Bank Zachodni WBK
Grupa Santander

INSTANT COMMENT

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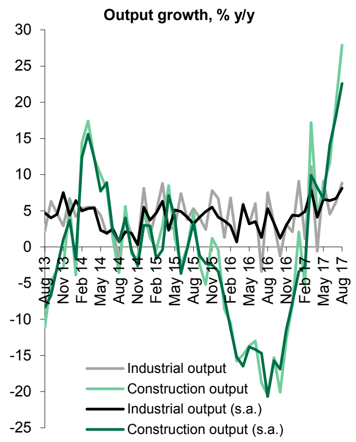
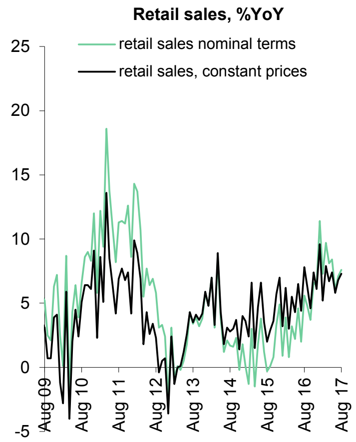
August acceleration of output and sales

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.

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