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# Economic Comment

## Output growth remained positive

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Industrial output increased by 1.1% y/y in January versus 3.8% y/y in December, somewhat stronger than we expected (-0.1% y/y). The seasonally adjusted data showed an acceleration to 3.5% y/y from 2.1% y/y. Exporting sectors were doing quite well. Still, the data are signaling further economic slowdown in 1Q20, in our view. PPI growth declined from 1% y/y to 0.8%.

### Stronger-than-expected output in January

Industrial output increased by 1.1% y/y in January versus 3.8% y/y in December, somewhat stronger than we expected (-0.1% y/y). The annual growth rate was dragged lower by the negative working day effect, while the seasonally adjusted data showed an acceleration to 3.5% y/y from 2.1% y/y, which is close to the 2H19 average growth.

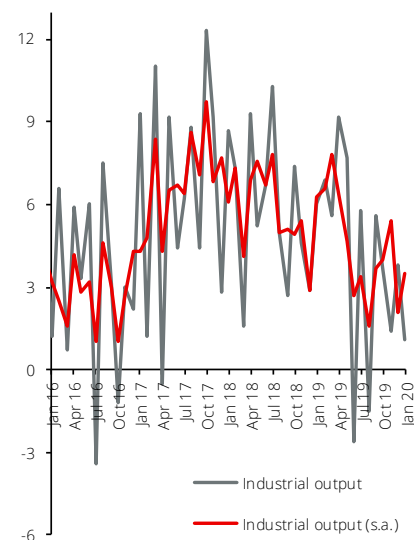
Exporting sectors were doing quite well and surprisingly the intermediate goods output registered no slowdown versus December (this sector took the main hit as regards foreign demand in 2019).

Even though the data surprised to the upside, it is suggesting a further economic deceleration in 1Q20, in our view. The upcoming months could prove challenging for the Polish industry, given still sluggish activity in Germany and potential impact of disruptions in supply chains due to outbreak of SARS-CoV-2. Poland's textile and electronics sectors are the most vulnerable.

### PPI growth much more stable than CPI

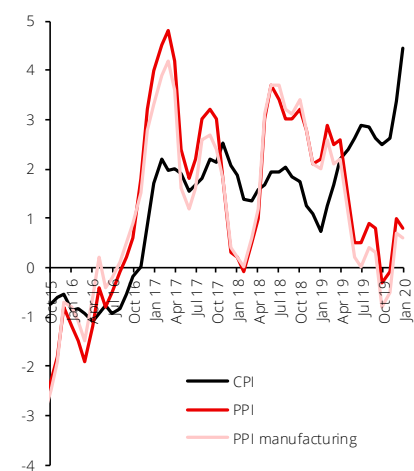
In January PPI rose 0.8% y/y vs 1.0% market expectations, down from 1% in December. The fastest growing part was still water supply, waste management and provision of electricity gas and heating. Producer prices in manufacturing rose 0.6% y/y vs 0.7% previously. The highest rise was seen in oil refining, food, tobacco and pharmaceuticals. We assume that PPI growth will remain mostly in 0-1% y/y range this year. Prices in construction kept growing at 2.9% y/y, since April 2019 the pace is either flat or decreasing.

### Industrial output, % y/y



Source: GUS, Santander

### Price indexes, %y/y



Source: GUS, Santander

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