



## Poland: Weekly Macroeconomic Update

### LAST WEEK:

In January **average employment** in enterprises' sector rose by 2.2% mom and increased by 2.9% yoy, much above consensus expectations. In January **average wage** in enterprises' sector fell by 6.5% mom and increased by 7.5% yoy, coming also above expectations. Very good data from labour market show that in the beginning of the year companies' demand for labour is still strong. It may mean that despite weaker demand for Poland's exports, services' sector still expands, including exports of services.

In January 2018 **industrial production** increased by 6.1% yoy and was 7.4% up mom. Seasonally adjusted industrial production rose by 6.1% yoy and increased by 1.7% mom. In January industrial output grew yoy in 26 (out of 34 branches of industry) including electric machinery (up 17.3% yoy), beverages (up 17.2% yoy), utilities (up 15.1% yoy), other transport equipment (up 13.3% yoy), computers, electronics and optical devices (up 10.9% yoy), chemical industry (up 10.0% yoy), products of metal (up 8.0% yoy), textiles (up 7.4% yoy). A decline in output was reported in 8 branches, including oil refining (down 9.5% yoy), metals (down 8.6% yoy), clothing (down 7.9% yoy), coal mining (down 2.5% yoy). In January **PPI** was 0.2% mom and 2.2% yoy.

In January 2019 **construction output** was 3.2% up yoy and declined by 61.2% mom. Construction output rose by 2.3% yoy in section construction of buildings and increased by 15.3% yoy in infrastructure construction. In January construction output declined by 6.2% yoy in specialized construction section. In January construction output was driven by infrastructure investments.

In January 2019 **retail sales** in the current prices rose by 6.6% yoy and declined by 19.1% mom. Retail sales in constant prices rose by 5.2% yoy and fell by 18.9% mom. In January nominal retail sales of automobiles rose by 1.7% yoy, retail sales of fuels rose by 8.7% yoy, retail sales of food rose by 6.1% yoy, retail sales of pharmaceuticals and cosmetics increased by 11.0% yoy, retail sales of furniture and white goods were 11.5% up yoy. In January nominal retail sales in supermarkets were 5.6% up yoy while retail sales via Internet increased by 4.9% yoy.

**MPC minutes** showed that the consensus within the Council is that likelihood of rate hike in the coming quarters significantly declined. The majority of the MPC share a view that interest rates should be kept unchanged in the coming quarters due to significant decline of inflationary risks and due to uncertainty on the scale and duration of global economic slowdown.

**Money supply** rose by 8.8% yoy and fell by 1.4% mom in January.

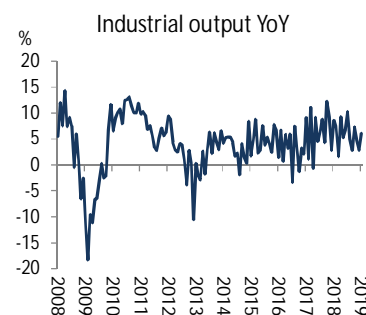
Law and Justice announced **increase in social expenditures** by PLN30-40bn per annum (1.2%-1.6% of GDP). In 2019 additional fiscal stimulus will amount to PLN20-23bn (0.9%-1.0% of GDP). Extension of 500+ child subsidy programme will cost PLN8.5bn, additional one-off transfer to pensioners will bring PLN11bn, tax allowances about PLN1bn. The result of these programmes will be acceleration of GDP growth in the second half of 2019 and GDP growth in 2019 of above 4%, structural increase in the current account deficit, increase of fiscal deficit to 3% of GDP, and excluding any further fiscal easing or central bank rate cut.

Figure 1: Average wage



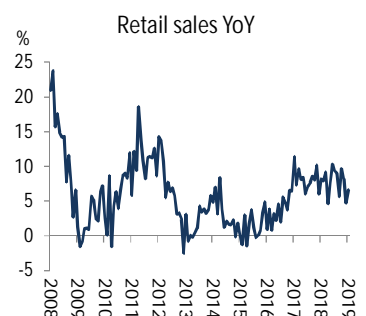
Source: GUS

Figure 2: Industrial output



Source: GUS

Figure 3: Retail sales



Source: GUS



## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Feb-25	8:00	Unemployment rate (Jan)	6.1%	6.1%	6.1%
Feb-25	8:00	Unemployment rate (Q4)	3.8%	3.8%	3.8%
Feb-28	8:00	GDP (Q4)	0.5% (4.9%)		0.5% (4.9%)
Mar-1	8:00	PMI manufacturing (Feb)	47.9		48.1

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)										
<b>Feb-19</b>	4.330	3.815	3.815	4.990	1.135	1.72	1.80	-0.30	2.60	1.3	3.00
<b>Mar-19</b>	4.323	3.771	3.804	5.001	1.147	1.72	1.81	-0.30	2.65	1.5	3.05
<b>Apr-19</b>	4.316	3.727	3.793	5.011	1.158	1.72	1.82	-0.30	2.70	1.5	3.10
<b>May-19</b>	4.309	3.684	3.781	5.020	1.170	1.72	1.82	-0.30	2.80	1.5	3.12
<b>Jun-19</b>	4.302	3.643	3.770	5.030	1.181	1.72	1.83	-0.30	2.90	1.5	3.15
<b>Jul-19</b>	4.295	3.602	3.759	5.039	1.193	1.72	1.85	-0.30	3.00	1.7	3.20
<b>Aug-19</b>	4.288	3.561	3.748	5.047	1.204	1.72	1.86	-0.30	3.05	1.7	3.25
<b>Sep-19</b>	4.281	3.522	3.737	5.055	1.216	1.72	1.87	-0.30	3.10	1.8	3.30
<b>Oct-19</b>	4.274	3.483	3.726	5.063	1.227	1.72	1.88	-0.30	3.15	2.0	3.32
<b>Nov-19</b>	4.267	3.445	3.715	5.071	1.239	1.72	1.90	-0.30	3.20	2.3	3.35
<b>Dec-19</b>	4.260	3.408	3.704	5.078	1.250	1.72	1.92	-0.30	3.25	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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### Additional information available upon request

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