



Poland: Weekly Macroeconomic Update

LAST WEEK:

In August **construction output** was 2.7% up y/y and decline by 2.1% m/m. Buildings construction was 5.9% up y/y, infrastructure construction was 7.7% up y/y while specialized works declined by 10.3% y/y. Infrastructure investments support activity in construction but signals of weakening of investment cycle are visible.

In August **money supply M3** rose by 0.6% m/m and increased by 9.9% y/y. Loans to households grew by 6.8% y/y to PLN761.2bn and loans to enterprises rose by 5.2% y/y to PLN371.1bn in August.

In monetary policy guidelines for 2020 the MPC maintained inflation target at 1.5% +/- 1% and said that inflation, according to available forecasts would be higher in 2020 than in 2019 and after temporary rise in Q1 2020 inflation would stabilise around CPI target.

Unemployment rate for August remained unchanged at 5.2%.

According to the **minutes from MPC meeting** on September 11 the MPC stated that global economic activity remained relatively low and global business cycle was deteriorating what was reflected in a fall in trade turnover and weaker business conditions in manufacturing. This contrasted with relatively good situation in services sector. The MPC expects that GDP growth in Poland will remain robust in the coming years but below the path projected in July NBP projection. Some MPC members expressed an opinion that demand for labour in Poland had been stabilising. The MPC expects inflation to rise in Q1 2020 and to stabilise around the centre of the target. At the meeting on September 11 the MPC rejected a motion to cut interest rates by 25 bps.

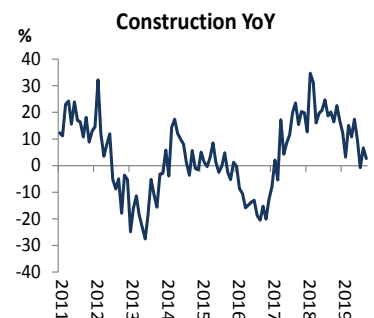
In the period of January-August 2019 **budget deficit** narrowed to -PLN2.0bn from a gap of -PLN4.8bn in the period of January-July 2019. In the period of January-August this year CIT revenues were 18.1% up y/y, PITY revenues were 12.8% up y/y and VAT revenues were 6.6% up y/y. In 2020 budget draft budget deficit for 2019 is estimated at -PLN12bn versus -PLN28.5bn budget deficit envisaged in 2019 budget bill.

Fitch Ratings maintained Poland's credit rating at A- with a stable outlook, as expected.

THIS WEEK:

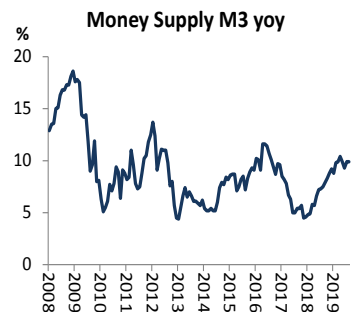
Flash inflation for September (on Tuesday) should amount to 0.3% m/m and 3.0% y/y. Also on Tuesday manufacturing PMI for September will be released (we expect PMI to decline to 47.6pts from 48.8pts in August). On Wednesday the MPC ends two-day policy meeting – we expect the MPC to keep interest rates unchanged, and to repeat guidance for steady interest rates in the near future. On Thursday the European Court of Justice will judge on CHF-indexed loans. The ruling will have big impact on Poland's banks (albeit won't be directly binding for Polish courts).

Figure 1: Construction output (y/y)



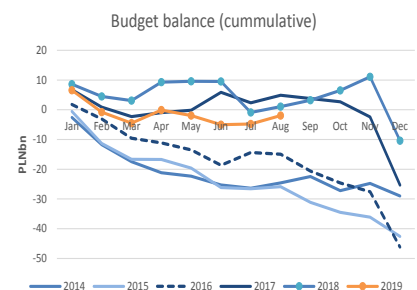
Source: GUS

Figure 2: Money supply M3 (y/y growth)



Source: NBP

Figure 3: State budget balance



Source: Finance Ministry



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Oct-1	7:00	Manufacturing PMI (Sep)	47.6		47.9
Oct-1	8:00	Inflation (flash., Sep)	0.3% (3.0%)		0.1% (2.7%)
Oct-2		MPC decision	1.50%		1.50%

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)										
Sep-19	4.373	3.997	4.027	4.921	1.094	1.72	1.79	-0.41	2.10	3.0	2.05
Oct-19	4.360	3.946	4.018	4.893	1.105	1.72	1.79	-0.43	2.00	3.0	2.08
Nov-19	4.355	3.923	4.006	4.904	1.110	1.72	1.79	-0.45	1.90	3.3	2.05
Dec-19	4.350	3.884	3.991	4.894	1.120	1.72	1.79	-0.45	1.80	3.4	2.05
Jan-20	4.346	3.872	3.978	4.885	1.123	1.72	1.79	-0.45	1.70	3.8	2.10
Feb-20	4.342	3.859	3.965	4.876	1.125	1.72	1.79	-0.45	1.60	3.6	2.10
Mar-20	4.338	3.847	3.952	4.866	1.128	1.72	1.79	-0.45	1.50	3.4	2.10
Apr-20	4.333	3.835	3.939	4.857	1.130	1.72	1.79	-0.45	1.40	3.0	2.10
May-20	4.329	3.823	3.927	4.848	1.133	1.72	1.79	-0.45	1.40	3.0	2.15
Jun-20	4.325	3.811	3.914	4.839	1.135	1.72	1.79	-0.45	1.40	2.7	2.20
Jul-20	4.321	3.799	3.901	4.830	1.138	1.72	1.79	-0.45	1.40	2.6	2.20
Aug-20	4.317	3.787	3.889	4.822	1.140	1.72	1.79	-0.45	1.40	2.6	2.20

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.



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