



Poland: Weekly Macroeconomic Update

LAST WEEK:

Final **inflation** for September was 0.2% mom and 1.9% yoy and was slightly higher than initial inflation estimate of 1.8% yoy. In September food prices rose by 0.6% mom, footwear and clothing prices were 2.4% up mom, transport prices were 0.3% down mom, communication prices were 2.3% down mom, education prices were 1.4% up mom.

In August **current account deficit** was –EUR549mn and **trade gap** amounted to –EUR329mn. In August exports were 7.4% up yoy to EUR17.2bn while imports increased by 11.2% yoy to EUR17.5bn. Services balance was positive at EUR1.58bn but primary and secondary income accounts were negative (respectively –EUR1.412bn and –EUR383mn).

In September **average wage** in enterprises' sector fell by 0.6% mom and increased by 6.7% yoy. **Average employment** in enterprises sector declined by 0.1% mom and rose by 3.2% yoy. Weaker than expected wage growth and slower employment growth shows that labour market still doesn't overheat, despite persistent shortages of labour, reported by many industries.

In September **core inflation** fell to 0.0% mom and 0.8% yoy from 0.9% yoy in August. A decline in core inflation and steady growth in wages show that labour market still doesn't generate inflationary pressure.

In September **industrial output** increased by 3.5% mom and rose by 2.8% yoy, as we expected. Industrial output in constant prices rose by 5.4% yoy in September. An increase in industrial output was reported in 24 out of 34 branches of industry. The highest growth in output was reported in utilities (up 10.4% yoy), metal production (up 8.1% yoy), machinery and appliances (7.9% yoy), electrical appliances (7.2% yoy), products of other non-metal raw materials (6.5% yoy). In August growth in industrial output was concentrated in sectors producing investment goods and exporting sectors underperformed. In year on year terms industrial output declined the most in pharmaceuticals (down 28.8% yoy), leather and products thereof (down 16.1% yoy), computers, electronic and optical devices (down 6.4% yoy) and coal mining (down 4.4% yoy). **Producer prices** rose by 0.4% mom and increased by 2.9% yoy, what was in line with market consensus.

In September **construction output** rose by 16.4% yoy and was below market consensus view (18.1% yoy). Growth in construction output was mainly driven by infrastructure investments (up 23.1% yoy) and building construction (up 18.6% yoy).

Retail sales (in the current prices) rose by 5.6% yoy while real retail sales increased by 5.6% yoy in September, below market.

Figure 1: Inflation (yoy)



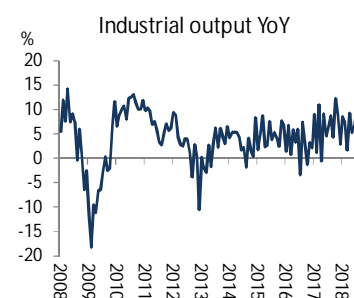
Source: GUS, Deutsche Bank

Figure 2: Average wage (yoy growth)



Source: GUS, Deutsche Bank

Figure 3: Industrial production (yoy growth)



Source: GUS, Deutsche Bank



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Oct-22	12:00	Money supply M3 (Sep)	0.5% (7.5%)	0.8% (7.9%)	0.5% (7.5%)
Oct-23	8:00	Unemployment rate (Sep)	5.8%		5.8%
Oct-25	12:00	Minutes from MPC meeting			

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)								
Oct-18	4.285	3.726	3.781	4.912	1.150	1.72	-0.32	2.48	1.9
Nov-18	4.273	3.700	3.760	4.899	1.155	1.72	-0.31	2.54	1.7
Dec-18	4.260	3.610	3.737	4.802	1.180	1.72	-0.30	2.60	1.8
Jan-19	4.255	3.588	3.727	4.793	1.186	1.72	-0.28	2.66	1.7
Feb-19	4.250	3.566	3.717	4.785	1.192	1.72	-0.25	2.72	2.1
Mar-19	4.245	3.545	3.707	4.777	1.198	1.72	-0.25	2.78	2.3
Apr-19	4.240	3.524	3.698	4.769	1.203	1.72	-0.20	2.84	2.2
May-19	4.235	3.502	3.688	4.760	1.209	1.72	-0.15	2.90	2.2
Jun-19	4.230	3.481	3.678	4.752	1.215	1.72	-0.15	2.96	2.2
Jul-19	4.225	3.461	3.669	4.744	1.221	1.72	-0.15	3.02	2.3
Aug-19	4.220	3.440	3.659	4.736	1.227	1.72	-0.15	3.08	2.3
Sep-19	4.215	3.420	3.649	4.728	1.233	1.72	-0.15	3.14	2.4

Source: Deutsche Bank Polska S.A.



Appendix 1

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