



Poland: Weekly Macroeconomic Update

LAST WEEK:

In March there was EUR533mn surplus on the **current account**, much above market consensus view (market expected widening of the CA deficit). Significant improvement in the current account stemmed from a strong growth in exports by 7.9% y/y to EUR19.6bn and low growth of imports (only 1.4% y/y) what resulted in imports of EUR19.06bn in March. In February this year exports and imports grew by 10.0% y/y and 7.8% y/y respectively. In March trade surplus amounted to EUR589mn, services account was strongly positive at EUR1.8bn (exports of services grew by 9.0% y/y to EUR4.8bn while imports of services grew by 2.9% y/y to EUR3.0bn).

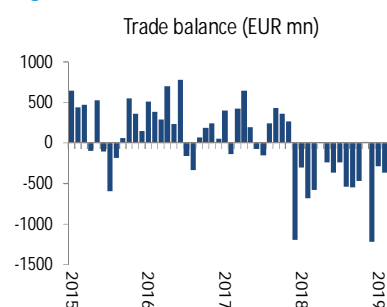
Inflation for April was confirmed at 1.1% m/m and 2.2% y/y. The main reason for a strong rise in inflation in April were rises in fuel prices and food prices. Direct and indirect impact of fuel prices on monthly CPI was 0.47 p.p. Other reasons were increase in meat prices (+0.21 p.p.), vegetables (+0.07 p.p.), clothing (+0.09 p.p.), waste collection (+0.06 p.p.), energy (+0.05 p.p.), footwear (+0.05 p.p.) and tourism (+0.04 p.p.). Sharp rise in inflation in April was mainly caused by supply-side factors.

According to preliminary data, **GDP growth** in Q1 2019 was 1.4% q/q and 4.6% y/y and was much higher than market consensus view of 4.4% y/y growth.

The **MPC**, as expected, kept interest rates hold and the reiterated its guidance for steady rates in 2019. NBP President Adam Glapinski said that inflation may transitorily increase to 3% y/y but added that the NBP expects inflation to subsequently decrease from this level.

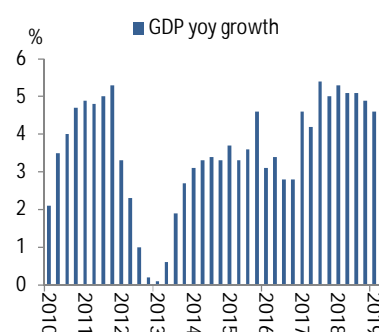
Core Inflation (ex food and energy) for April amounted to 1.0% m/m and 1.7% y/y after 0.4% m/m and 1.4% y/y in March. A strong rise in core inflation in April was the result of increase in transport prices, footwear and clothing prices and higher prices of waste disposal. An increase in public transport prices was a result of higher fuel prices, waste disposal prices are kind of communal tax and increase in footwear and clothing prices was seasonal in nature. Core inflation is likely to continue increasing in the coming months, albeit at slower pace than in April.

Figure 1: Current account



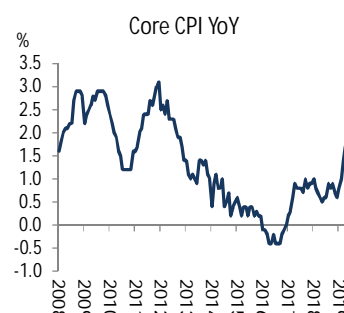
Source: NBP

Figure 2: GDP growth y/y



Source: GUS

Figure 3: Core inflation



Source: NBP



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
May-21	8:00	Average wage (Apr)	-0.5% (6.1%)		-0.1% (6.5%)
May-21	8:00	Average employment (Apr)	0.1% (3.1%)		0.1% (3.0%)
May-22	8:00	Industrial production (Apr)	-5.0% (7.7%)		-3.9% (9.0%)
May-22	8:00	PPI (kwi)	0.3% (2.4%)		0.3% (2.4%)
May-23	8:00	Construction output (Apr)	(17.5%)		(17.9%)
May-23	8:00	Retail sales (Apr)	-3.5% (5.1%)		0.7% (10.0%)
May-24	12:00	Money supply M3 (Apr)	0.4% (10.1%)		0.4% (10.1%)

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)										
May-19	4.282	3.823	3.804	4.894	1.120	1.72	1.79	-0.31	2.52	2.2	3.00
Jun-19	4.279	3.855	3.799	4.973	1.110	1.72	1.79	-0.31	2.55	2.2	3.05
Jul-19	4.276	3.869	3.794	5.030	1.105	1.72	1.80	-0.31	2.60	2.4	3.10
Aug-19	4.273	3.884	3.789	5.088	1.100	1.72	1.80	-0.30	2.62	2.4	3.15
Sep-19	4.269	3.846	3.784	5.077	1.110	1.72	1.80	-0.30	2.65	2.5	3.20
Oct-19	4.266	3.809	3.780	5.066	1.120	1.72	1.80	-0.30	2.70	2.6	3.25
Nov-19	4.263	3.773	3.775	5.055	1.130	1.72	1.80	-0.30	2.72	2.9	3.25
Dec-19	4.260	3.737	3.770	5.045	1.140	1.72	1.80	-0.30	2.75	3.0	3.30
Jan-20	4.253	3.720	3.758	5.038	1.143	1.73	1.81	-0.30	2.75	3.4	3.30
Feb-20	4.247	3.703	3.747	5.031	1.147	1.74	1.82	-0.30	2.75	3.2	3.30
Mar-20	4.240	3.687	3.736	5.023	1.150	1.75	1.85	-0.30	2.75	3.0	3.32
Apr-20	4.233	3.671	3.724	5.016	1.153	1.80	1.90	-0.28	2.70	2.6	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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