



Poland: Weekly Macroeconomic Update

LAST WEEK:

In April the **current account** gap narrowed to -EUR21mn. In April exports increased by 8.6% yoy to EUR17.2bn while imports rose by 9.9% yoy to EUR16.9bn resulting in a first in 5 months trade surplus of EUR314mn. Services balance was very robust at EUR1.736bn almost covering a deficit of -EUR1.948bn in the primary income account.

In May **inflation** amounted to 0.2% mom and 1.7% yoy. In May the largest declines in prices were reported in recreation and culture (down 1.0% mom), footwear and clothing (-0.4% mom), other goods and services (-0.5% mom) and food (-0.3% mom). The highest rise in prices occurred in transport (+2.6% mom), hotels and restaurants (+ 0,5% mom), healthcare (+0,5%mom), communication (+0.3% m om). In May hike in fuel prices added 0.29 percentage points to monthly inflation while telecommunication prices added 0.2 p.p. Seasonal decline in food prices and a drop in prices of tourist services were unable to counterbalance former factors, and monthly inflation was slightly above initial estimate.

In May **core inflation** (ex food and energy) was lower than expected and amounted to -0.1% mom and 0.5% yoy. Core inflation after administered prices was 0.2% mom and 1.9% yoy and core CPI excluding most volatile items was 0.0% mom and 1.1% yoy.

MPC member Eugeniusz Gatnar said that pre-emptive rate hike would be reasonable before slowdown in economic growth. In his opinion, open question remains, when to hike, as it should be done in advance. MPC member Eugeniusz Gatnar said that market reaction to QE tapering by the ECB would help the MPC in setting the date of the first rate hike. He added that the impact of ECB's tapering on Poland's economy would likely be limited, even if it would temporarily weaken the zloty. He said that high interest rate differential between Poland and the euro-zone would prevent capital outflow from Poland.

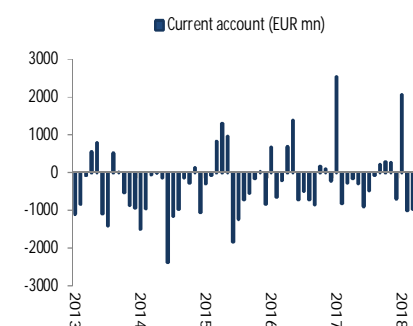
President Duda proposed 15 questions for **constitutional referendum** he wants to be organised in November this year. Full text of the proposal will be known when it reaches the Senate. The first questions is on whether to amend constitution or to rewrite it from the scratch. The second and third questions pertain to mandatory constitutional referendum before any change in constitution, to be organised on a motion supported by one million of citizens. Another question pertains to non-infringement of acquired laws, like 500+ child subsidy or entitlement to early retirement. There is also a question on extending competencies of President. Ruling Law and Justice is to comment on these questions and on the issue of the referendum itself after the proposal reaches Senate early in July.

THIS WEEK:

In May **average wage** in enterprises sector was 7.0% up yoy and declined by 3.0% mom while average employment in enterprises' sector was flat mom and grew by 3.7% yoy.

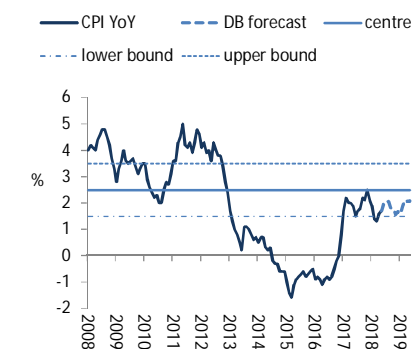
Industrial output for May (to be released on Tuesday) likely rose by 3.9% mom and increased by 7.8% yoy. **Retail sales** for May (due on Wednesday) should increase 1.0% mom and 5.9% yoy. **Money supply M3** for May (due on Friday) is expected to rise by 0.5% mom and 5.7% yoy.

Figure 1: The current account (EURmn)



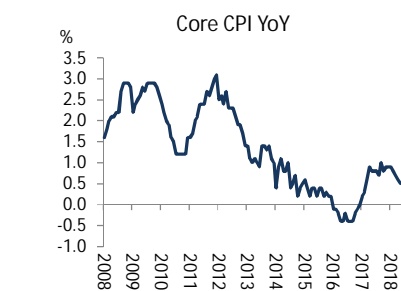
Source: NBP

Figure 2: Inflation (yoy growth)



Source: GU, NBP, Deutsche Bank Polska S.A.

Figure 3: Core inflation (yoy growth)



Source: NBP



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jun-18	8:00	Average wage (May)	-2.1% (7.9%)	-3.0% (7.0%)	-2.9% (7.1%)
Jun-18	8:00	Average employment (May)	0.1% (3.8%)	0.0% (3.7%)	0.0% (3.8%)
Jun-19	8:00	Industrial production (May)	1.0% (4.8%)		0.0% (3.6%)
Jun-19	8:00	PPI (May)	0.8% (2.4%)		1.0% (2.7%)
Jun-21	8:00	Retail sales (May)	1.0% (5.9%)		1.9% (7.4%)
Jun-22	12:00	Money supply M3 (May)	0.5% (5.7%)		0.7% (5.9%)

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)								
Jun-18	4.280	3.674	3.696	4.868	1.165	1.70	-0.33	2.35	2.0
Jul-18	4.260	3.620	3.645	4.827	1.177	1.70	-0.33	2.38	2.1
Aug-18	4.240	3.568	3.595	4.787	1.188	1.70	-0.32	2.41	2.1
Sep-18	4.220	3.517	3.546	4.748	1.200	1.70	-0.32	2.44	1.8
Oct-18	4.207	3.467	3.506	4.715	1.213	1.70	-0.31	2.47	1.8
Nov-18	4.193	3.418	3.466	4.683	1.227	1.70	-0.30	2.50	1.6
Dec-18	4.180	3.371	3.426	4.652	1.240	1.70	-0.30	2.53	1.7
Jan-19	4.175	3.353	3.404	4.639	1.245	1.70	-0.28	2.56	1.6
Feb-19	4.170	3.336	3.381	4.626	1.250	1.70	-0.25	2.59	1.9
Mar-19	4.165	3.319	3.359	4.613	1.255	1.70	-0.25	2.62	2.1
Apr-19	4.160	3.302	3.337	4.600	1.260	1.70	-0.20	2.65	2.1
May-19	4.155	3.285	3.315	4.587	1.265	1.70	-0.15	2.68	2.1

Source: Deutsche Bank Polska S.A.



Appendix 1

Important Disclosures

Additional information available upon request

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