



Poland: Weekly Macroeconomic Update

LAST WEEK:

In May there was an EUR42mn surplus on the **current account** and trade balance was positive at EUR98mn, in line with our expectations. In May exports rose by 2.7% yoy to EUR17.3bn and imports increased by 1.7% yoy to EUR17.2bn. Services account revealed stable surplus of EUR1.67bn that almost compensated for an -EUR1.78bn gap in the primary income account. NBP balance of payments data for May show that weaker the zloty compensated for slightly softer foreign demand.

Core inflation (ex food and energy), in line with forecasts, was marginally up to 0.6% yoy in June from 0.5% yoy in May. Core inflation data should be neutral for the MPC.

In June **average wage** in enterprises' sector was 7.5% up yoy and increased by 3.2% mom. In June **average employment** in enterprises' sector rose by 3.7% yoy and increased by 0.2% mom. Wage growth for June was stronger than market consensus view.

In June **industrial output** rose by 4.2% mom and increased by 6.8% yoy. Seasonally adjusted industrial production rose by 6.6% yoy and 0.1% mom. On an annual basis the strongest growth was reported in production of ships (up 13.7% yoy), supply and production of electricity, natural gas, steam, and hot water (up 13.6% yoy), products of metal (up 12.9% yoy), paper (up 11.4% yoy), textiles (up 10.6% yoy), products of other non-metal raw materials and automobiles (each by 9.5% yoy), furniture (up 9.4% yoy), electrical machinery (up 8.9% yoy). In June output rose in branches producing investments goods and goods for exports. A decline was reported in production of pharmaceuticals (down 25.1% yoy), machinery and appliances (down 5.9% yoy) and computers, electronics and optical equipment (down 2.6% yoy). In June **construction output** increased by 24.7% yoy. Strong growth was reported in buildings construction (up 33.6% yoy) and infrastructure investments (up 23.4% yoy).

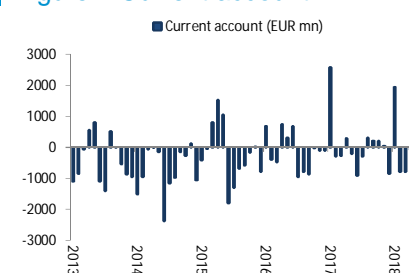
In June **PPI** was 0.3% mom and 3.7% yoy. The strongest growth occurred in mining and quarrying (up 1.2% mom) due to 3.0% mom rise in prices in metal ores mining. In June manufacturing prices rose by 0.3%. Construction prices were 0.4% up mom and 2.8% up yoy in June.

Retails sales for June increased by 3.4% mom and 10.3% yoy in the current prices and rose by 3.5% mom and 8.2% yoy in constant prices. In June in constant prices the stronger retail prices growth was reported in footwear and clothing (up 16.9% yoy) and furniture, electronics and white goods (up 14.4% yoy). Retail sales of automobiles and retail sales in supermarkets were also robust (respectively up 9.8% yoy and 9.6% yoy). Other sales (including via Internet) were strong growing 10.1% yoy in real terms. Structure of retail sales is robust and point to stable and strong demand from households.

THIS WEEK:

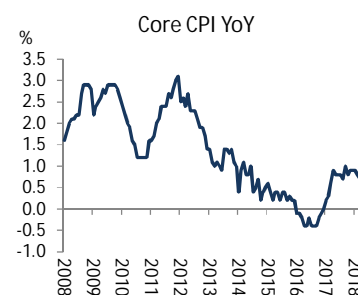
Money supply M3 for June (due on Monday) should increase by 0.5% mom and should be up by 7.3% yoy.

Figure 1: Current account



Source: NBP

Figure 2: Core inflation



Source: NBP

Figure 3. Nominal retail sales (yoy growth)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jul-23	12:00	Money supply M3 (Jun)	0.5% (7.3%)		0.6% (7.4%)

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	3.711	4.839	1.170	1.70	-0.33	2.38	2.0
Aug-18	4.282	3.623	3.657	4.783	1.182	1.70	-0.32	2.41	2.1
Sep-18	4.280	3.567	3.597	4.779	1.200	1.70	-0.32	2.44	2.1
Oct-18	4.260	3.521	3.550	4.729	1.210	1.70	-0.31	2.47	1.8
Nov-18	4.240	3.475	3.504	4.680	1.220	1.70	-0.30	2.50	1.8
Dec-18	4.220	3.431	3.459	4.632	1.230	1.70	-0.30	2.53	1.6
Jan-19	4.214	3.410	3.435	4.618	1.236	1.70	-0.28	2.56	1.7
Feb-19	4.208	3.389	3.412	4.604	1.242	1.70	-0.25	2.59	1.6
Mar-19	4.203	3.369	3.389	4.590	1.248	1.70	-0.25	2.62	1.9
Apr-19	4.197	3.348	3.366	4.576	1.253	1.70	-0.20	2.65	2.1
May-19	4.191	3.328	3.344	4.562	1.259	1.70	-0.15	2.68	2.1
Jun-19	4.185	3.308	3.321	4.549	1.265	1.70	-0.15	2.71	2.1

Source: Deutsche Bank Polska S.A.



Appendix 1

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