



Poland: Weekly Macroeconomic Update

LAST 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.

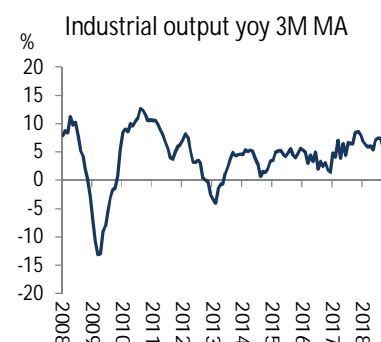
Industrial production for October increased by 7.4% mom and rose by 9.9% yoy. Seasonally adjusted industrial production rose by 1.2% mom and 5.0% yoy in October. On an annual basis industrial output increased in 28 (out of 34) branches of industry, including electrical devices (up 19.5% yoy), other transport equipment (up 18.1% yoy), products of metal (up 13.0% yoy), energy and utilities (up 11.5% yoy), products of other non-metal raw materials (up 11.1% yoy), paper (up 10.5% yoy), automobiles (up 10.5% yoy) and machinery and equipment (up 8.1% yoy). A decline was reported in 6 branches of industry, including pharmaceuticals (down 24.0% yoy), leather and products thereof (down 7.0% yoy) and coal mining (down 1.9% yoy). In October construction output rose by 22.4% yoy and increased by 7.8% mom. Robust growth in construction output stemmed mainly from (up 26% yoy) and infrastructure construction (up 25.2% yoy).

In October **PPI** were 0.5% up mom and increased by 3.2% yoy what resulted mainly from a rise in prices in mining and quarrying (up 1.4% mom) including 4.2% mom rise in prices of metal ores mining and 4.9% mom rise in oil refining.

In October nominal **retail sales** rose by 7.4% mom and increased by 9.7% yoy. Real retail sales rose by 6.5% mom and increased by 7.8% yoy in October. Much stronger than expected increase in retail sales stemmed mainly from 20.9% mom and 9.7% yoy growth in real retail sales of automobiles. Growth in retail sales was also boosted by a strong real growth in sales of fuels (up 11.0% yoy), pharmaceuticals and cosmetics (up 11.7% yoy), footwear and clothing (up 11.6% yoy) and other goods, including sales via Internet (up 15.0% yoy). In real terms, retail sales of durable consumer goods was 7.5% up yoy. In October, structure of retail sales was very robust and pointed to strong consumer demand.

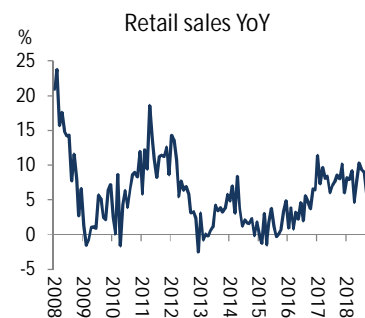
Minutes from MPC meeting revealed MPC's opinion that according to available forecasts, GDP growth in the coming quarters would gradually decline in the wake of weakening economic growth abroad, and slower growth of both domestic consumption and investment. The MPC also underlined uncertainty on inflation growth in 2019 related to potential rise in energy prices, introducing the emission charge on fuels and resulting rise in production costs of enterprises. The Council stated that higher wages had not yet translated on consumer inflation. The MPC added that wage growth would be limited by rise of energy costs and weaker foreign demand. On the other hand wages would be increased by an outflow of foreign workers to other EU countries in 2019, including Germany. At the meeting the MPC voted a motion for 25 bps rate hike but the motion was rejected and the Council kept interest rates unchanged. **Money supply M3** for October rose by 1.3% mom and 8.3% yoy.

Figure 1: Industrial output (yoy growth)



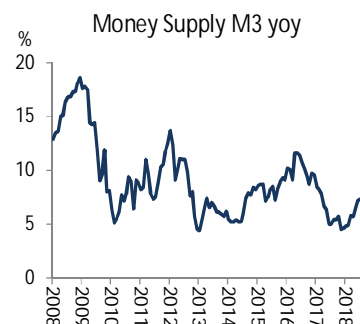
Source: GUS

Figure 2: Retail sales, current prices (yoy growth)



Source: GUS

Figure 3: Money supply M3 (yoy growth)



Source: NBP



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Nov-26	8:00	Unemployment rate LFS (Q3)	3.4%	3.8%	3.5%
Nov-27	8:00	Unemployment rate (Oct)	5.7%		5.7%
Nov-30	8:00	Inflation (flash, IIS)	0.3% (1.6%)		0.3% (1.6%)
Nov-30	8:00	PKB (III kw)	1.7% (5.1%)		1.7% (5.1%)

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	4.876	1.135	1.72	1.79	-0.31	2.71	1.6	3.18
Dec-18	4.285	3.792	3.759	4.873	1.130	1.72	1.79	-0.30	2.75	1.8	3.21
Jan-19	4.280	3.771	3.749	4.881	1.135	1.72	1.79	-0.30	2.80	1.7	3.19
Feb-19	4.274	3.749	3.738	4.890	1.140	1.72	1.80	-0.30	2.85	2.0	3.23
Mar-19	4.269	3.728	3.728	4.898	1.145	1.72	1.81	-0.30	2.90	2.2	3.27
Apr-19	4.263	3.707	3.718	4.906	1.150	1.72	1.82	-0.20	2.98	2.2	3.27
May-19	4.258	3.687	3.708	4.914	1.155	1.72	1.82	-0.18	3.07	2.2	3.27
Jun-19	4.253	3.666	3.698	4.922	1.160	1.72	1.83	-0.16	3.15	2.2	3.27
Jul-19	4.247	3.646	3.688	4.929	1.165	1.72	1.85	-0.14	3.23	2.3	3.29
Aug-19	4.242	3.625	3.678	4.937	1.170	1.72	1.86	-0.12	3.32	2.3	3.29
Sep-19	4.236	3.605	3.668	4.944	1.175	1.72	1.87	-0.10	3.40	2.3	3.30
Oct-19	4.231	3.585	3.658	4.951	1.180	1.72	1.88	-0.10	3.47	2.5	3.31
Nov-19	4.225	3.566	3.648	4.958	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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