



Poland: Weekly Macroeconomic Update

LAST WEEK:

In January 2019 **unemployment rate**, as expected, rose to 6.1% from 5.8% in December 2018. In Q4 2018 unemployment rate, calculated on a basis of labour force survey remained unchanged at 3.8%.

Finance Ministry published draft of **Capital market development strategy**. The main assumptions of the strategy are: (1) rising capitalization of domestic listed companies to 75% of GDP in 2030 from the current 35%, (2) 100% rise in market liquidity in major assets classes and lowering transaction costs, (3) an increase in efficiency of intermediate institutions, (4) a rise in savings rate in economy to 11% in 2030 from the current 2.6%, (5) increase in efficiency of administrative procedures.

In January 2019 there was PLN6.6bn surplus in **central budget** after PLN8.8bn surplus in January 2018. Budget revenue were PLN38.7bn (10% of plan) and expenditures were PLN32.1bn (7.7% of plan). VAT revenues were 12.6% up yoy, PIT revenues were 15.4% up yoy and CIT revenues were 2.8% up yoy. Total tax revenues increased by 7.9% yoy in January.

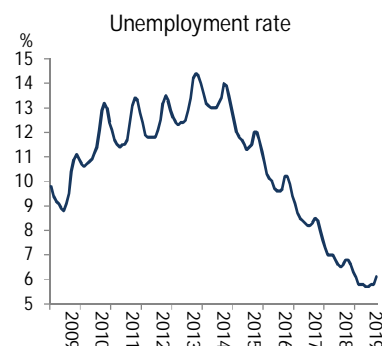
In February 2019 **manufacturing PMI** fell to 47.6 pts from 48.2 pts in January and remained for a fourth month in a row below neutral 50pts threshold. A decline in PMI index in February stemmed mainly from further decline in new orders, in particular export orders that has been declining for 7 months. Industrial output has been falling fourth month in a row. In February employment and purchase indices dropped while stocks of finished products rose fast. In February pressure on rise in costs of production alleviated. Producers' confidence deteriorated and expectations for output and orders in 12 month horizon were scaled down.

The Central Statistical Office confirmed **Q4 GDP** growth at 0.5% QoQ and 4.9% yoy. In Q4 2018 personal consumption rose by 4.3% yoy, fixed investments rose by 6.7% yoy, exports increased by 8.9% yoy and import rose by 9.0% in real terms. In Q4 2018 consumption contributed 3 percentage points, accumulation added 1.7 p.p. and net exports added 0.2 p.p. to GDP growth.

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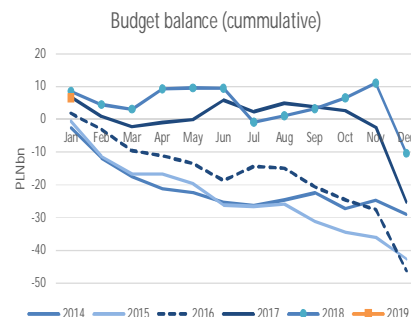
On Wednesday the **Monetary Policy Council** ends its policy meeting. We expect interest rates to remain unchanged. The Council is likely to signal that fiscal stimulus to be applied in 2H 2019 effectively excludes any rate cut in case of further slowdown in Poland's economy.

Figure 1: Unemployment rate



Source: GUS

Figure 2: Central budget balance



Source: Finance Ministry

Figure 3: Manufacturing PMI



Source: Markit



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Mar-6		MPC decision	1.50%		1.50%
Mar-7	12:00	Official reserve assets (Feb)			

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)										
Mar-19	4.296	3.741	3.780	5.022	1.148	1.72	1.81	-0.30	2.65	1.5	3.05
Apr-19	4.292	3.701	3.772	5.029	1.160	1.72	1.82	-0.30	2.70	1.5	3.10
May-19	4.288	3.662	3.763	5.036	1.171	1.72	1.82	-0.30	2.80	1.5	3.12
Jun-19	4.284	3.624	3.755	5.043	1.182	1.72	1.83	-0.30	2.90	1.5	3.15
Jul-19	4.280	3.586	3.746	5.049	1.194	1.72	1.85	-0.30	3.00	1.7	3.20
Aug-19	4.276	3.549	3.738	5.055	1.205	1.72	1.86	-0.30	3.05	1.7	3.25
Sep-19	4.272	3.513	3.729	5.061	1.216	1.72	1.87	-0.30	3.10	1.8	3.30
Oct-19	4.268	3.477	3.721	5.067	1.227	1.72	1.88	-0.30	3.15	2.0	3.32
Nov-19	4.264	3.442	3.713	5.073	1.239	1.72	1.90	-0.30	3.20	2.3	3.35
Dec-19	4.260	3.408	3.704	5.078	1.250	1.72	1.92	-0.30	3.25	2.7	3.35
Jan-20	4.253	3.369	3.685	5.039	1.263	1.73	1.93	-0.30	3.30	2.9	3.40
Feb-20	4.247	3.331	3.666	5.002	1.275	1.74	1.95	-0.30	3.35	2.9	3.40

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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