



Poland: Weekly Macroeconomic Update

LAST WEEK:

In May 2019 **construction output** grew by 9.6% y/y and 5.3% m/m in real terms. Housing construction rose by 7.0% y/y and increased by 0.8% m/m, infrastructure investments rose by 8.8% y/y and fell by 15.4% m/m, specialised construction output rose 14.6% y/y and fell by 2.9% m/m. Growth of infrastructure investments stabilises and the share of housing construction in construction increases due to seasonal factors.

In May 2019 **retail sales** in the current prices rose by 7.3% y/y and decreased by 3.0% y/y in May. Real retail sales rose by 5.6% y/y and fell by 3.5% m/m in May. In the current prices retail sales of cars rose by 12.6% y/y, a strong growth was reported in retail sales of pharmaceuticals and cosmetics (up 16.6% y/y) and furniture, consumer electronics and white goods (up 17.4% y/y). In May retail sales (in the current prices) in supermarkets rose by 9.6% y/y, retail sales of food, alcohol and tobacco rose by 5.2% y/y and retail sales of fuel increased by 4.0% y/y.

In May 2019 **money supply M3** rose by 0.9% m/m and increased to 9.9% y/y. In May loans to households increased by 1.0% m/m to PLN743.0bn while loans to nonfinancial corporations fell by 0.3% m/m to PLN388.2bn. Households' deposits rose by 0.6% m/m to PLN839.9bn and corporate deposits increased by 1.5% m/m to PLN280.6bn.

Registered **unemployment rate** fell to 5.4% in May from 5.6% in April. Situation in the labour market has been improving supported by a seasonal increase in jobs in catering, agriculture and construction.

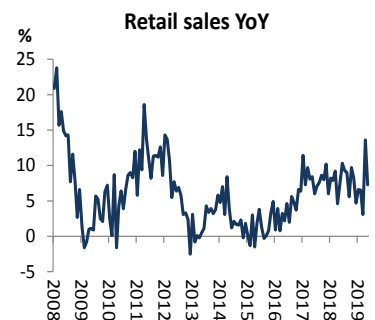
In June 2019 according to flash estimate, **inflation** was 0.3% m/m and 2.6% y/y coming above 2.4% market consensus view. A rise of inflation in June stemmed from higher food prices caused by draught in June, increase in fuel prices and from increase in services' prices

THIS WEEK:

Manufacturing PMI fell to 48.4pts in June from 48.8pts in May. In June the production and new orders declined at accelerated pace, partially offset by improvement in job creation. In June new orders declined for eighth month in a row driven mainly by decline in domestic orders that resulted in a stronger fall in production output. In June expectations on future production in the horizon of 12 months were least optimistic since December 2012. In June inflationary pressure alleviated, costs of production rose at the slowest pace since October 2016 and prices of finished goods rose at the slowest pace in 32 month.

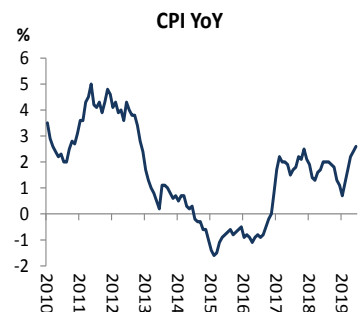
On Wednesday the MPC ends two-day monetary policy meeting. We expect the MPC to keep interest rates unchanged and to maintain their guidance for no change in interest rates in the coming quarters.

Figure 1: Retail sales



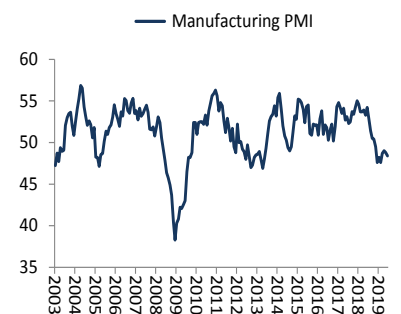
Source: GUS

Figure 2: Inflation



Source: GUS

Figure 3: Manufacturing PMI



Source: Markit



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jul-01	9:00	PMI manufacturing (maj)	48.7	48.4	49.0
Jul-03		MPC decision	1.50%		1.50%
Jul-05	14:00	Official reserve assets (cze)			

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)										
Jul-19	4.240	3.722	3.763	4.727	1.139	1.72	1.80	-0.31	2.35	2.5	2.40
Aug-19	4.242	3.723	3.762	4.766	1.139	1.72	1.80	-0.30	2.15	2.5	2.40
Sep-19	4.244	3.724	3.762	4.786	1.140	1.72	1.80	-0.30	2.05	2.6	2.45
Oct-19	4.246	3.726	3.762	4.806	1.140	1.72	1.80	-0.30	2.00	2.7	2.46
Nov-19	4.248	3.727	3.761	4.826	1.140	1.72	1.80	-0.30	1.90	3.0	2.50
Dec-19	4.250	3.728	3.761	4.846	1.140	1.72	1.80	-0.30	1.80	3.1	2.53
Jan-20	4.244	3.712	3.750	4.857	1.143	1.73	1.81	-0.30	1.80	3.5	2.55
Feb-20	4.238	3.696	3.740	4.867	1.147	1.74	1.82	-0.30	1.80	3.3	2.60
Mar-20	4.233	3.680	3.729	4.877	1.150	1.75	1.85	-0.30	1.80	3.1	2.60
Apr-20	4.227	3.665	3.718	4.886	1.153	1.80	1.90	-0.30	1.80	2.7	2.60
May-20	4.221	3.649	3.708	4.896	1.157	1.80	1.90	-0.30	1.80	2.6	2.60
Jun-20	4.215	3.634	3.697	4.905	1.160	1.80	0.00	-0.30	1.80	2.6	2.60

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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