



Poland: Weekly Macroeconomic Update

LAST WEEK:

The **OECD** raised Poland's GDP growth forecasts to 4.2% from 4.0% in 2019 and to 3.5% from 3.3% in 2020. In May's Economic Outlook the OECD confirmed their forecasts of Poland's inflation and core inflation at 3% in 2020. The OECD expects fiscal deficit in Poland at 1.4% of GDP in 2019 (up 0.6 percentage points from previous forecast) and 1.0% in 2020 (up 0.1 p.p.). The OECD recommended Poland to tighten fiscal policy in order to build fiscal buffer for years with slower economic growth that will come.

In April **average wage** in employment sector rose by 0.4% m/m and increased by 7.1% y/y versus 5,7% y/y growth in March. Despite stronger than expected wage growth in April, the trend in wage growth is still moderately decreasing that means slower wage growth in the coming months. In April **average employment** in enterprises' sector was unchanged m/m and increased by 2.9% y/y, somewhat slower than expected employment growth in April combined with robust wage growth suggests that demand for labor remains strong.

In April **industrial output** fell by 3.6% m/m and rose by 9.2% y/y. In April seasonally adjusted industrial output rose by 0.1% m/m and increased by 6.5% y/y. In constant prices industrial output growth was reported in 28 sectors of industry (out of 43), among others in production of electrical machinery and appliances (up 26.6% y/y), other transport equipment (up 22.3% y/y), food (up 13.4% y/y) beverages (up 12.1% y/y), products of rubber and plastics (up 10.6% y/y), products of metals (up 9.6% y/y), products of other non-metal raw materials (up 9.2% y/y) and automobiles (up 8.0% y/y). In April producer prices rose by 0.4% m/m and increased by 2.5% y/y.

April **retail sales** in constant prices rose by 3.5% m/m and increased by 11.9% y/y. In the current prices retail sales rose by 4.4% m/m and 13.6% y/y in April. Comparing to April 2018 retail prices in constant prices rose the strongest in supermarkets (up 20.7% y/y), furniture, consumer electronics and white goods (up 19.5% y/y) and food (up 18.2% y/y). In April strong growth was reported in retail sales of automobiles and parts (up 13.3% y/y) and pharmaceuticals and cosmetics (up 9.9% y/y). Low growth was reported in retail sales in specialized shops (up 3.3% y/y), fuels (up 3.0% y/y) and sales via Internet (up 2.2% y/y). The structure of retail sales in April was strongly impacted by Easter (food, supermarkets) but also shows robust household's demand for durable consumer goods.

In April **construction output** in constant prices rose by 7.1% m/m and increased by 17.4% y/y. In April growth in construction of infrastructural objects was 32.7% y/y and growth in specialized construction was 18.2% y/y what shows that the main engine in construction remain infrastructure investments. In April construction of buildings grew only by 3.9% y/y.

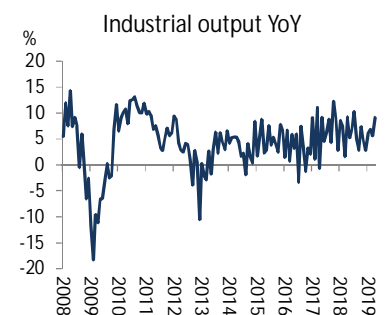
According to results from 99.3% of polling stations in **elections to the European Parliament** right-centre Law and Justice (PiS) got 45,6% of vote, centre European Coalition (KE) got 38.3%, liberal Wiosna 6.0%, nationalist Konfederacja 4.5%, populist Kukiz 3.7% and leftist Left Together 1.2%. The turnout was very high and amounted to 45.4% Above 5% threshold were PiS, KE and Wiosna.

Figure 1: Average wage



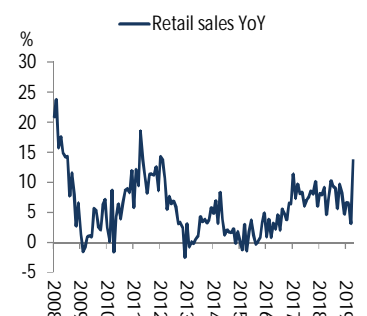
Source: GUS

Figure 2: Industrial output



Source: GUS

Figure 3: Retail sales



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
May-27	8:00	Unemployment rate (Apr)	5.6%	5.6%	5.6%
May-27	8:00	Unemployment rate (Q1)		3.9%	3.6%
		Budget balance (Jan-Apr)	-PLN7.9bn		N/A

Source: Deutsche Bank Estimates, Reuters and Bloomberg Finance LP

FX and interest rate forecasts

	EUR/PLN	USD/PLN	CHF/PLN	GBP/PLN	EUR/USD	WIBOR 3M	WIBOR 6M	EURIBOR 3M	LIBOR USD 3M	CPI (Poland)	Yield on 10Y POLGB
	(end of period)										
May-19	4.282	3.823	3.804	4.894	1.120	1.72	1.79	-0.31	2.52	2.2	2.90
Jun-19	4.279	3.855	3.799	4.973	1.110	1.72	1.79	-0.31	2.55	2.2	2.95
Jul-19	4.276	3.869	3.794	5.030	1.105	1.72	1.80	-0.31	2.60	2.4	3.00
Aug-19	4.273	3.884	3.789	5.088	1.100	1.72	1.80	-0.30	2.62	2.4	3.05
Sep-19	4.269	3.846	3.784	5.077	1.110	1.72	1.80	-0.30	2.65	2.5	3.10
Oct-19	4.266	3.809	3.780	5.066	1.120	1.72	1.80	-0.30	2.70	2.6	3.15
Nov-19	4.263	3.773	3.775	5.055	1.130	1.72	1.80	-0.30	2.72	2.9	3.20
Dec-19	4.260	3.737	3.770	5.045	1.140	1.72	1.80	-0.30	2.75	3.0	3.20
Jan-20	4.253	3.720	3.758	5.038	1.143	1.73	1.81	-0.30	2.75	3.4	3.20
Feb-20	4.247	3.703	3.747	5.031	1.147	1.74	1.82	-0.30	2.75	3.2	3.20
Mar-20	4.240	3.687	3.736	5.023	1.150	1.75	1.85	-0.30	2.75	3.0	3.20
Apr-20	4.233	3.671	3.724	5.016	1.153	1.80	1.90	-0.28	2.70	2.6	3.25

Note: Due to Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 the way of calculation of WIBOR rates and their values may be subject to change.

Source: Deutsche Bank Polska S.A.



Appendix 1

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Additional information available upon request

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