



# Poland: Weekly Macroeconomic Update

## LAST WEEK:

In April **industrial output** increased by 9.3% yoy and fell by 6.8% mom. Seasonally adjusted industrial production rose by 5.9% yoy in April. The highest annual growth in output was reported in production of coke and oil refining (up 24.6% yoy), machinery and equipment (up 17.0% yoy), furniture (up 14.9% yoy), paper (up 14.3% yoy), products of other non-metal raw materials (up 12.7% yoy), products of metal (up 12.6% yoy) and electric appliances (up 11.3% yoy). A decline in output took place in three branches of industry, including production of pharmaceuticals (down 12.4% yoy). In April this year output growth was above trend, supported by exporting sectors and sectors producing investment goods.

In April **construction output** was 1.0% up mom and increased by 19.7% yoy. In April robust activity was reported in construction of structures and buildings (up 36.0% yoy) and construction of land and water engineering objects (up 22.2% yoy).

In April **producer prices** were 0.3% up mom and 1.1% up yoy. The strongest rise in prices was reported in coke production and oil refining (up 5.5% mom), tobacco products (up 0.7% mom) and metals, computers, electronic and optical products and paper (each by 0.4% mom).

In the end of March 2018 **debt of State Treasury** (ST) was PLN958.1bn and was 0.6% up mom and increased by 3.2% since the beginning of the year. In March residents held 49.9% of ST debt worth PLN477.8bn, of which PLN270.9bn (28,3%) was held by domestic banks while non-residents held 50.1% of total ST debt worth PLN480.3bn.

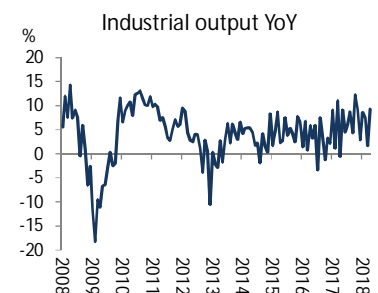
In May synthetic **indicator of business conditions** (SI) amounted to 109.3pts and was higher than in April 2018 and May 2017. In May in manufacturing domestic and foreign orders increased, stocks of finished goods rose but declined expectations on future output. In construction current domestic and foreign orders continue to rise but expectations on future employment diminish what results in stabilisation of confidence indicator. In May confidence in retail trade declined as a result of smaller retail sales and decline in stocks that were not compensated for by rise in expected sales. In May companies in services sector reported smaller demand in last three months and pointed to somewhat weaker current situation with relatively steady expectations on future demand.

In April **retail sales** in the current prices rose by 4.6% yoy and decreased by 5.3% mom. Retail sales of fuels were 13.8% up yoy, retail sales of footwear and clothing were 13.7 up yoy. In April retail sales of press and books was robust, growing by 7.9% yoy, also robust were retail sales of pharmaceuticals and cosmetics (up 8.6% yoy). Retail sales of consumer durables (furniture, consumer electronics and white goods) were 6.9% up yoy in April. Due to seasonal factors (in 2017 Easter was in mid-April while in 2018 Easter was in the begging of the month) and due to four trade-free Sundays in April this year retail sales in supermarkets were 2.7% down yoy while retail sales of food were 7.2% down yoy. In April this year retail sales in constant prices were 4% up yoy and declined by 5.9% mom and structure of retail sales in constant prices was similar to that of nominal ones.

In April **money supply (M3)** was 0.2% up mom and increased by 5.7% yoy. The current account deposits of households increased by 0.4% mom and were 12.3% up yoy, and corporate current account deposits increased by 0.9% mom and were 10.6% up yoy. In April 2018 loans to households increased by 0.3% mom and were 3.3% up yoy while loans to enterprises increased by 0.2% mom and 5.0% yoy.

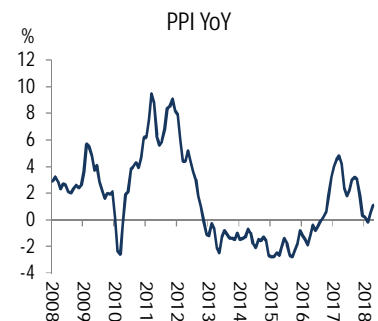
Registered **unemployment rate** fell to 6.3% in April from 6.6% in March. According to the labour force survey in Q1 2018 unemployment rate declined to 4.2% from 4.5% in 2017.

Figure 1: Industrial output (yoy growth)



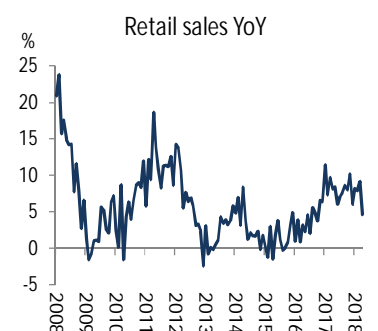
Source: NBP

Figure 2: Producer Price Index (yoy)



Source: GUS

Figure 3: Retail sales (yoy growth)



Source: GUS



## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
May-30	8:00	GDP (Q1)	1.6% (5.1%)		1.6% (5.1%)
May-30	8:00	Inflation (May)	0.3% (1.8%)		0.3% (1.8%)
Jun-1	7:00	PMI Manufacturing (May)	53.2		53.1
Jun-1	12:00	Minutes from MPC decision			

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)								
<b>May-18</b>	4.290	3.667	3.698	4.895	1.170	1.70	-0.33	2.32	1.8
<b>Jun-18</b>	4.260	3.595	3.610	4.889	1.185	1.70	-0.33	2.35	2.2
<b>Jul-18</b>	4.240	3.514	3.573	4.767	1.207	1.70	-0.33	2.38	2.2
<b>Aug-18</b>	4.220	3.436	3.536	4.649	1.228	1.70	-0.32	2.41	2.2
<b>Sep-18</b>	4.200	3.360	3.500	4.536	1.250	1.70	-0.32	2.44	2.0
<b>Oct-18</b>	4.187	3.332	3.451	4.531	1.257	1.70	-0.31	2.47	1.9
<b>Nov-18</b>	4.173	3.303	3.402	4.526	1.263	1.70	-0.30	2.50	1.7
<b>Dec-18</b>	4.160	3.276	3.355	4.520	1.270	1.70	-0.30	2.53	1.8
<b>Jan-19</b>	4.157	3.256	3.339	4.504	1.277	1.70	-0.28	2.56	1.7
<b>Feb-19</b>	4.153	3.236	3.323	4.488	1.283	1.70	-0.25	2.59	2.1
<b>Mar-19</b>	4.150	3.217	3.307	4.472	1.290	1.70	-0.25	2.62	2.3
<b>Apr-19</b>	4.147	3.198	3.291	4.456	1.297	1.70	-0.20	2.65	2.2

Source: Deutsche Bank Polska S.A.



# Appendix 1

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### Additional information available upon request

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