

19 December 2019

## Economic Comment

### Production: nice growth, poor structure

Grzegorz Ogonek, +48 22 534 19 23, [grzegorz.ogonek@santander.pl](mailto:grzegorz.ogonek@santander.pl)

Marcin Luziński, +48 22 534 18 85, [marcin.luzinski@santander.pl](mailto:marcin.luzinski@santander.pl)

In November industrial output grew by 1.4% y/y vs market expectations at 0.3% and our 1.6% call. The detail showed a weak result of manufacturing and a large contribution from utilities. PPI inflation amounted to -0.1% y/y in November, markedly below our forecast (0.4% y/y). What is more, GUS revised its October release to -0.3% y/y from -0.1% y/y.

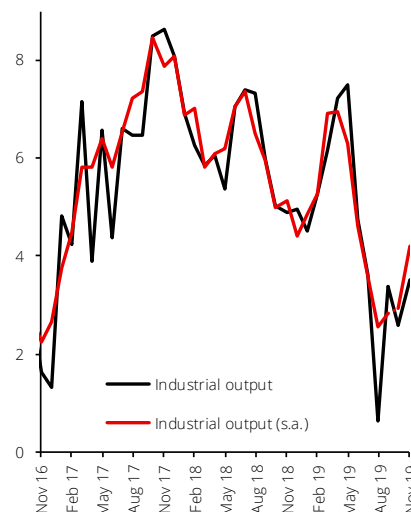
#### Output in manufacturing barely growing

In November industrial output grew by 1.4% y/y vs market expectations at 0.3% and our 1.6% call. The seasonally and working day adjusted result was 5.4% y/y, the highest since April. The bad news about November production is that manufacturing output grew by only 0.2% y/y vs 4.7% average growth in 2Q and 3.7% in 3Q. Among the industries that weighed on the manufacturing result cars and metal production were particularly important. At a more aggregate level, investment and intermediate goods were up only 0.3% y/y and 0.6%, which shows that economic weakness of the Eurozone industry is affecting Polish activity. The output of utilities was up 14.4% y/y and provided a very high contribution to headline growth (1pp). In our view the reading is a further confirmation of the slowdown and we see industrial output growing by 3.3% on average next year, while this year the average could be 4.4%.

#### PPI still below zero

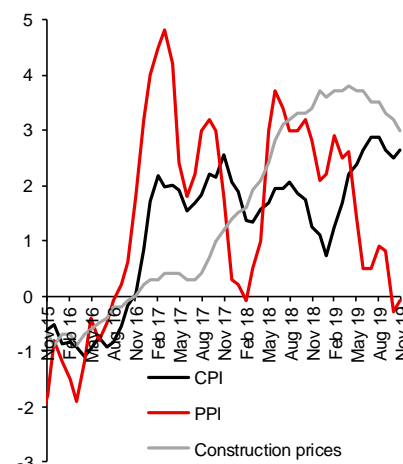
PPI inflation amounted to -0.1% y/y in November, markedly below our forecast (0.4% y/y). GUS revised its October release to -0.3% y/y from -0.1% y/y. In November, producer prices went down by 0.2% m/m, and the headline was mostly dragged lower by metals (-1.9% m/m) and coke / refined petroleum products (-1.0% m/m), which was a result of lower global commodity prices. Lower prices were also achieved thanks to decline of EURPLN exchange rate. In our view, PPI is to oscillate around zero in the months to come (yet a temporary rebound in December is possible), suggesting a lower pressure on CPI, which we expect to happen in 2H20. Price growth in construction eased to 3.0% y/y from 3.2% y/y in October, which could be heralding lower pressure on housing prices, in our view.

#### Industrial output, % y/y, 3M mov. av.



Source: GUS, Santander

#### Inflation measures, % y/y



Source: GUS, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)

website: [santander.pl/en/economic-analysis](http://santander.pl/en/economic-analysis)

Piotr Bielski +48 22 534 18 87

Marcin Luziński +48 22 534 18 85

Wojciech Mazurkiewicz +48 22 534 18 86

Grzegorz Ogonek +48 22 534 19 23

Marcin Sulewski, CFA +48 22 534 18 84

*This publication has been prepared by Santander Bank Polska 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. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska 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 Santander Bank Polska 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 Santander Bank Polska 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@santander.pl](mailto:ekonomia@santander.pl), <http://www.santander.pl>.*