



Poland: Weekly Macroeconomic Update

LAST WEEK:

In September the **current account** deficit amounted to –EUR547mn while trade gap was –EUR449mn. In September exports increased by only 0.3% yoy to EUR17.6bn while imports rose by 5.4% yoy to EUR18.1bn. A decline in growth of trade flows was particularly strong in exports as average growth in June-August was 7.5% yoy but import growth also declined comparing to average growth of 9.8% yoy in June-August this year.

inflation in October was 0.4% mom and 1.8% yoy, above initial estimate of 0.4% mom and 1.7% yoy. Our estimates suggest that inflation will exceed the centre of MPC target in the beginning of Q4 2019. The main risks for inflation remain energy prices and fuel prices. Rising wages, as for now, hasn't triggered inflationary impulse.

Preliminary **GDP growth** in Q3 was 1.7% qoq and 5.1% yoy, much above market consensus view of 0.9% qoq and 4.6% yoy. Much stronger than expected quarterly GDP growth most likely resulted from increased public spending, mainly in regional/local projects ahead of October's local government elections. Very good Q3 GDP growth suggest that GDP growth in 2018 will amount to 4.8% yoy.

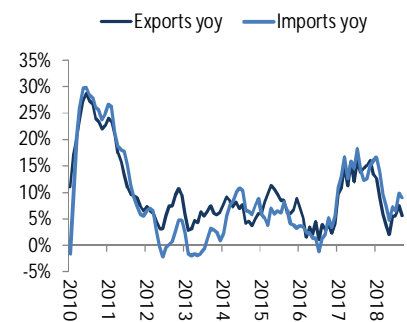
In October **core inflation** (excluding food and fuel prices) was 0.3% mom and 0.9% yoy, in line with market consensus view. There are no secondary effects of rising wages visible in consumer inflation nor core inflation data. The reason for that, among others, is constant inflow of workforce from abroad. Very high GDP growth in Q3 2018, besides the effect of increased investments in infrastructure before October's local government elections might be caused also by increase of grey economy in labour market. Core inflation remains low what coupled with headline inflation stabilising slightly below 2% renders a scenario of no change in NBP interest rates in 2019 more and more likely.

THIS WEEK:

Average wage in enterprises' sector in October was 3.1% up mom and increased by 7.6% yoy. Average employment was unchanged mom and rose by 3.2% yoy in October.

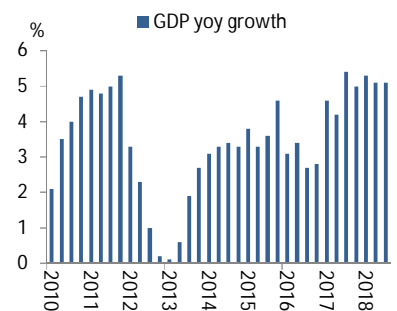
Industrial production for October (due on Tuesday) should increase by 5.6% yoy and PPI for October is expected at 3.0% yoy. **Retail sales** for October (Thursday) likely rose by 6.0% yoy. **Money supply M3** for October (to be released on Friday) should rise by 7.7% yoy.

Figure 1: Export and import yoy growth (3mma)



Source: NBP, Deutsche Bank

Figure 2: real GDP growth (yoy)



Source: GUS

Figure 3: Average wage (yoy growth)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Nov-19	8:00	Average wage (Oct)	2.7% (7.1%)	3.1% (7.6%)	2.2% (6.7%)
Nov-19	8:00	Average employment (Oct)	-0.1% (3.1%)	0.0% (3.2%)	0.0% (3.2%)
Nov-20	8:00	Industrial output (Oct)	7.8% (5.6%)		9.1% (6.6%)
Nov-20	8:00	PPI (Oct)	0.4% (3.0%)		0.4% (3.0%)
Nov-20	8:00	Construction output (Oct)	(17.2%)		(21.0%)
Nov-22	8:00	Retail sales (Oct)	3.7% (6.0%)		5.2% (7.5%)
Nov-22	12:00	Minutes from MPC meeting			
Nov-23	12:00	Money supply M3 (Oct)	0.8% (7.7%)		0.9% (7.8%)

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)										
Nov-18	4.307	3.794	3.778	4.906	1.135	1.72	1.79	-0.31	2.60	1.6	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	2.0	3.23
Mar-19	4.269	3.728	3.728	4.940	1.145	1.72	1.81	-0.30	2.90	2.2	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	2.3	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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