

Poland: Highest PMI reading in 34 months

Manufacturing optimism supports our call for 5+%YoY GDP growth in 4Q17. Solid activity so far has failed to induce inflation.



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 PMI index

Better than expected

The PMI index accelerated from 54.2pt to 55pt in December, ahead of market consensus (54.6pt). The Markit report highlights its strong assessment of current production volume, supporting our call for GDP growth above 5% YoY in 4Q17. The long-term indicators - including employment and future production assessment - remained positive, with a greater share of companies reporting investment in machinery.

On the other hand, inflationary pressures remain under control. The December survey indicates another drop in both inputs and in output prices (both indicators were still above levels recorded in previous years). Cost pressures seem to be fading - we expect PPI to decelerate from 1.8%YoY in November to approximately 0.4%YoY, with limited scope for prompt recovery in 1Q18. Finally,

surveys do not highlight concerns related to increasing wages.