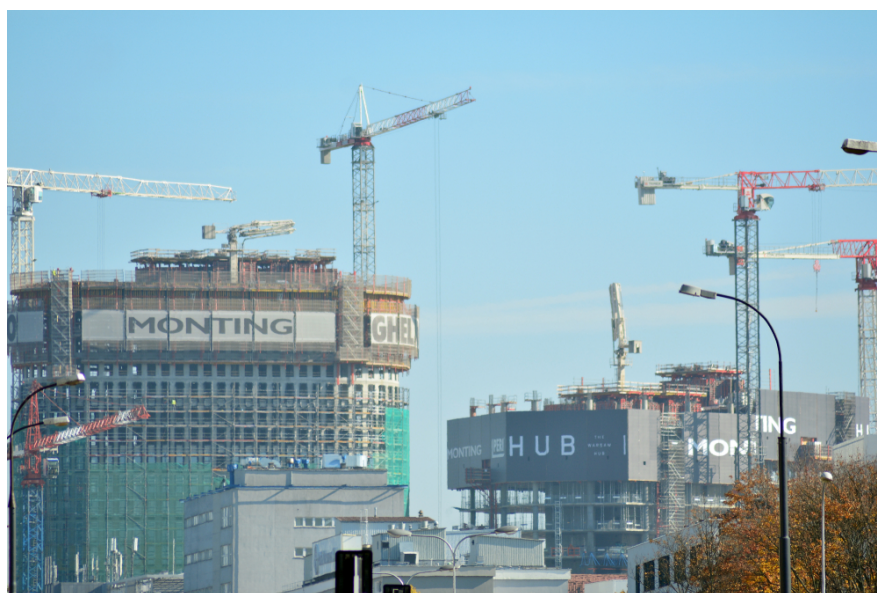


## Poland: PPI and construction surprise on the upside

The better reading in construction points to a revival in infrastructure investment. Higher PPI inflation, meanwhile, is a global story: rising prices of commodities and chip shortages are generating higher costs, which manufacturers are passing on to consumer prices



Construction of the 'Warsaw Hub', Poland

# +5.3%

Higher than expected

PPI in Poland in April (YoY)

consensus at +4.9%

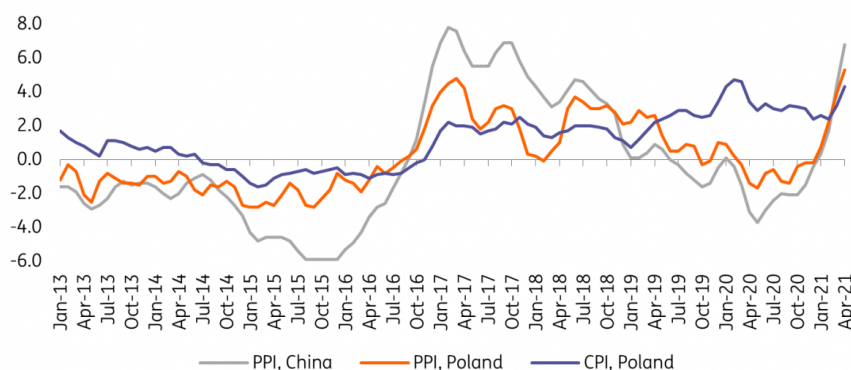
### Acceleration in the PPI is a global phenomenon

In April, inflation at the wholesale level accelerated from 3.9% to 5.3% YoY, more than the market expected (+4.9% YoY). Prices in manufacturing accelerated strongly, to 5.0% YoY from 3.3% in March. Prices in the metal ore mining industry continued to rise (+60.1% YoY) due to the rebound

in demand for commodities in the global economy.

Inflationary pressure in Poland is currently largely cost-driven. Raw material prices are growing, disruptions in the supply chain are forcing a reorganisation of production processes. This generates higher costs, which are transferred to the prices of finished products. This is a global trend. In April, PPI inflation in China and the US accelerated to 6.8% and 6.2% YoY, respectively. We do not yet know the reading for the eurozone, but in March it was already at 4.3% YoY vs. 1.5% YoY in February.

## Producer and consumer price inflation (% YoY)



Source: Macrobond, CSO

Producers are gradually passing on cost increases to consumers. In April, CPI inflation in Poland accelerated from 3.2% to 4.3% YoY, partially due to stronger growth in the price of goods. The progress in vaccination and gradual reopening of the economy will soon be complemented by pent-up consumer demand. We should also see further stimulus from the EU Recovery Fund and the Polish Deal. We estimate that the implementation of the announced changes in PIT and the launch of some of the infrastructure programmes may further boost CPI inflation by 0.2 percentage points in 2022.

**-4.2%**

Better than expected

Construction in April (YoY)

consensus at -8.0% YoY

## Better-than-expected construction and assembly production results

Even though April construction output was still negative compared to a year ago (-4.2% YoY), the reading was much better than in March (-10.8% YoY) and expectations (-8% YoY). While in March, all construction sub-sectors recorded year-on-year declines, in April this was true only with regard to civil engineering. Construction of buildings and specialised construction activities rose by 1.3% and 0.3% YoY, respectively. Demand for housing remains high, and the rebound in the specialised construction sector may indicate that infrastructure investment is gradually taking off.

We have to wait a bit longer for positive YoY growth in construction and assembly production. Last year's slowdown affected construction somewhat later than industry or retail sales. Therefore, the low base effect, which boosts annual growth rates in the latter areas, does not apply to this sector. Nevertheless, the results for April should be viewed positively. Adjusted for seasonality, construction and assembly output growth accelerated by as much as 5.0% month-on-month from 1.5% in March.