



Poland: Weekly Macroeconomic Update

LAST WEEK:

In August **average wage** in enterprises sector in August fell by 0.6% mom and increased by 6.8% yoy. Average employment in enterprises sector was flat mom and increased by 3.4 yoy in August. An increase in wages in August was slightly below median of analysts' expectations but was still high. Data from labour market show that labour market is far from overheating but confirm that demand for labour is persistently high.

In August 2018 **industrial output** was 5.0% up yoy and increased by 0,8% mom. On an annual basis growth in output was reported in 28 out of 34 branches of industry including ship production (up 30.5% yoy), machinery and appliances (up 17.7% yoy), electrical appliances (up 16.6% yoy), metals (up 8.4% yoy), paper (up 8.3% yoy), coke and oil refining products (up 8.2% yoy) and products of other non-metal raw materials (up 7.9% yoy). A decrease in output occurred in production of pharmaceuticals (down 18.9% yoy), leather and products thereof (down 10.1% yoy) and computers and optical appliances (down 1.4% yoy). In August 2018 **producer prices** were flat mom and rose by 3.0% yoy

In August 2018 **construction output** rose by 20.0% yoy and was 1.6% up mom. The strongest growth (30.5% yoy) was reported in infrastructure construction and was robust (14.6% yoy) in buildings construction.

Minutes from MPC meeting on September 5, in line with expectations, were market neutral. The MPC reiterated that despite good business conditions in global economy, inflation remained limited. In the opinion of the Council Q2 GDP data point to maintained high GDP growth, driven by robust consumption supported by rising wages and employment, transfers payments and very high consumer confidence. The MPC underlined that robust GDP growth was accompanied by rising investments in public sector and in sector of big companies. The MPC expects GDP growth to remain relatively high in 2018 and to gradually decelerate in coming years. Some MPC members stated that wage growth stabilised and was likely to remain steady in following months. The MPC underlined that inflation had been stabilising at 2% and was likely to increase to 2.5% within next 12 months. The MPC sees no signs of economic imbalances in Poland. The Council concluded that interest rates should be kept unchanged in the coming quarters what would be conducive for keeping balanced economic growth in Poland.

Retail sales for August rose by 0.9% mom and increased by 9.0% yoy. Retail sales in constant prices increased by 6.7% yoy in August. Data on retail sales point to robust households' demand.

THIS WEEK:

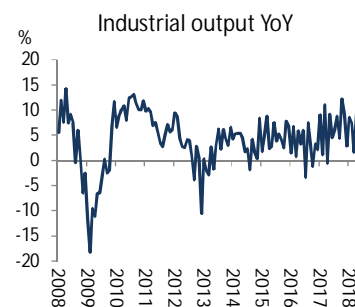
On Monday the NBP will release M3 data for August. We estimate that **money supply M3** rose by 0.5% mom and increased by 7.4% in August. **Budget balance** for January-August (due during the week) should reveal -PLN3.2bn deficit.

Figure 1: Average wage (yoy growth)



Source: GUS

Figure 2: Industrial output (yoy growth)



Source: NBP

Figure 3: Retail sales (nominal, yoy growth)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Sep-24	12:00	Money supply M3 (Aug)	0.5% (7.4%)		0.6% (7.5%)
Sep-24/28		Budget balance (Jan-Aug)	-PLN3.2bn		b/d

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	4.295	3.649	3.801	4.789	1.177	1.71	-0.32	2.37	1.8
Oct-18	4.283	3.636	3.779	4.793	1.178	1.71	-0.31	2.40	1.9
Nov-18	4.272	3.623	3.758	4.797	1.179	1.71	-0.30	2.43	1.7
Dec-18	4.260	3.610	3.737	4.802	1.180	1.71	-0.30	2.46	1.8
Jan-19	4.255	3.588	3.727	4.793	1.186	1.71	-0.28	2.49	1.7
Feb-19	4.250	3.566	3.717	4.785	1.192	1.71	-0.25	2.52	2.1
Mar-19	4.245	3.545	3.707	4.777	1.198	1.71	-0.25	2.55	2.3
Apr-19	4.240	3.524	3.698	4.769	1.203	1.71	-0.20	2.58	2.2
May-19	4.235	3.502	3.688	4.760	1.209	1.71	-0.15	2.61	2.2
Jun-19	4.230	3.481	3.678	4.752	1.215	1.71	-0.15	2.64	2.2
Jul-19	4.225	3.461	3.669	4.744	1.221	1.71	-0.15	2.67	2.3
Aug-19	4.220	3.440	3.659	4.736	1.227	1.71	-0.15	2.70	2.3

Source: Deutsche Bank Polska S.A.



Appendix 1

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