Bank Zachodni WBK
Grupa Santander

INSTANT COMMENT

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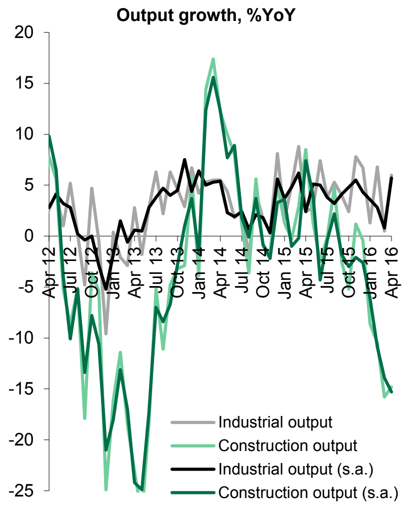
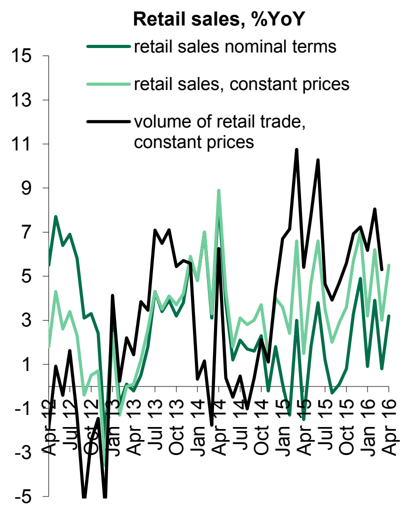
Good start of Q2 in industry and trade

Industrial output increased in April by 6.0% y/y, strongly above expectations, construction output slumped by 14.8% y/y, deeper than expected, while real retail sales advanced by 5.5% y/y, more or less in line with forecasts. In general, we are positive about the data, as they alleviate worries that the surprising slowdown of GDP growth in Q1 (to 3.0% y/y) may be continued further in the year. Given quite robust growth in the euro zone and weak PLN, a persistent slowdown in the Polish industry is not very likely, in our view, as it is strongly dependent on orders from the EU countries. That is why we expect export (and industry) to remain an important driver of GDP growth in Poland in the subsequent quarters. Private consumption will be another important driver, supported by rising labour income and 500+ child benefit programme.

Today's data should weaken the market speculation about possible rate cuts in Poland further in the year – MPC members stressed recently that the GDP growth is an important factor affecting their views; meanwhile, April's results lower worries about slowdown in the upcoming quarters.





Considerable strengthening in industry, further fall in contruction

Growth rate of industrial output climbed in April to 6.0% y/y, considerably above market consensus (3.4% y/y) and our forecast (3.8% y/y). Seasonally adjusted growth reached 5.7% y/y (vs 0.8% y/y in March) and this was the highest reading since March 2015. Growth in manfucaturing reached 8.3% y/y, its highest since December.

Strong rebound in industry at the start of Q2 confirms our expectations that the robust growth in the euro zone, coupled with rather weak PLN should prevent the Polish industry from a prolonged deceleration, as it is strongly dependent on orders from the EU countries. Most significant growth rates were recorded in the most export-oriented sectors: furnitures (18.4% y/y), cars (12.5% y/y), manufacture of metals (11.8% y/y), computer and electronic appliances (11.3% y/y). We expect that the European economy will grow further in the upcoming quarters, fueling Polish exports, which wil remain one of the drivers of economic growth.

Situation in construction is way less optimistic, with output falling by 14.8% y/y (consensus at -13.4% y/y, our forecast at -14.1% y/y) and by 15.3% y/y after seasonal adjustment. This is the weakest result since mid-2013. Decline of output was recorded in all construction sectors, but with the most severe fall in civil engineering: by 31.5% y/y. This seems to confirm our call that the weakness in construction is mainly due to slowdown in big infrastructural investment financed with help of public finance and EU financial means.

Retail sales growth accelerating

Retail sales in constant prices rose in April by 5.5% y/y, close to market consensus (5.5% y/y) and our forecast (5.8% y/y). As we expected, fluctuation of the annual growth of retail sales (in March it fell to 3.0% y/y) was to a large extent affected by calendar effects, i.e. timing of Easter (in 2016 it was at the end of March, last year at the start of April). The Easter effect lowered April's growth of sales of food (4.1% y/y vs. 6.4% y/y in March) and in non-specialised shops (7.3% y/y vs. 9.7% in March), but boosted sales of clothing and footwear (22.6% y/y vs. 4.2% in March) and household appliances (15.2% y/y vs. 0.9% in March). Solid growth (the highest this year) was also recorded in sales of motor vehicles (19.1% y/y). We expect retail sales growth to remain at c.4-5% y/y in the following months, which will reflect solid growth of private consumption.

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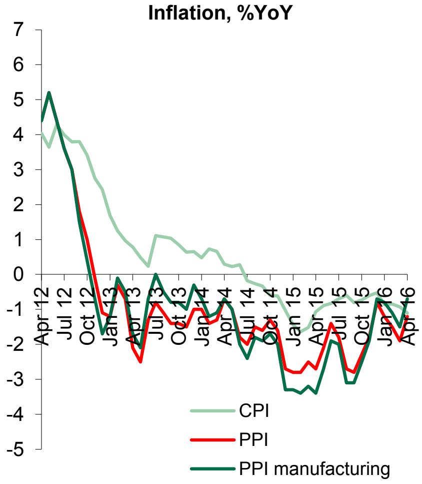

PPI higher due to commodities prices

PPI inflation rose in April to -1.2% y/y from -1.9% y/y in March. In monthly terms prices rose by 0.3% (in manufacturing by 0.4% m/m). Pressure on higher prices came mainly from sectors exposed to global commodity prices: in manufacturing of coke and oil products prices rose 6.0% m/m and in production of metals by 2.3% m/m. In other categories prices were quite stable.

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