



Poland: Weekly Macroeconomic Update

LAST WEEK:

In April **registered unemployment rate** fell to 5.6% from 5.9% in March. According to the Labour Force Survey (LFS), unemployment rate in Q1 2019 rose to 3.9% from 3.8% in Q4 2018. According to the LFS the lowest unemployment rate was in Q2 2018 and amounted to 3.6%.

Government proposed to increase **minimal monthly gross wage** to PLN2450 in 2020 from PLN2250 in 2019 and PLN2100 in 2018. Government also proposed to hike minimal hourly wage to PLN16.00 in 2020 from PLN14.70 in 2019 and PLN13.70 in 2018.

Central budget deficit narrowed to -PLN75mn in the period of January-April from -PLN4.48bn in the period of January-March.

According to **minutes from MPC meeting** held on May 15, MPC members stressed that despite recent hike in inflation in April (mainly due to rise in food and fuel prices), inflation remained at moderate level. Some MPC members expressed a view that inflation would remain steady in the coming quarters but some MPC members expressed a view that rise in prices of services might lead to higher consumer inflation. MPC agreed that interest rates should remain unchanged in the coming quarters. Some MPC members said that should fiscal expansion, rise in wages and higher energy prices endanger realization of inflation target in medium term it might be justified to consider an increase in the NBP interest rates in the coming quarters.

Real GDP growth in Q1 2019 amounted to 1.5% q/q and 4.7% y/y and was higher than flash GDP growth of 1.4% q/q and 4.6% y/y. In Q1 personal consumption rose by 3.9% y/y, public consumption rose by 6.4% y/y and investments in fixed assets rose by 12.6% y/y. Domestic demand increased by 4.2% y/y in Q1. In Q1 2019 GDP growth was generated mainly by personal consumption (that contributed 2.4 perc. points to GDP), investments in fixed assets (+ 1.6 p.p) and public consumption (+1.1 p.p). Net exports in Q1 contributed 0.7 p.p. to GDP growth.

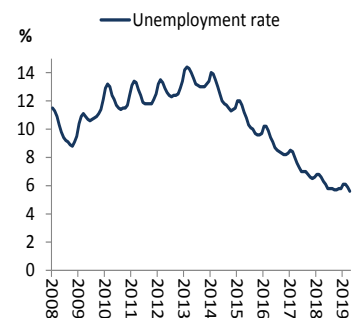
THIS WEEK:

In May **manufacturing PMI** fell to 48.8 pts from 49.0 pts in April. In May output, new orders and exports declined again albeit at slower pace than in the beginning of the year. Both level of employment and purchasing activity declined. In May final goods stocks were reduced and inflationary pressure was the lowest in two and a half years.

Inflation for May (due on Tuesday) should amount to 0.3% m/m and 2.3% y/y.

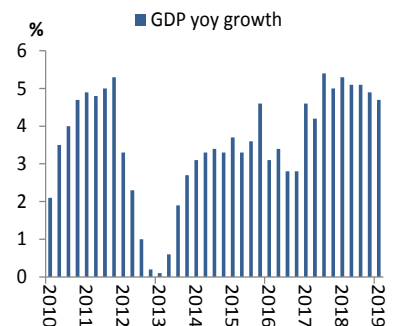
On Wednesday **the MPC** should keep interest rates unchanged and will likely maintain their guidance for steady interest rates in the coming quarters.

Figure 1: Unemployment rate



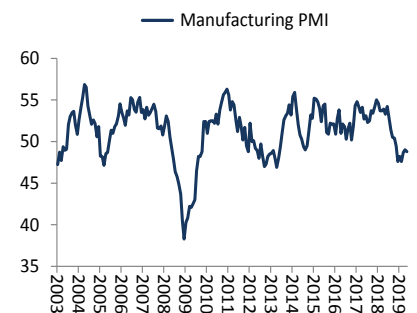
Source: GUS

Figure 2: GDP growth



Source: GUS

Figure 3: Manufacturing PMI



Source: Markit



DIARY (this week)

| Date | GMT | Release/Event | DB Expected | Actual | Consensus |
|-------|------|-------------------------|-------------|--------|-------------|
| Jun-3 | 7:00 | Manufacturing PMI (May) | 48.5 | 48.8 | 49.0 |
| Jun-4 | 8:00 | Inflation (May) | 0.3% (2.3%) | | 0.3% (2.4%) |
| Jun-5 | | MPC decision | 1.50% | | 1.50% |

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) | | | | | | | | | | |
| Jun-19 | 4.279 | 3.855 | 3.799 | 4.973 | 1.110 | 1.72 | 1.79 | -0.31 | 2.55 | 2.3 | 2.75 |
| Jul-19 | 4.276 | 3.869 | 3.794 | 5.030 | 1.105 | 1.72 | 1.80 | -0.31 | 2.60 | 2.5 | 2.80 |
| Aug-19 | 4.273 | 3.884 | 3.789 | 5.088 | 1.100 | 1.72 | 1.80 | -0.30 | 2.62 | 2.5 | 2.85 |
| Sep-19 | 4.269 | 3.846 | 3.784 | 5.077 | 1.110 | 1.72 | 1.80 | -0.30 | 2.65 | 2.6 | 2.86 |
| Oct-19 | 4.266 | 3.809 | 3.780 | 5.066 | 1.120 | 1.72 | 1.80 | -0.30 | 2.65 | 2.7 | 2.90 |
| Nov-19 | 4.263 | 3.773 | 3.775 | 5.055 | 1.130 | 1.72 | 1.80 | -0.30 | 2.65 | 3.0 | 2.90 |
| Dec-19 | 4.260 | 3.737 | 3.770 | 5.045 | 1.140 | 1.72 | 1.80 | -0.30 | 2.65 | 3.1 | 2.95 |
| Jan-20 | 4.253 | 3.720 | 3.758 | 5.038 | 1.143 | 1.73 | 1.81 | -0.30 | 2.65 | 3.5 | 3.00 |
| Feb-20 | 4.247 | 3.703 | 3.747 | 5.031 | 1.147 | 1.74 | 1.82 | -0.30 | 2.65 | 3.3 | 3.05 |
| Mar-20 | 4.240 | 3.687 | 3.736 | 5.023 | 1.150 | 1.75 | 1.85 | -0.30 | 2.65 | 3.1 | 3.10 |
| Apr-20 | 4.233 | 3.671 | 3.724 | 5.016 | 1.153 | 1.80 | 1.90 | -0.28 | 2.65 | 2.7 | 3.15 |
| May-20 | 4.227 | 3.654 | 3.713 | 5.009 | 1.157 | 1.80 | 1.90 | -0.27 | 2.65 | 2.6 | 3.15 |

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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