



Poland: Weekly Macroeconomic Update

LAST WEEK:

Flash **inflation** was flat mom and stabilized at the level of 2.0 percent in August. Data on inflation for August were broadly in line with market expectations despite somewhat higher than expected monthly inflation.

Real **GDP growth** in Q2 2018 was confirmed at 5.1% yoy. Seasonally adjusted GDP growth increased by 1.0% qoq in Q2 2018. Household consumption in Q2 increased by 4.9% yoy (after 4.8% yoy growth in Q1), gross fixed investments were 4.5% up yoy (versus 8.1% yoy growth in Q1), exports and imports increased respectively by 6.9% yoy and 6.5% yoy. In Q2 2018 households' consumption generated 2.9 percentage points of GDP growth while public consumption added 0.8 p.p., fixed investments added 0.7 p.p. and net exports generated 0.5 p.p. of GDP growth. In Q2 GDP growth was generated mainly by personal consumption and to the lesser extent by public consumption, investments and net exports.

In the period of January-July **budget gap** was -PLN859mn versus PLN9.5bn budget surplus in the period of January-June. Budget gap after July was a result of PLN11.6bn rise in costs of debt servicing in July due to interest payments on central government debt.

THIS WEEK:

In August **manufacturing PMI** declined to 51.4 pts from 52.9 pts, signalling the slowest pace of growth in Poland's manufacturing sector since October 2016. PMI index remained below long-term average of 50.6 pts and was still in an expansion region (above 50 pts). In August output expanded but at the slowest pace since October 2016. New orders index declined but still showed a growth in new orders. In August employment increased at the slowest pace since 9 months. Strong pressure on producer prices was still present and the pace of growth in costs of production, despite being smaller, were still elevated mainly due to high prices of steel.

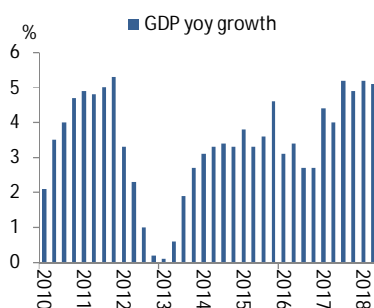
On Wednesday the **Monetary Policy Council** will end policy meeting. We expect the MPC to keep interest rates unchanged to repeat guidance for steady interest rates in the medium term.

Figure 1: Inflation



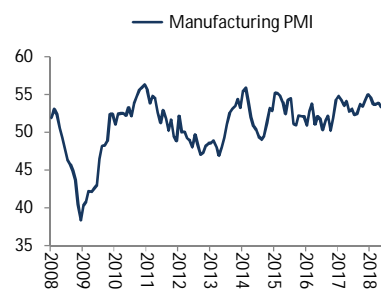
Source: GUS

Figure 2: Real GDP growth



Source: GUS

Figure 3. Manufacturing PMI



Source: Markit



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Sep-3	8:00	PMI (Aug)		51.4	53.0
Sep-5	8:00	MPC decision	1.50%		1.50%
Sep-7	12:00	Official reserve assets (Aug)			

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)								
Sep-18	4.280	3.690	3.754	4.723	1.160	1.70	-0.32	2.32	1.8
Oct-18	4.260	3.651	3.694	4.698	1.167	1.70	-0.31	2.35	1.8
Nov-18	4.240	3.614	3.634	4.674	1.173	1.70	-0.30	2.38	1.5
Dec-18	4.220	3.576	3.576	4.649	1.180	1.70	-0.30	2.41	1.6
Jan-19	4.214	3.554	3.554	4.650	1.186	1.70	-0.28	2.44	1.5
Feb-19	4.208	3.531	3.531	4.650	1.192	1.70	-0.25	2.47	1.9
Mar-19	4.203	3.509	3.509	4.650	1.198	1.70	-0.25	2.50	2.1
Apr-19	4.197	3.488	3.488	4.650	1.203	1.70	-0.20	2.53	2.0
May-19	4.191	3.466	3.466	4.650	1.209	1.70	-0.15	2.56	2.0
Jun-19	4.185	3.444	3.444	4.650	1.215	1.70	-0.15	2.59	2.0
Jul-19	4.179	3.423	3.423	4.650	1.221	1.70	-0.15	2.62	2.1
Aug-19	4.173	3.402	3.402	4.650	1.227	1.70	-0.15	2.65	2.1

Source: Deutsche Bank Polska S.A.



Appendix 1

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