



Poland: Weekly Macroeconomic Update

LAST WEEK:

On Thursday the **Monetary Policy Council**, as expected, didn't change monetary policy settings. Central path of inflation was moderately lowered in 2018 and 2020 and lifted marginally in 2019. According to the July projection based on the NECMOD model, there is a 50-percent probability that annual price growth will be in the range of 1.5-2.1% in 2018 (against 1.6-2.5% in the March 2018 projection), 1.9-3.5% in 2019 (compared to 1.7-3.6%) and 1.7-3.9% in 2020 (compared to 1.9- 4.1%). GDP growth path was hiked in 2018 and moderately lowered in 2019 and 2020. Annual GDP growth – in line with July's projection – will be with a 50-percent probability in the range of 4.0-5.2% in 2018 (against 3.5-5.0% in the March 2018 projection), 2.8-4.7% in 2019 (compared to 2.8-4.8%) and 2.4–4.3% in 2020 (compared to 2.6–4.6%). New inflation and GDP projections suggest that likelihood of steady interest rates in 2019 increased. NBP President Adam Glapiński reiterated that in his opinion, interest rates would be steady in 2020 as well. The MPC also signalled readiness to act if macro-economic conditions change.

In the period of January-May there was a EUR0.4bn **trade gap** compared to EUR1.0bn surplus in the corresponding period last year. In the period of January-May 2018 exports rose by 6.1% yoy to EUR88.9bn while imports increased by 7.9% yoy to EUR89.3bn. In Q2 trade balance was improving significantly and in April and May there were increasing trade surpluses what show that exports reacted positively to recent PLN weakness.

In June **inflation** was 0.1% mom and 2.0% yoy, marginally above flash CPI estimate. In June food prices declined by 0.2% mom, prices of footwear and clothing declined by 4.0% mom and communication prices were 0.1% down mom. In June transport prices were 0.9% up mom, due to rise in fuel prices and prices of housing and energy, alcohol beverages and tobacco and prices of other goods and services were 0.1% up mom. Prices in hotels and restaurants increased by 0.3% due to beginning of holiday season. Data on inflation should be neutral for the MPC.

THIS WEEK:

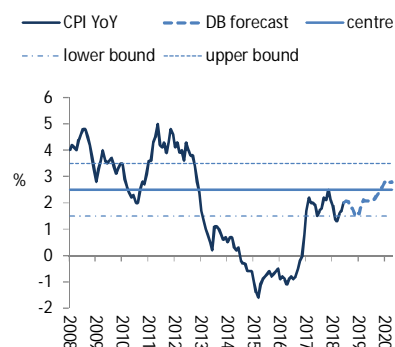
Today the NBP will release data on **balance of payments** and core inflation. It is very likely that in May there was EUR109mn trade surplus. **Core inflation** for June likely amounted to 0.1% mom and 0.6% yoy.

Average wage in enterprises' sector for June (to be released on Thursday) should increase by 2.5% mom and 6.8% yoy. **Average employment** in enterprises' sector for June should be up 0.1% mom and 3.7% yoy.

Industrial production for June (on Wednesday) should increase by 6.3% yoy while construction output for June should be 19.5% up yoy.

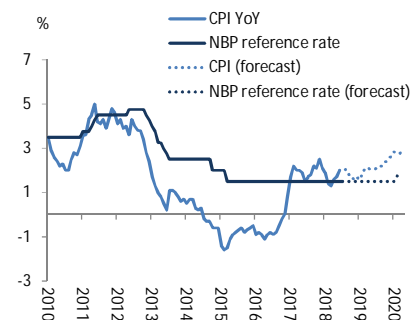
Retails sales for June (on Friday) likely increased by 7.4% yoy.

Figure 1: Inflation (yoy growth)



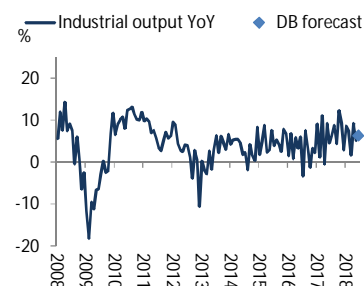
Source: GUS, NBP, Deutsche Bank

Figure 2: NBP reference rate and inflation



Source: GUS, NBP, Deutsche Bank

Figure 3: Industrial output (yoy growth)



Source: GUS, Deutsche Bank



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jul-16	12:00	Current account (May)	-EUR47mn		-EUR152mn
Jul-16	12:00	Trade balance (May)	EUR109mn		- EUR25mn
Jul-16	12:00	Core CPI (Jun)	0.1% (0.6%)		0.1% (0.6%)
Jul-17	8:00	Average wage (Jun)	2.5% (6.8%)		2.5% (7.0%)
Jul-17	8:00	Average employment (Jun)	0.1% (3.7%)		0.2% (3.7%)
Jul-18	8:00	Industrial output (Jun)	3.5% (6.3%)		3.5% (6.3%)
Jul-18	8:00	Construction output (Jun)	(19.5%)		(20.2%)
Jul-18	8:00	PPI (Jun)	0.5% (3.7%)		0.5% (3.6%)
Jul-20	8:00	Retail sales (Jun)	0.7% (7.4%)		1.5% (8.1%)

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)								
Jul-18	4.305	3.679	3.684	4.872	1.170	1.70	-0.33	2.38	2.0
Aug-18	4.282	3.623	3.631	4.828	1.182	1.70	-0.32	2.41	2.1
Sep-18	4.280	3.567	3.597	4.815	1.200	1.70	-0.32	2.44	2.1
Oct-18	4.260	3.511	3.550	4.775	1.213	1.70	-0.31	2.47	1.8
Nov-18	4.240	3.457	3.504	4.735	1.227	1.70	-0.30	2.50	1.8
Dec-18	4.220	3.403	3.459	4.696	1.240	1.70	-0.30	2.53	1.6
Jan-19	4.214	3.385	3.435	4.682	1.245	1.70	-0.28	2.56	1.7
Feb-19	4.208	3.367	3.412	4.668	1.250	1.70	-0.25	2.59	1.6
Mar-19	4.203	3.349	3.389	4.655	1.255	1.70	-0.25	2.62	1.9
Apr-19	4.197	3.331	3.366	4.641	1.260	1.70	-0.20	2.65	2.1
May-19	4.191	3.313	3.344	4.627	1.265	1.70	-0.15	2.68	2.1
Jun-19	4.185	3.295	3.321	4.613	1.270	1.70	-0.15	2.71	2.1

Source: Deutsche Bank Polska S.A.



Appendix 1

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