



Poland: Weekly Macroeconomic Update

LAST WEEK:

The **current account deficit** for March was –EUR982mn while trade deficit for March was equal to –EUR317mn. In March imports were 1.6% up yoy to EUR18.434bn while exports declined by 2.0% yoy to EUR18.117bn. Services balance was positive (EUR1.34bn) while primary income balance was negative (-EUR1.93bn). According to customs data, in Q1 exports grew by 3.2% yoy to EUR52.5bn while imports increased by 6.9% yoy to EUR53.4bn.

In **Q1 2018 GDP growth** was 1.6% qoq and 5.1% yoy. The structure of GDP growth hasn't been published yet but most likely investments growth was more robust than expected what combined with still very strong household demand and likely less negative than envisaged contribution of net exports resulted in better than forecast Q1 GDP growth. Much better than expected Q1 data are also a result of revisions to historical data that acted in favour of higher GDP growth in Q1 and are likely to reduce GDP growth in coming quarters. In coming quarters GDP growth is likely to be robust and we expect 4.5% yoy growth in Q2 2018.

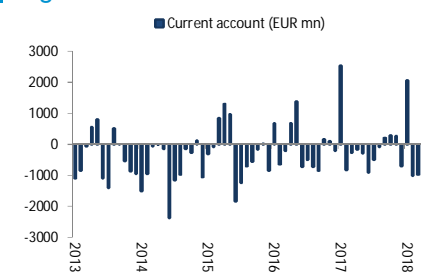
Inflation for April was confirmed at 0.5% mom and 1.6% yoy. In April food prices were 0.4% up mom, footwear and clothing prices were 2.9% up mom, transport prices increased by 2.4% mom, housing and energy prices were 0.2% up mom while telecommunication prices fell by 0.6% mom. In April fuel prices added 0.14 p.p. to monthly inflation, food prices added 0.08 p.p., vegetables ' prices added 0.07 p.p., transport prices added 0.07 p.p. and footwear prices added 0.06 p.p.

Core inflation for April was 0.5% mom and 0.6% yoy, down from 0.7% yoy in March. In April core inflation excluding administrative prices was 1.7% yoy, core inflation excluding most volatile prices was 1.2% yoy and 15-percent truncated mean was 1.5% yoy.

The **Monetary Policy Council** didn't change interest rates and reiterated its guidance for unchanged interest rates in the near future. NBP President Adam Glapinski said that interest rates might be kept unchanged even through 2020. In his view the main central banks are in the process of revising down their inflation expectations in the horizon of couple of next years what confirms NBP's assessment of macro-economic environment. MPC member Kamil Zubelewicz said that for MPC members stability in interest rates was a value. It means that hawkish wing within the MPC is converging to dovish majority in their views on interest rates.

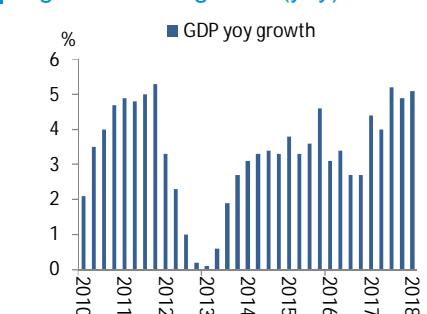
Average wage for April in enterprises' sector was 7.8% up yoy and declined by 0.9% mom. Average employment in enterprises' sector increased by 3.7% yoy and 0.1% mom in April.

Figure 1: Current account



Source: NBP

Figure 2: GDP growth (yoy)



Source: GUS

Figure 3: Average wage (yoy growth)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
May-21	8:00	Industrial output (Apr)	-8.5% (7.3%)	-6.8% (9.3%)	-7.2% (8.5%)
May-21	8:00	PPI (Apr)	0.3% (0.9%)	0.3% (1.1%)	0.3% (0.9%)
May-21	8:00	Construction output (Apr)	(22.3%)	(19.7%)	(24.8%)
May-22	8:00	Business conditions (May)			
May-23	8:00	Retail sales (Apr)	-1.8% (8.5%)		-2.4% (7.9%)
May-24	12:00	Money supply M3 (Apr)	0.2% (5.7%)		0.5% (6.0%)
May-25	8:00	Unemployment rate (Apr)	6.3%		6.3%

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	EURIBOR 3M	LIBOR USD 3M	CPI (Poland)
	(end of period)								
May-18	4.275	3.638	3.638	4.948	1.175	1.70	-0.33	2.34	1.7
Jun-18	4.260	3.580	3.610	4.869	1.190	1.70	-0.33	2.37	2.1
Jul-18	4.240	3.504	3.573	4.754	1.210	1.70	-0.33	2.40	2.1
Aug-18	4.220	3.431	3.536	4.643	1.230	1.70	-0.32	2.43	2.1
Sep-18	4.200	3.360	3.500	4.536	1.250	1.70	-0.32	2.46	1.9
Oct-18	4.187	3.332	3.451	4.531	1.257	1.70	-0.31	2.49	1.8
Nov-18	4.173	3.303	3.402	4.526	1.263	1.70	-0.30	2.52	1.6
Dec-18	4.160	3.276	3.355	4.520	1.270	1.70	-0.30	2.55	1.7
Jan-19	4.157	3.256	3.339	4.504	1.277	1.70	-0.28	2.58	1.6
Feb-19	4.153	3.236	3.323	4.488	1.283	1.70	-0.25	2.61	1.9
Mar-19	4.150	3.217	3.307	4.472	1.290	1.70	-0.25	2.64	2.2
Apr-19	4.147	3.198	3.291	4.456	1.297	1.70	-0.20	2.67	2.1

Source: Deutsche Bank Polska S.A.



Appendix 1

Important Disclosures

Additional information available upon request

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