



Poland: Weekly Macroeconomic Update

LAST WEEK:

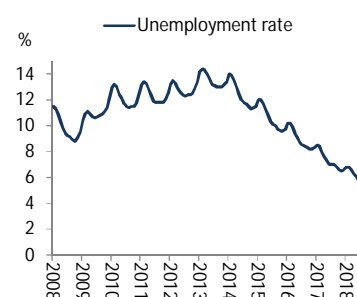
In September **money supply M3** rose by 0.8% mom and increased by 7.9% yoy what was above 7.5% expected by analysts.

Unemployment rate fell to 5.7% in September from 5.8% in August versus market consensus view of 5.8%. Situation in labour market has been improving but due to ongoing problems in finding skilled workers the pace of decline in unemployment rate is likely to diminish in the coming quarter.

According to **minutes from MPC meeting** on October 3, the Council underlined that expected economic slowdown in the euro-zone would be gradual, due to positive prospects for personal consumption in the euro-zone. The MPC sees risks of deeper than expected decline in economic activity in Europe what would cool down economic growth in Poland as well. The MPC underlined that visible rise in energy prices contributed to higher inflation in many countries. However, core inflation remains moderate in the neighborhood of Poland economy. The Council assessed that risks for Poland's economy stemming from higher US interest rates were modest. The MPC expects inflation in 1H2019 to be higher than now what would result from higher prices of energy raw materials and rise of prices of carbon emission allowances. Majority of MPC members stated that despite supply-side shocks that are likely to accelerate inflation in 1H2019, in the horizon of monetary policy inflation was likely to remain close to the target. MPC members underlined that Poland's economy was balanced in macro-economic terms and there were no significant external and internal imbalances. The Council pointed to current account balance remaining close to zero and growth in credit to non-financial sector staying below growth rate of nominal GDP.

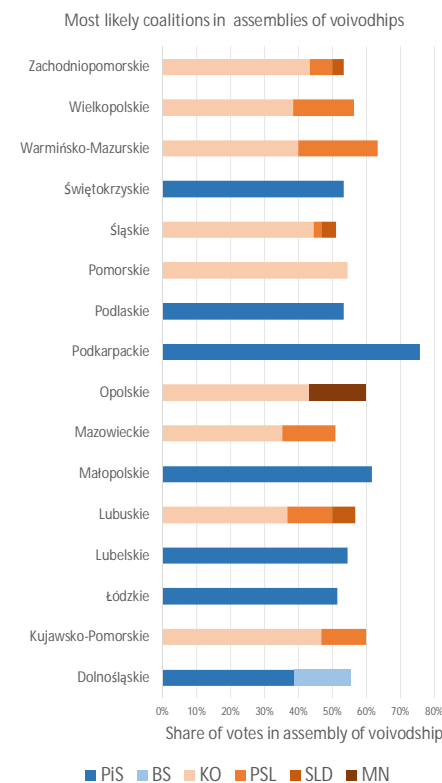
Official results of **local elections** in Poland on October 21 show that in assemblies of voivodships ruling Law and Justice (PiS) has 254 seats (46.7% of total seats), Citizens Coalition /Civic Platform + Nowoczesna/ (KO) has 194 seats (35.7%), Polish Peasant Party (PSL) has 70 seats (12.9%), Non-partisan Local Politicians (BS) have 12 seats (2.2%), SLD Left Together (SLD) have 11 seats (2.0%), German Minority (MN) has 5 seats (0.9%) and other local committees have 3 seats (0.6%). Law and Justice won absolute majority in 6 assemblies of voivodships. If Law and Justice forms coalition with BS they will control one more assembly. Citizens Coalition (KO) won absolute majority in one assembly. If KO forms coalition will PSL they will control additional 4 assemblies and if extended coalition of KO + PSL and SLD is formed they will gain control in 3 assemblies more. If coalition of KO and German minority (MN) is formed it will control one more assembly. Results of local elections suggest that in parliamentary elections in 2019 Law and Justice may have 44-45% of vote and would be able to form majority government.

Figure 1: Unemployment rate



Source: GUS

Figure 2: The results of elections for the assemblies of voivodship



Source: National Electoral Commission, Deutsche Bank Polska S.A.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Oct-31	8:00	PMI manufacturing (Oct)	50.1		50.4
Oct-31	8:00	Inflation (Sep)	0.4% (1.9%)		0.4% (1.8%)

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	WIBOR 6M	EURIBOR 3M	LIBOR USD 3M	CPI (Poland)	Yield on 10Y POLGB
	(end of period)										
Oct-18	4.310	3.781	3.781	4.858	1.140	1.72	1.79	-0.32	2.52	1.9	3.16
Nov-18	4.307	3.794	3.778	4.906	1.135	1.72	1.79	-0.31	2.60	1.7	3.18
Dec-18	4.285	3.792	3.759	4.930	1.130	1.72	1.79	-0.30	2.70	1.8	3.21
Jan-19	4.280	3.771	3.749	4.933	1.135	1.72	1.79	-0.30	2.77	1.7	3.19
Feb-19	4.274	3.749	3.738	4.937	1.140	1.72	1.80	-0.30	2.83	2.1	3.23
Mar-19	4.269	3.728	3.728	4.940	1.145	1.72	1.81	-0.30	2.90	2.3	3.27
Apr-19	4.263	3.707	3.718	4.943	1.150	1.72	1.82	-0.20	2.98	2.2	3.27
May-19	4.258	3.687	3.708	4.946	1.155	1.72	1.82	-0.18	3.07	2.2	3.27
Jun-19	4.253	3.666	3.698	4.949	1.160	1.72	1.83	-0.16	3.15	2.2	3.27
Jul-19	4.247	3.646	3.688	4.952	1.165	1.72	1.85	-0.14	3.23	2.3	3.29
Aug-19	4.242	3.625	3.678	4.955	1.170	1.72	1.86	-0.12	3.32	2.3	3.29
Sep-19	4.236	3.605	3.668	4.957	1.175	1.72	1.87	-0.10	3.40	2.4	3.30
Oct-19	4.231	3.585	3.658	4.960	1.180	1.72	1.88	-0.10	3.47	2.5	3.31
Nov-19	4.225	3.566	3.648	4.962	1.185	1.73	1.90	-0.10	3.54	2.6	3.33
Dec-19	4.220	3.546	3.638	4.965	1.190	1.76	1.92	-0.10	3.61	2.7	3.35

Note: Due to Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 the way of calculation of WIBOR rates and their values may be subject to change.

Source: Deutsche Bank Polska S.A.



Appendix 1

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