7.8% YoY, above our forecast (6.2% YoY) and market consensus (5.7% YoY). Construction and assembly output added 1.2% YoY, while the market (and us) expected a drop in this sector. Retail sales also beat consensus and expanded by 5.7% YoY. In general, even though the readings were pushed up by one-off factors (e.g. working day effect), they convey an optimistic message and support our forecast of robust economic growth in 4Q2015.



Output surprised to the upside...

Industrial output rose by 7.8% YoY in November, above our forecast (6.2% YoY) and market consensus (5.7% YoY). The acceleration versus October (2.4% YoY) was partially due to the positive working day effect, but also the seasonally adjusted data showed an acceleration, to 5.2% YoY – higher than in the previous months of the year (4.4% YoY). The data confirmed that the industrial sector is in a good shape and the highest growth rates were posted by industrial manufacturing (9.3% YoY), especially in export-oriented sectors (vehicles, electrical appliances, furniture). A surprisingly high growth was recorded in manufacture of other transport equipment (79.7% YoY), which was probably due to one-off factors and added as much as 1.0 percentage point to the overall industrial growth index. Rising orders for Polish industry, both domestic and foreign are also confirmed by other statistics. We are optimistic about industrial output growth in the upcoming months.

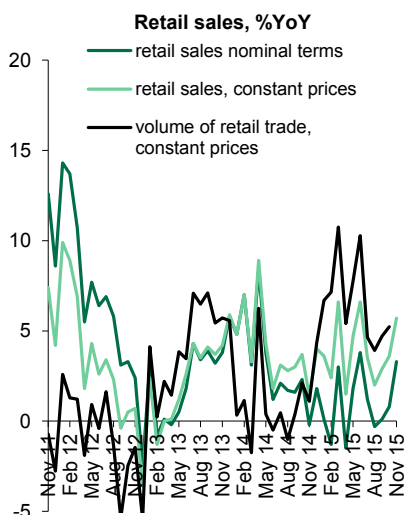
Construction and assembly output rose 1.2% YoY in November while the market (and we) expected a 3.6% YoY decline. Output rebound was recorded in building raising (to 0.9% YoY from -7.3% YoY in October) and civil engineering (+3.5% YoY from -6.2% YoY) while pace of growth in specialized constructions remained negative (-2.2% YoY vs. -0.2% YoY in October). Despite the acceleration in annual terms, after the seasonal adjustment output decelerated vs. October to -1.9% YoY. This may suggest that the market has underestimated the impact of the number of working days effect and this rebound is only a statistical phenomenon and does not signal improvement in construction sector.

... and retail sales too

Retail sales rose 3.3% YoY in nominal terms and 5.7% YoY in real terms in November. In both cases monthly drop was at 5.9%. The number was well above expectations – we and the market anticipated an annual real growth at 4.5-4.6%.

The biggest surprise came from sales of autos, motorcycles and parts that rose c20% YoY in nominal terms, the fastest pace since February 2014. Acceleration in the pace of growth vs. our forecasts was recorded also for households appliances (to +6.1% YoY from 3.8% in October, the fastest growth since June) and pharmaceutical and medical equipment (to 8.4% YoY from 5.6% in October, the fastest growth since May). Also for food and sales in the other non-specialized stores November's numbers clearly deviated from the trends observed in the previous months (surprising plunge by 3.1% YoY and sharp acceleration to 19.5% YoY from c3%, respectively). However, the stat office said this was to a large extent due to "organizational change" in the retail market where part of the sales classified as food was transferred to the non-specialized stores.

Data on the retail sales confirm that the internal demand remains strong. We expect the positive trends in the labour market (confirmed by the yesterday's data) to keep supporting the consumers' demand.



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PPI inches up

November PPI inflation rose to -1.8% YoY from -2.3% YoY in October, slightly more than expected. This was mainly due to higher prices in manufacturing (+0.1% MoM), particularly in coke and refined petroleum products (+1.4% MoM) and despite lower oil price in November. We expect PPI to move gradually (but slowly) up in the coming months.

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