



Poland: Weekly Macroeconomic Update

LAST WEEK:

In September **retail sales** in nominal prices were 5.3% up y/y and declined by 4.0% y/y. Real retail sales were 4.3% up y/y and fell by 4.1% m/m in September. In September real retail sales of food fell by 8.3% m/m and fell by 2.9% y/y. Weak growth in retail sales in nominal prices was caused by a decline in nominal and real retail sales of food and fuels in September.

In September **construction output** increased by 7.6% y/y what points to relatively high investment activity. Building construction rose by 17.1% m/m and increased by 5.3% y/y, infrastructure investments increased by 11.3% m/m and increased by 15.8% y/y and specialised construction by 10.0% m/m and declined by 4.5% y/y.

In September **money supply M3** increased by 0.4% m/m and rose by 9.4% y/y. Cash in circulation rose by 0.8% m/m, households' deposits rose by 0.3% m/m and deposits of non-financial corporations rose by 0.6% m/m. In September local governments' deposits rose by as much as 3.4% m/m. In September loans to households increased by 0.6% m/m, and loans to corporations declined by 0.3% m/m. In September an increase of money supply was caused mainly by a rise in loans to households.

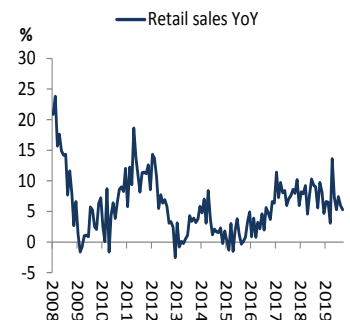
In 2018 **general government deficit** amounted to PLN5.0bn or -0.2% of GDP (versus -1.5% of GDP in 2017) and general government debt was PLN1035.3bn or 48.9% of GDP (versus 50.6% of GDP in 2017).

In September **unemployment rate** fell to 5.1% from a 5.2% in August, in line with expectations.

At the meeting in September the Monetary Policy Council voted a motion to cut interest rates by 25 bps. One MPC member (Eryk Lon) voted for the motion while other members were against it.

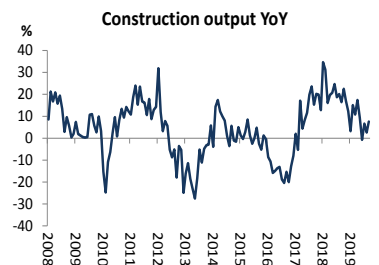
MPC member Kamil Zubelewicz criticised maintaining of negative real interest rates by the central bank what in his view discourages households from saving and increases demand for mortgages what in turn triggers inflation in house and dwelling prices.

Figure 1: Retail sales (y/y growth)



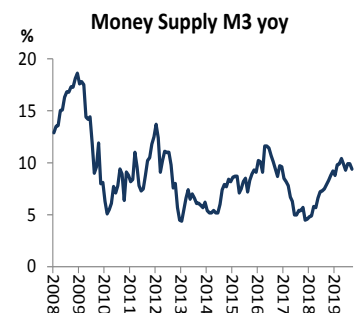
Source: GUS

Figure 2: Construction output (y/y growth)



Source: GUS

Figure 3: Money supply M3 (y/y growth)



Source: NBP



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Oct-29	8:00	Budget balance (Jan - Sep)		-PLN1.7bn	
Oct-23	8:00	Inflation (Oct)	0.4% (2.6%)		0.3% (2.5%)

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)										
Oct-19	4.280	3.856	3.873	4.955	1.110	1.72	1.79	-0.41	1.95	2.6	2.05
Nov-19	4.315	3.836	3.941	4.910	1.125	1.72	1.79	-0.42	1.90	3.0	2.08
Dec-19	4.330	3.832	3.972	4.866	1.130	1.72	1.79	-0.45	1.80	3.1	2.10
Jan-20	4.328	3.824	3.961	4.860	1.132	1.72	1.79	-0.45	1.70	3.4	2.10
Feb-20	4.325	3.816	3.950	4.853	1.133	1.72	1.79	-0.45	1.60	3.3	2.10
Mar-20	4.323	3.808	3.938	4.846	1.135	1.72	1.79	-0.45	1.50	3.0	2.10
Apr-20	4.320	3.801	3.927	4.839	1.137	1.72	1.79	-0.45	1.40	2.6	2.10
May-20	4.318	3.793	3.916	4.833	1.138	1.72	1.79	-0.45	1.40	2.6	2.15
Jun-20	4.315	3.785	3.905	4.826	1.140	1.72	1.79	-0.45	1.40	2.3	2.20
Jul-20	4.313	3.777	3.894	4.819	1.142	1.72	1.79	-0.45	1.40	2.3	2.20
Aug-20	4.310	3.770	3.883	4.813	1.143	1.72	1.79	-0.45	1.40	2.3	2.20
Sep-20	4.308	3.762	3.872	4.806	1.145	1.72	1.79	-0.45	1.40	2.5	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.

Appendix 1

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