19 January 2018

Snap

Poland: December data points to solid investment

Activity data in December presents a picture of solid domestic demand. We expect 4Q17 GDP to exceed 5% YoY

Polish industrial production decelerated in December from 9.1% YoY to 2.7% YoY, close to the market consensus (3.5%YoY). The calendar effects (discrepancy of two working days) subtracted approximately 4.6ppt while another 0.5ppt was subtracted by the negative contribution of the mining sector. According to the statistics office, the strongest performance was related to: 1) maintenance and repair of machinery & vehicles (14.3%YoY), 2) other transportation vehicles (including railways trains, military vehicles) 11%YoY, 3) metal production (10,7%YoY). Thus the structure of manufacturing production suggests stronger gross fixed capital investments in 4Q17.

20.6 Infrastructural construction (%YoY)

The construction sector slowed less than expected to 12.7%YoY to 19.8%YoY (vs. market consensus at 11.6%YoY). This is another sign of improving investment – infrastructural construction accelerated by 20.6%YoY, specialised construction by 11.6%YoY. Still, real estate construction decelerated to 2.3%YoY.

Retail sales slowed from 8.8%YoY to 5.2%YoY (constant prices), below the market consensus (7.7%YoY). The negative surprise was related to car sales (0.1%YoY) and non-durable goods (food, fuels). Sales of durable household appliances & clothing remained sound.

Today's data support our call for GDP growth of more than 5% YoY in 4Q17. Still, we see limited reaction from the MPC. A rate hike in 2018 is, in our opinion, unlikely, and we see 1H19 as a more probable time to start the tightening cycle. The central bank may also decide to tighten macroprudential policy rather than increase interest rates.

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