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Economic Comment

Remarkable rise of industrial output, high PPI

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In November Polish industrial output soared by 15.2% y/y, up from 7.8% y/y, leaving market consensus at 8.8% and our 7.2% forecast far behind. Manufacturing output surged by 13% y/y while we thought it could stay around 6%. Seasonally adjusted total output growth also at 15.2% y/y shows that the surprise was not just a sort of calendar effect. Such strong performance of industry may prevent a large slowdown in 4Q GDP in q/q terms which we thought was likely after the surprisingly strong 3Q. In November, Polish PPI inflation rose to 13.2% y/y, slightly above market consensus of 12.9% and close to our 13.3% call. The October reading was revised higher to 12% from 11.8%. Our core PPI measure increased from 8.7% y/y to 9.8%. We believe PPI inflation is already somewhere near its peak.

Strong broad-based acceleration in industry

In November Polish industrial output soared by 15.2% y/y leaving market consensus at 8.8% and our 7.2% forecast far behind. The October reading was 7.8% y/y.

All components except waste and water management were way above our estimates. We had based our relatively low forecast on assumption that the surprising huge growth of the output of utilities in October had been a one-off. However, this category grew even faster in November, by 47.7% y/y. What is more, manufacturing output surged by 13% y/y (we thought it could stay around 6%, like in the previous two months). Even the automotive sector suffering from shortage of components managed to show marginal positive y/y growth in November after -19.5% y/y in October.

Seasonally adjusted total output growth also at 15.2% y/y shows that the surprise was not just a sort of calendar effect. The SA m/m growth of 6.5% is remarkable (Jan-Oct average is 0.8%).

It seems the sector is refusing to slow down despite supply shortages and quickly growing production costs, this may prevent a large slowdown in 4Q GDP in q/q terms which we thought was likely after the surprisingly strong 3Q.

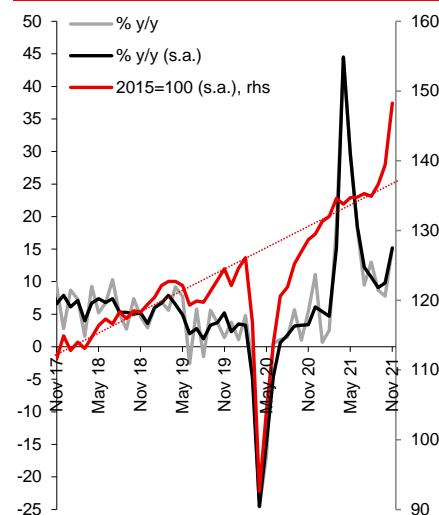
PPI inflation leaps higher once again

In November, Polish PPI inflation rose to 13.2% y/y, slightly above market consensus of 12.9% and close to our 13.3% call. The October reading was revised higher to 12% from 11.8% (on stronger growth of manufacturing prices), as a result the November m/m was actually a bit smaller than we assumed.

Prices in mining are already growing at 25.7% y/y (the fastest since 1H17, coal mining prices in November rose by 4.8% m/m), while manufacturing PPI inflation climbed to 13.4% y/y (the quickest since Jan'96). Our core PPI measure, excluding the categories which are mostly reflecting global commodity price changes, increased from 8.7% y/y to 9.8%.

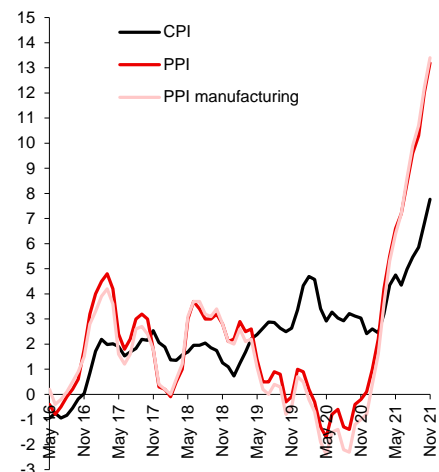
We believe PPI inflation is already somewhere near its peak and by late spring 2022 it might scale back to single digit values, provided that energy commodities prices decline after winter.

Industrial output in Poland



Source: GUS, Santander

Inflation measures, % y/y



Source: GUS, Santander

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