



Poland: Weekly Macroeconomic Update

LAST WEEK:

In July **industrial output** fell by 5.4% mom and increased by 10.3% yoy. Seasonally adjusted industrial production rose by 7.8% yoy. On an annual basis the strongest growth was reported in production of machinery and equipment (up 25.0% yoy), ships (up 20.6% yoy), products of metal (up 18.0% yoy), electrical machinery (up 17.5% yoy), supply and production of electricity, natural gas, steam, and hot water (up 15.9% yoy), coke and oil refining (up 13.1% yoy). In July output rose in branches producing investments goods and goods for exports. A decline was reported in production of leather and products thereof (down 4.7% yoy), pharmaceuticals (down 3.3% yoy), and computers, electronics and optical equipment (down 2.6% yoy). In July **PPI** was 0.1% mom and 3.4% yoy.

In July **construction output** increased by 18.7% yoy and fell by 1.5% mom. Strong growth was reported in construction of specialized structures (up 21.9% yoy) and infrastructure investments (up 20.6% yoy).

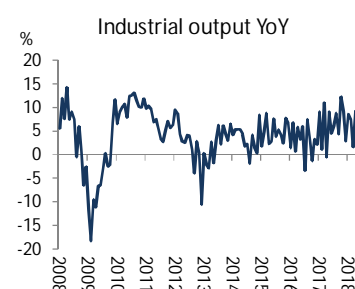
Government accepted **draft 2019 budget**. In 2019 government envisages real GDP growth of 3.8%, real private consumption 3.5% and average inflation of 2.3%. In 2019 draft budget envisages budget revenues of PLN386.9bn and budget expenditures of PLN415.4bn what results in budget gap of PLN28.5bn. General government deficit (Eurostat definition) is envisaged at 1.8% of GDP in 2019. Government expects private consumption to grow by 5.9% in nominal terms and total wage bill in national economy to grow by 6.0% in nominal terms in 2019. 2019 budget assumptions are conservative and expected continuation of robust economic growth will facilitate reaching budgetary goals.

In July **retail sales** in the current prices, in line with our expectations, rose by 9.3% yoy and declined by 0.3% mom. Retail sales in constant prices increased by 7.1% yoy and rose by 0.2% mom in July. In the current prices the highest growth in retail sales was reported in retail sales of fuels (up 23.2% yoy), other goods (up 12.8% yoy), automobiles (up 12.6% yoy) and pharmaceuticals and cosmetics (up 12.4% yoy). Robust growth was reported in retail sales of footwear and clothing (up 11.6% yoy). In July retail sales (in constant prices) of fuels increased by 8.1% yoy, retail sales of automobiles rose by 16.7% yoy, other goods by 12.6% yoy, pharmaceuticals and cosmetics increased by 11.7% yoy and footwear and clothing by 16.3% yoy. Retail sales data point to a strong seasonal demand for fuels, automobiles, footwear and clothing and cosmetics with continued high level of overall consumption what in turn suggest that households' disposable income is high.

In 1H2018 **investment outlays** of non-financial companies rose by 10.3% yoy in real terms to PLN54.4bn after 6.6% yoy growth in Q1 2018. The strongest investments (in current prices) were reported in transport and logistics (up 58.9% yoy), utilities (up 33.7% yoy), mining (up 31.2% yoy), trade (up 27.8% yoy) and telecommunication (up 17.4% yoy).

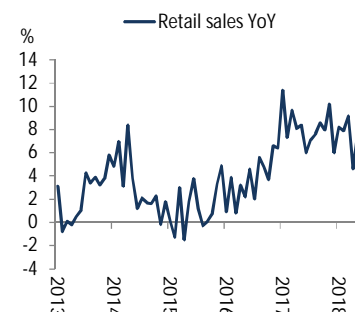
In July **unemployment rate** was 5.9%, unchanged versus June. According to quarterly labour force survey, in Q2 2018 unemployment rate declined to 3.6% from 4.2% in Q1 2018.

Figure 1: Industrial output (yoy growth)



Source: GUS

Figure 2: Retail sales (yoy growth)



Source: GUS

Figure 3: Investment outlays (yoy growth)



Source: GUS



DIARY (this week)

| Date | GMT | Release/Event | DB Expected | Actual | Consensus |
|--------|------|-------------------------|--------------|--------|--------------|
| Aug-31 | 8:00 | Inflation (sie, wst.) | -0.1% (1.9%) | | -0.2% (2.0%) |
| Aug-31 | 8:00 | Real GDP growth (2 kw.) | 0.9% (5.1%) | | 0.9% (5.1%) |

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) | | | | | | | | |
| Aug-18 | 4.270 | 3.665 | 3.746 | 4.721 | 1.165 | 1.70 | -0.32 | 2.35 | 1.9 |
| Sep-18 | 4.260 | 3.672 | 3.672 | 4.701 | 1.160 | 1.70 | -0.32 | 2.38 | 1.7 |
| Oct-18 | 4.247 | 3.640 | 3.619 | 4.683 | 1.167 | 1.70 | -0.31 | 2.41 | 1.7 |
| Nov-18 | 4.233 | 3.608 | 3.567 | 4.666 | 1.173 | 1.70 | -0.30 | 2.44 | 1.4 |
| Dec-18 | 4.220 | 3.576 | 3.517 | 4.649 | 1.180 | 1.70 | -0.30 | 2.47 | 1.6 |
| Jan-19 | 4.214 | 3.554 | 3.500 | 4.650 | 1.186 | 1.70 | -0.28 | 2.50 | 1.5 |
| Feb-19 | 4.208 | 3.531 | 3.483 | 4.650 | 1.192 | 1.70 | -0.25 | 2.53 | 1.8 |
| Mar-19 | 4.203 | 3.509 | 3.466 | 4.650 | 1.198 | 1.70 | -0.25 | 2.56 | 2.0 |
| Apr-19 | 4.197 | 3.488 | 3.449 | 4.650 | 1.203 | 1.70 | -0.20 | 2.59 | 1.9 |
| May-19 | 4.191 | 3.466 | 3.433 | 4.650 | 1.209 | 1.70 | -0.15 | 2.62 | 1.9 |
| Jun-19 | 4.185 | 3.444 | 3.416 | 4.650 | 1.215 | 1.70 | -0.15 | 2.65 | 1.9 |
| Jul-19 | 4.179 | 3.423 | 3.400 | 4.650 | 1.221 | 1.70 | -0.15 | 2.68 | 2.0 |

Source: Deutsche Bank Polska S.A.



Appendix 1

Important Disclosures

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