



Poland: Weekly Macroeconomic Update

LAST WEEK:

Core inflation (excluding food and energy) for November was -0.1% mom and 0.7% yoy in line with market consensus view.

In November **average wage** in enterprises' sector was 0.9% up mom and increased by 7.7% yoy. **Average employment** in enterprises' sector was 0.1% up mom and rose by 3.0% yoy in November. Nominal wage growth is still robust what combined with low consumer inflation and high employment level results in strong growth in real disposable income of households. It also means that households' consumption will remain robust in coming quarters and domestic activity indicators (retail sales, industrial output) will remain favourable.

In November **industrial output** fell by 3.6% mom and rose by 4.7% yoy, slightly above expectations. Seasonally adjusted industrial output rose by 0.1% mom and was 5.5% up yoy. On an annual basis industrial output rose in 31 (out of 34) branches of industry including other transport equipment (up 28.6% yoy), electrical machinery (up 16.5% yoy), recycling (up 13.2% yoy), energy production and distribution (up 9.6% yoy), paper (up 9.6% yoy), beverages (up 7.7% yoy), products of other non-metallic raw-materials (up 7.6% yoy) and rubber and plastics (up 7.3% yoy). A decline in output was reported in pharmaceutical industry (down 28.8% yoy), leather and products thereof (down 13.1% yoy) and coal mining (down 6.5% yoy). In November construction output rose by 17.1% yoy mainly due to increased infrastructure investments. In November producer prices fell by 0.5% mom and rose by 2.7% yoy.

In October 2018 **State Treasury debt** amounted to PLN959.9bn and increased by PLN10.8bn (up 1.1%) in October and rose by PLN31.4bn (up 3.4%) versus the end of 2017. According to preliminary data, State Treasury debt at the end of November 2018 amounted to about PLN954.1bn, i.e. decreased by PLN 5.7bn (-0.6%) mom and increased by PLN25.7bn (+2.8%) compared to the end of 2017.

In the period of January-November 2018 there was PLN11.06bn surplus in **State budget**. Very high surplus in November stemmed from much lower expenditures on social security and pension fund ZUS and robust tax revenues (95% of annual plan), mainly from VAT, CIT and PIT taxes.

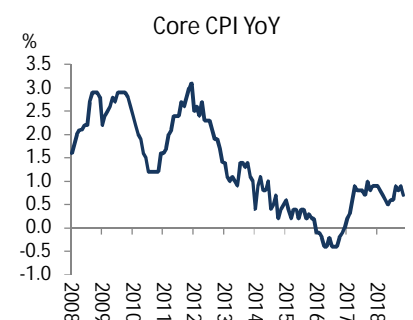
Retail sales in November fell by 2.7% mom increased by 8.2% yoy in the current prices and grew by 6.9% in constant prices.

In November **unemployment rate** amounted to 5.7%, unchanged versus October.

THIS WEEK:

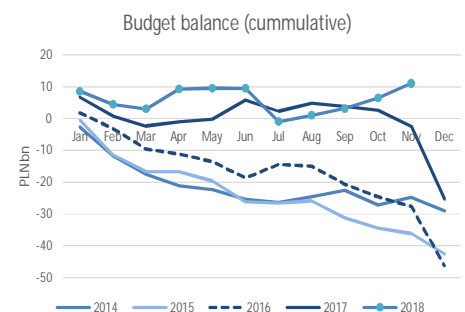
Money supply M3 for November rose by 1.1% mom and was 8.8% up yoy.

Figure 1: Core inflation



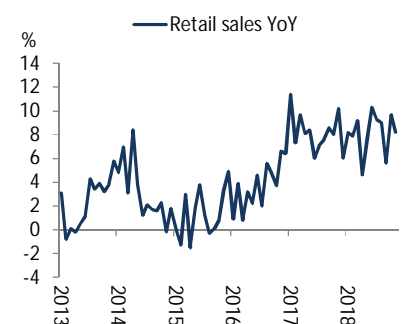
Source: NBP

Figure 2: State budget balance



Source: Finance Ministry

Figure 3: Retail sales (yoy growth)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jan-02	7:00	PMI manufacturing (Dec)	49.3		49.8
Jan-04	8:00	Inflation (flash, Dec)	0.1% (1.2%)		0.1% (1.1%)

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)										
Dec-18	4.300	3.749	3.812	4.754	1.147	1.72	1.79	-0.31	2.80	1.2	2.85
Jan-19	4.293	3.734	3.797	4.776	1.150	1.72	1.79	-0.31	2.83	1.1	3.00
Feb-19	4.287	3.719	3.782	4.798	1.153	1.72	1.80	-0.30	2.87	1.4	3.05
Mar-19	4.280	3.705	3.768	4.820	1.155	1.72	1.81	-0.30	2.90	1.6	3.10
Apr-19	4.273	3.690	3.753	4.842	1.158	1.72	1.82	-0.20	2.98	1.6	3.12
May-19	4.267	3.676	3.738	4.863	1.161	1.72	1.82	-0.18	3.07	1.6	3.13
Jun-19	4.260	3.661	3.724	4.884	1.164	1.72	1.83	-0.16	3.15	1.6	3.14
Jul-19	4.253	3.647	3.709	4.905	1.166	1.72	1.85	-0.14	3.23	1.7	3.15
Aug-19	4.247	3.633	3.695	4.926	1.169	1.72	1.86	-0.12	3.32	1.7	3.18
Sep-19	4.240	3.619	3.681	4.947	1.172	1.72	1.87	-0.10	3.40	1.7	3.19
Oct-19	4.233	3.604	3.666	4.967	1.175	1.72	1.88	-0.10	3.47	1.9	3.20
Nov-19	4.227	3.590	3.652	4.987	1.177	1.73	1.90	-0.10	3.54	2.2	3.20
Dec-19	4.220	3.576	3.638	5.007	1.180	1.76	1.92	-0.10	3.61	2.5	3.20

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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