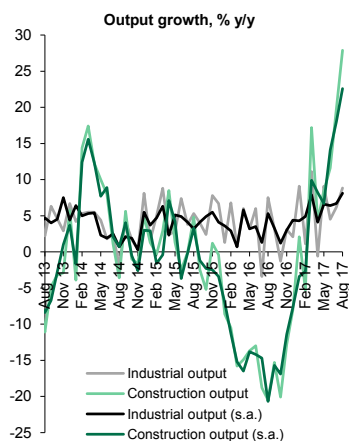


INSTANT COMMENT

19 September 2017

August acceleration of output and sales

In August, pace of industrial output growth accelerated to 8.8% y/y from 6.2% y/y. Market consensus was at 5.9% and our forecast at 6.1% y/y, that is slightly below July's 6.2% y/y. This time the figure was not distorted by the number of working days. After seasonal adjustment output rose 8.1% y/y which is the highest since December 2011. Construction output rose 23.5% y/y, somewhat below consensus (24% y/y) and our forecast (27,9% y/y) but this was still quite strong and it does not put into question the assumed rebound of investments in 3Q. Retail sales grew 6.9% y/y in real terms, similar result to what we have seen in 1H17 and confirms our view of private consumption growth staying around 5% in 3Q. Although these numbers could trigger upward revisions of GDP forecasts and proved supportive for the zloty, the majority of the MPC members will likely keep their view that interest rates should remain unchanged until 2018 or longer.



Industrial output stepped up the pace

Industrial output growth accelerated to 8.8% y/y from 6.2% y/y and this time this was not distorted by the number of working days. After seasonal adjustment output rose 8.1% y/y vs 6.7% in July which is the highest since December 2011. Output in manufacturing rose at a solid pace of 8.6% y/y despite high base effect which reinforces the impression that this was not just a one-off.

Construction output was slightly weaker than expected but no doubt a reading of 23.5% y/y could still be called quite strong and it does not put into question the assumed rebound of investments in 3Q.

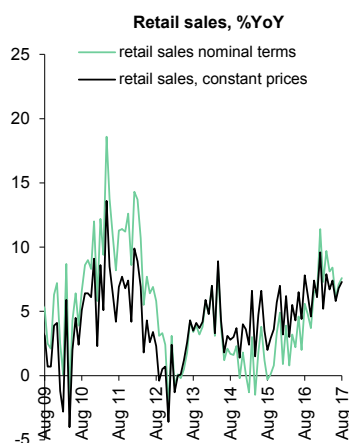
Before this data release we wrote that although this year it was more convenient to go on vacation utilizing August 15 holiday than in 2016, but taking the effective working time this August was only marginally shorter. We were expecting a robust economic performance and the stat office data confirmed our hypothesis. Following the surprisingly strong release, our estimates of the value-added side of national accounts point to 4.2% y/y GDP growth in 3Q.

Retail sales remain strong

Retail sales grew 6.9% y/y in real terms, that is similar result to what we have seen in 1H17, yet better than in June and July. We can see solid 4-17% y/y growth of sales across the categories. Despite strong demand, the price pressure on goods remained limited as prices of vast majority of categories changed between -6.2% y/y and 0.0% y/y, except only fuel and food prices (+4.3% y/y and +3.8% y/y respectively). This suggests that private consumption growth could stay around 5% in 3Q being supported by strengthening wage pressure and high pace of employment.

PPI jumps 3% y/y

PPI inflation rose 3% y/y in August vs 2.2% y/y in July on higher commodity prices. Both pressure from rising prices of food and fuel in retail sales together with price pressure reflected in PPI should work towards higher inflation in Poland in the months to come. However, the pace of this process will not be high enough to trigger MPC reaction. In general, we think that this bullish set of real data should not prevent Council's members from talking that rates could remain unchanged at least until the end of 2018.



ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854, Warszawa fax +48 22 586 83 40

email: ekonomia@bzwbk.pl

Web site: <http://www.bzwbk.pl>

Piotr Bielski +48 22 534 18 87

Marcin Luziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Konrad Soszyński +48 22 534 18 86

Marcin Sulewski +48 22 534 18 84

TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication. Additional information is available on request. Please contact Bank Zachodni WBK 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@bzwbk.pl, <http://www.bzwbk.pl>.