

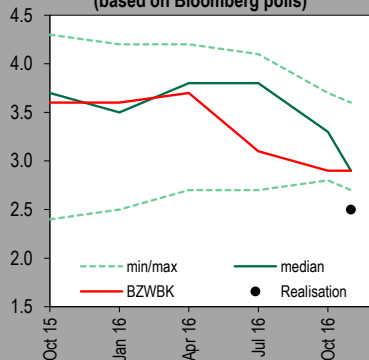
# MACROscope

Polish Economy and Financial Markets

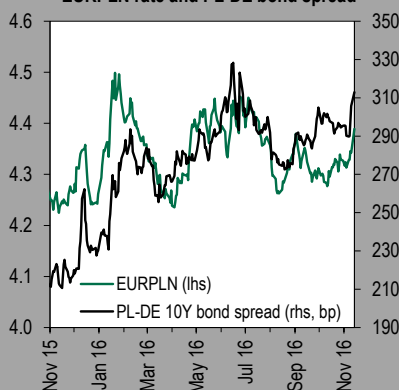
November 2016

## Correction or beginning of a trend?

Evolution of GDP forecasts for 3Q2016  
(based on Bloomberg polls)



EURPLN rate and PL-DE bond spread



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■ **In the third quarter of 2016, GDP growth decelerated to a mere 2.5%YoY, which was the lowest reading in three years.** The detailed data will be released at the end of November, so at this stage it is difficult to assess what was behind the slowdown. The additional problem with forecasting GDP for the following quarters was a significant revision of historical annual data. The latest statistics showed last year's GDP growth much higher than previously claimed – 3.9% vs 3.6%. The quarterly path is not known yet, however. Taking this into account, **we will be publishing the new forecasts in December in the Outlook for 2017.** Nevertheless, it is quite clear that the last quarter of this year will be also below earlier expectations (probably below Q3 reading). During next year we should see an acceleration, though.

■ **We do not think that lower-than-expected GDP for the third quarter will change significantly the approach of the Monetary Policy Council.** The latest, November GDP projection of the central bank will turn out to be overly optimistic again, while the MPC will assess the slowdown as a temporary phenomenon (though deeper than forecasted). Still, we do not exclude that FRA market would again try to price-in a monetary easing in the 6-9 months horizon. At the same time, we think that outlook for Polish central bank's reference rate for 18-24M horizon is rather on the upside than on the downside. **In the following months, considering a rate cut by the MPC might be also difficult if one takes into account the situation on the foreign exchange market.**

■ In the previous reports we mentioned many times our call for a weaker zloty in the final quarter of the year. Our forecast of EURPLN at 4.40 for December has already materialised, although we have to admit that the trigger was different than expected (higher uncertainty on global markets after US elections). **We do not assume the zloty to lose more ground against the euro, but we still see unfavourable conditions both global (December rate hike by Fed) and local (much lower than expected GDP growth) as limiting chances for a significant recovery of the Polish currency before year-end.**

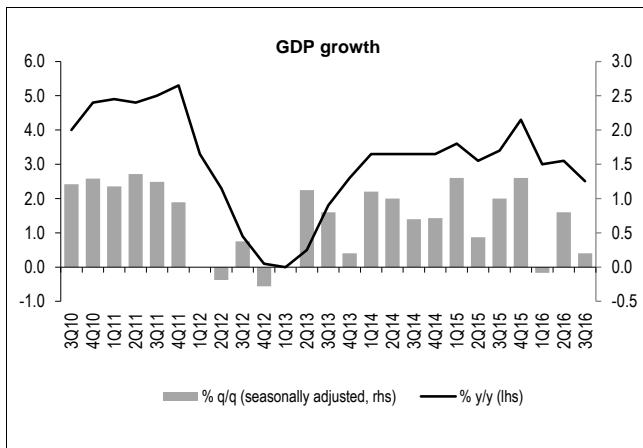
■ Together with zloty depreciation, we had expected a higher risk premium and a temporary rise in 10Y spread against German Bunds to above 300bp. While it actually happened in November, the two other issues are (at least) equally important. Firstly, is the rise in yields indeed only temporary? Secondly, the rise in spread materialised with a significant increase in global yields. In other words, there is a question if the era of low inflation and ultra-loose monetary policy is coming to an end – a scenario which global markets seem to price-in after the US elections. **We see the recent sell-off as exaggerated and we think there is a chance for some recovery.** For the Polish market this would mean lowering of the spread against Bunds to the levels observed recently at the start of November. As regards the 10Y yield, we think that the level of 3.10-3.15%, which was for some time the upper end of the trading range, now may become the lower end of the range. In the medium-term we still expect a moderate increase in yields both locally and abroad. Suffice it to say that the level of 3.50% for 10-year yield, which was reached in mid-November, was our target for the end of ... 2017.

### Financial market on November 15, 2016:

NBP deposit rate	0.50	WIBOR 3M	1.73	EURPLN	4.4098
NBP reference rate	1.50	Yield on 2-year T-bond	1.80	USDPLN	4.0837
NBP lombard rate	2.50	Yield on 10-year T-bond	2.81	CHFPLN	4.1046

This report is based on information available until 15.11.2016.

## Economic update



### Higher GDP growth in 2015

- In October the Central Statistical Office released the revised GDP data for 2010-2015. They showed that economic growth last year was much higher than suggested earlier and reached 3.9% rather than 3.6%. Higher growth estimate resulted mainly from improvement of foreign trade balance and higher inventories.

- We still don't know how the revision affected the quarterly GDP path in 2015. It implies higher uncertainty as regards forecast for the coming quarters and higher risk that GDP growth this year will be lower than we thought earlier (higher base effect).

### ... and probably lower in 2016

- Flash GDP data for 3Q16 were much weaker than expected – economic growth slowed to 2.5% y/y, and to 0.2% q/q after seasonal adjustment. We still don't know the detailed structure of the growth but we suspect that the disappointment was caused by deeper investment slowdown, weaker than estimated improvement in private consumption (effect of 500+ programme) and revision of the data for 2015. It cannot be ruled out that two first quarters of 2016 will be revised as well.

- We will revise GDP growth forecasts for the coming quarters after the publication of detailed GDP for 3Q16 by the statistical office at the end of November. We will probably reduce growth estimates for 2016.

### Consumption fuelling economic growth

- The private consumption remains the key driver of economic growth in Poland. Data about retail trade suggested some improvement in turnover in 3Q16, which seems to be quite modest in comparison to the cash injection for households generated by labour market improvement and "500+" child subsidies programme. Nevertheless, we think that a pickup of private consumption growth in the third quarter was in fact stronger than implied by the retail trade data, as the latter omitted two important components of consumption: (1) spending on services, (2) imports of second-hand cars. Therefore, a consumption growth slightly above 4% y/y in 3Q16 would not be surprising to us. The next three quarters should be at least equally good as regards consumption demand.

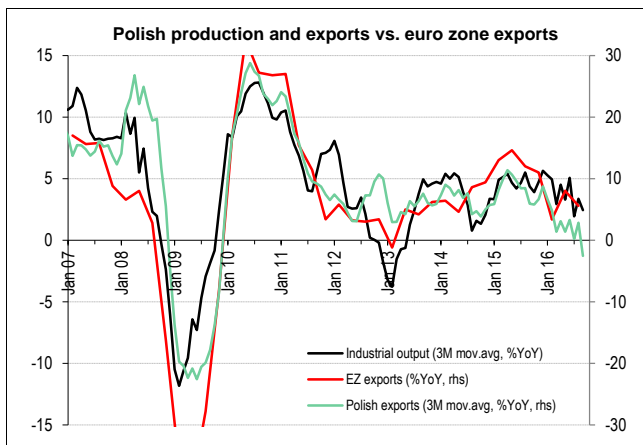
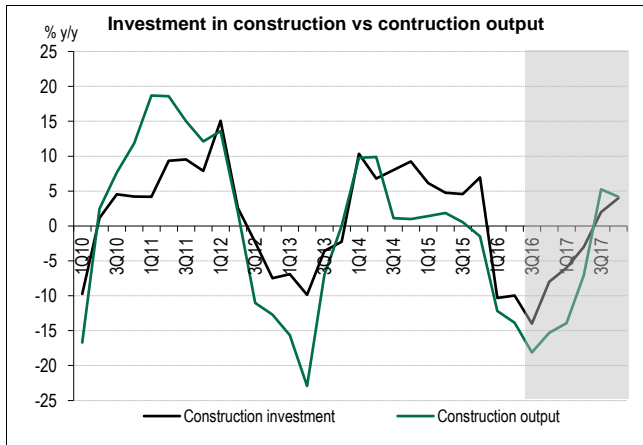
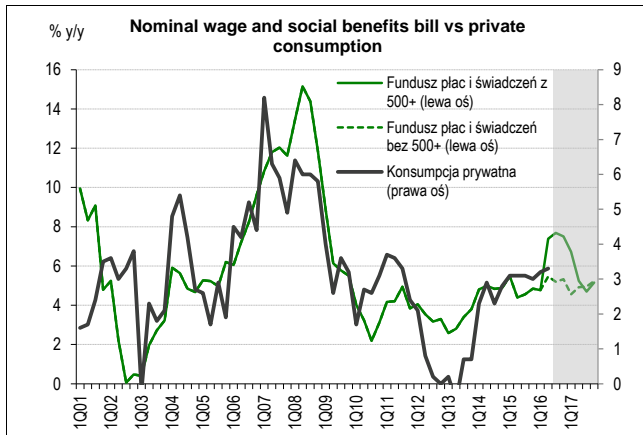
### Investments keep falling

- Investments are currently the weakest element of GDP growth. They have probably kept falling in the third quarter, at a pace similar as in Q2 (around -5% y/y). It was suggested, among others things, by a deepening collapse in construction output (-14% y/y in Q3) and weakening growth of production of investment goods.

- One of the reasons of weak investments this year was apparently a decline in EU funds absorption. We assume that this factor will be gradually fading in the coming quarters, as the utilisation of funds from the new EU budget will accelerate. However, another reason for a slowdown was a deterioration of business climate and higher uncertainty regarding both domestic situation and external environment. This factor may not disappear so quickly. The Eurostat's data confirmed that in the first half of the year a decline took place not only in public investments, but also in the private sector. Overall, after still weak third quarter, we expect to see a moderate rebound of investment growth ahead. The pace of this rebound seems to be one of two main risks for GDP growth forecasts for 2017.

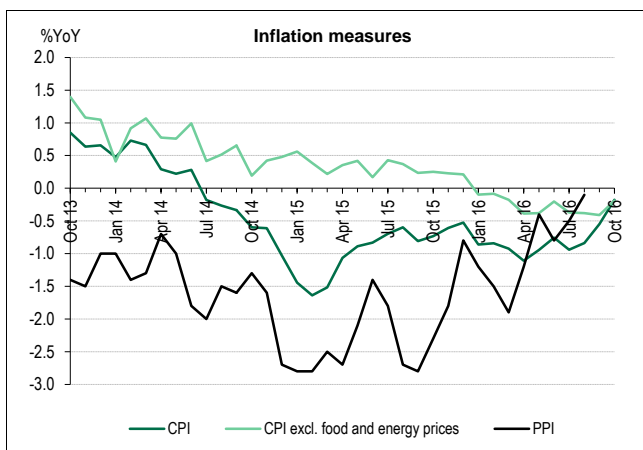
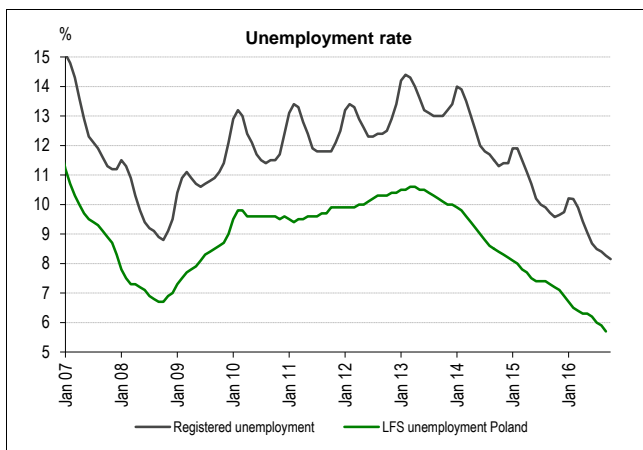
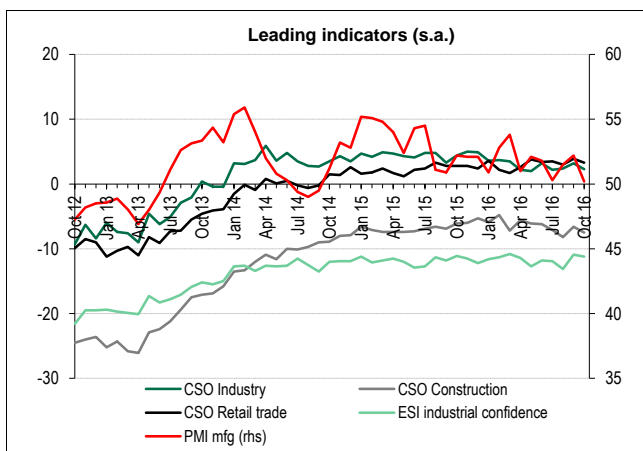
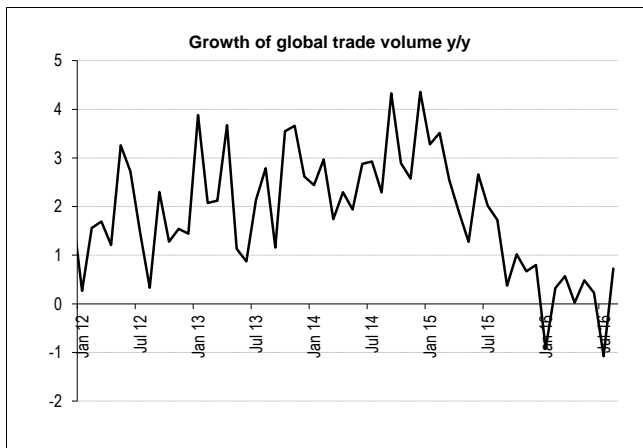
### Exports decelerating

- Polish manufacturing is still doing surprisingly badly, even despite signs of business climate improvement in the EU. We think that slowdown in manufacturing results mainly from weakening export orders, primarily from European countries. Eurostat data show a strong deceleration of Polish exports to main trading partners in the EU – in July export growth to Germany was below zero for the first time in almost four years.



Source: GUS, NBP, Eurostat, BZ WBK.

## Economic update



Source: CPB, GUS, NBP, Eurostat, Markit, European Commission, BZ WBK.

- In the last few months the business climate indicators in the euro zone, in particular in Germany, have improved quite considerably, raising hopes that weakening of demand from those countries will not be persistent. However, the “hard” data on German production and factory orders were less optimistic. Moreover, data from China, suggesting continuing economic slowdown, and Donald Trump’s victory in the US presidential elections (implying higher risk of more protectionist policies in the USA) do not bode well for a revival in international trade, in our view.

- We still expect an improvement of Polish exports’ growth in the coming quarters, but in our opinion its scale will be insufficient to outpace the accelerating import growth. As a result, the net exports’ contribution to GDP growth will be negative in the coming quarters.

### No improvement in recent business climate indicators

- The most recent indicators of economic climate herald no improvement of economic situation in 4Q16.

- Polish manufacturing PMI strongly disappointed in October, falling to 50.2 from 52.2 and reaching its lowest level since September 2014. Such a weak outcome resulted from deterioration of most of indicator’s components, but mainly from a lower number of new orders (which fell as compared to September at the highest pace in two years). As a result of the weak inflow of new orders the output rose only slightly and was close to stagnation. Employment rose at the slowest pace since August 2014. Recent months saw quite significant fluctuations of Polish PMI. The general trend suggests a gradual decline of economic activity and we think that October’s reading confirms our view that 2H16 will see no acceleration of the economic growth in Poland.

- Other business climate indicators (GUS, ESI) also showed a worse situation in manufacturing in October, which signals that industrial production reading for this month may be again quite weak (especially that it is negatively affected by the calendar effect) and the end of the year is unlikely to see acceleration of economic growth.

### Labour market still very strong

- Despite slowing GDP growth and investments falling, investors’ demand for new employees remains sound. Employment growth in the corporate sector accelerated in September to 3.2% y/y. Those data could be biased by the fact that after legal changes some companies probably decided to change contracts with employees (regular job contracts instead of other forms of employment). However, strong demand for new jobs has been also confirmed by other data – the number of new job offers in labour offices or the LFS labour market survey.

- According to LFS data, the seasonally-adjusted unemployment rate in Poland fell in September to fresh all-time low at 5.7%. The number of the unemployed fell by 280k y/y to below 1mn for the first time ever. Data imply that the number of the employed was still rising at a solid pace – c2% y/y, i.e. c300k per year (to 16.4mn in September). Should such rate of employment growth continue next year, the unemployment rate in Poland would drop to c.3% in 2017.

### Deflation is coming to an end

- CPI inflation reached -0.2% y/y in October, up from -0.5% y/y in September. The main source of the rebound was the statistical effect of very low base (sharp drop of commodities prices at the turn of 2015/2016), which will continue pushing inflation rate up in the next few months. As a result, CPI growth may turn positive in November, or December at the latest, and in January it is likely to bounce to around 1% y/y. However, we think that for the rest of 2017 inflation rate should be relatively stable, due to still negative output gap and low inflationary environment abroad.

## Monetary policy watch

### Excerpts from the MPC's official statement after its November meeting

In Poland, stable economic growth has continued, although current data indicate that in 2016 Q3 it may have fallen slightly. The main driver of growth is rising consumer demand, which is supported by the gradual improvement in the labour market, favourable household sentiment and the child benefit payments under the "Family 500 plus" programme. Data on construction and assembly output indicate that declining investment is still containing economic activity. The decrease in investment is related to temporarily lower absorption of EU funds after expiration of the previous EU financial framework, as well as continued uncertainty about the regulatory environment of business.

Annual growth in prices of consumer goods and services has remained negative, yet deflation is gradually subsiding. Descending deflationary trends are also reflected by a growth in producer prices. The increase in price growth results from the dissipating effects of the earlier sharp fall in global commodity prices, and also the higher wage growth in Poland compared to previous quarters. Price growth is contained by low inflation abroad and negative output gap in the domestic economy. At the same time, inflation expectations remain low.

In the Council's opinion, price growth will continue to gradually increase and in the coming quarters it will turn positive. Besides waned effects of the earlier falls in commodity prices, price growth in 2017 will be driven by an expected acceleration in GDP growth amid a further rise in wage growth and higher child benefits. In the coming quarters, the investment growth rate should also rise, supported by the good financial standing of enterprises and their high capacity utilisation, as well as the gradual increase in the absorption of EU funds. Such an assessment is supported by NBP November projection. The source of uncertainty for expected price developments is the risk of a fall in commodity prices.

The Council confirms its assessment that – given the available data and forecasts – the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance.

### Rates and projection with no changes

▪ As expected, in November the Monetary Policy Council left monetary policy in Poland unchanged, with the main reference rate still at 1.5%.

▪ In July the MPC had clearly distanced itself from the NBP projection, saying it had expected a more optimistic economic outlook, but it was not the case this time. The NBP president Adam Glapiński said at the press conference that different Council members may have different opinions, but he remained optimistic as regards economic growth outlook. In his opinion a slowdown of GDP growth observed currently was entirely caused by slower absorption of EU funds, and thus it should be transitory. Glapiński believes that the utilisation of EU funds should improve significantly quite soon, and as a result, the pace of economic growth should accelerate significantly at the start of 2017. He also reiterated that he believed there would be no reason to change interest rates in 2017, unless GDP growth and inflation accelerated sharply (in his view, GDP growth at 3.6% and inflation at 1.5% would be no reason to hike rates). Other MPC members present at the press conference – Jerzy Żyżyński and Eryk Łon (considered as relatively dovish) – confirmed that interest rates are currently at optimal level, as GDP growth is decent and inflation trending up. They also suggested that even in case of economic slowdown rate cuts would be ineffective in boosting GDP growth.

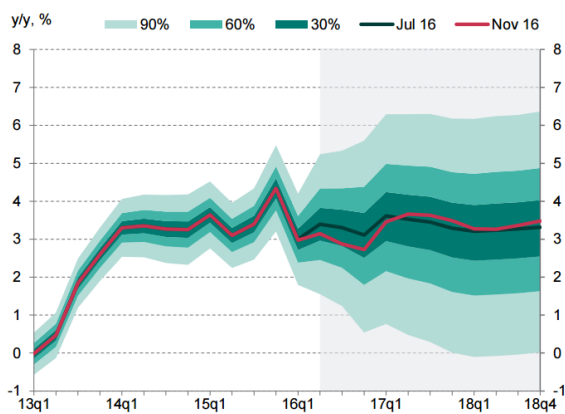
▪ It seems there are no significant changes in the Polish MPC's stance at this stage. Soon, we may see how the weak data on 3Q GDP affected the Council's bias. However, we think that the MPC will still view the slowdown as temporary (yet deeper).

▪ According to the Inflation report, Kamil Zubelewicz was the only MPC member who voted against monetary policy guidelines for 2017. Last time such a situation occurred in 2010. We do not know, which guidelines are not acceptable for Zubelewicz, but in August he suggested a necessity to lower the inflation target.

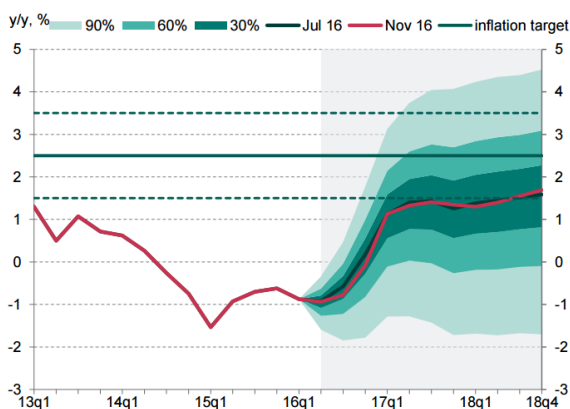
▪ The new NBP projection assumes a scenario which is similar to the one predicted in July. GDP growth has been revised down in 2016 (to 3.0% from 3.2%) under influence of weaker absorption of EU funds and resulting lower investments, and weaker impact of 500+ family subsidies, which lowered private consumption forecast. GDP forecasts for 2017-2018 have been increased slightly. According to the projection, this year the lowest GDP growth will take place in Q4 (2.7-2.8% y/y), mainly due to the high base effect in public consumption. NBP experts assumed also a quite strong increase of inventories in the fourth quarter (with contribution to GDP growth at c0.6-0.7pp), which implies the strongest change in this category since 2007. According to Jacek Kotłowski, deputy head of NBP Economic Institute, the 500+ programme will add 0.3 percentage points to economic growth in 2016. In comparison to July's projection, effects of the 500+ programme on 2016 GDP were lowered and this was justified by "timing of payments". However, weaker effect in 2016 was not offset in 2017, which means that the NBP in general revised its estimates of the programme's impact on GDP growth. The projection assumes investments to rebound in 2017 and to grow by 6.1%, after 2.6% decline in 2016. Private sector investments should be supported by high capacity utilization and good financial situation of companies. In turn, a growing number of contracts signed for the use of EU funds was an argument for a rebound in public investments, although the absorption of EU funds in 2016-2018 will be clearly lower than in the previous period.

▪ Inflation path for 2016-2018 remained roughly unchanged, despite cancellation of VAT cut (effect of about 0.3pp in 2017), which actually means that the NBP is expecting a weaker price growth (even if one excludes a minor effect of retail tax). The central projection shows CPI accelerating to 1.5% at the end of the forecasting horizon. The NBP lowered its forecast of core inflation due to decreased demand pressure and stronger zloty. On the other hand, forecasts of energy and food prices went up.

November vs July projection – GDP growth

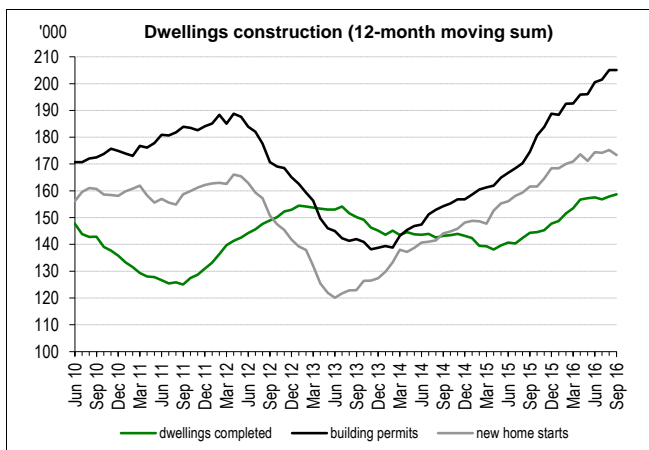


November vs July projection – CPI



Sources: NBP, BZ WBK.

## Housing market & Fiscal policy watch



### High activity on the housing market

- Supply of new flats is still on the rise, with 12-month sum of new houses at 159k in September – the most since 2009. Sales are also solid – 58k in 6 biggest cities (Warsaw, Krakow, Wroclaw, Tri-City, Poznan, Lodz) in September 2015 – September 2016 period; the most since comparable data are available, i.e. since 2007. 3Q16 alone saw sales at 14.1k (rise by 7% y/y). At the start of July, money from the MdM programme (home loan subsidies for young families) ran out, but this did not translate into demand in Q3. However, we cannot rule out that this effect will be more visible at the year-end. The sum of building permits (205k) and housing starts (174k) is also running at a high level, but last months showed a stabilization or even a decline, suggesting lower supply of new flats in the upcoming quarters.

- At the end of Q3, the government approved the National Housing Programme, yet no details are known.

- The NBP data suggest some acceleration of price growth in annual terms on the secondary market and of hedonic index in Q2, amid a stable price growth in the primary market. The Statistics Office data also show some acceleration on the secondary market, but a decline on the primary. In general, changes of prices are slight and this is in line with the data on demand and supply, which suggests stabilization of the market (in 6 biggest cities the offer has been stable at c50k for a few quarters).

- Despite a slight upward tendency of prices, the financial availability of flats is on the rise thanks to increasing salaries.

- According to the NBP survey on credit market, depletion of MdM financial pool undermined demand for housing loans in 3Q2016. Moreover, banks tightened their lending criteria, mainly due to the April's act on land purchases. Margins remained stable.

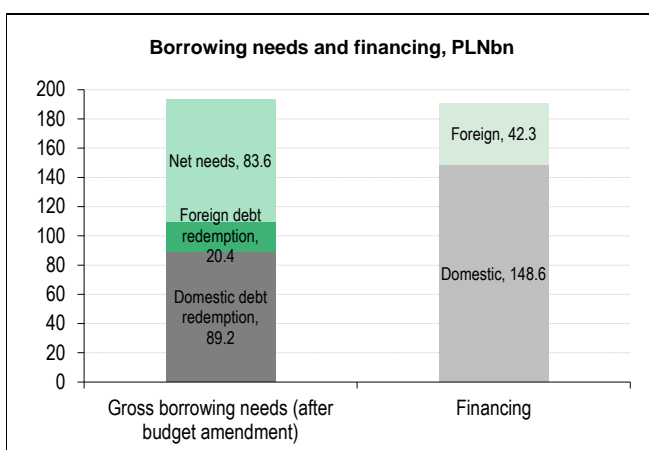
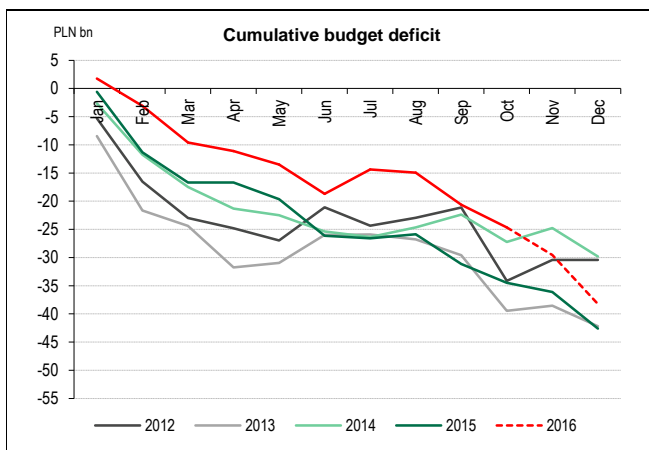
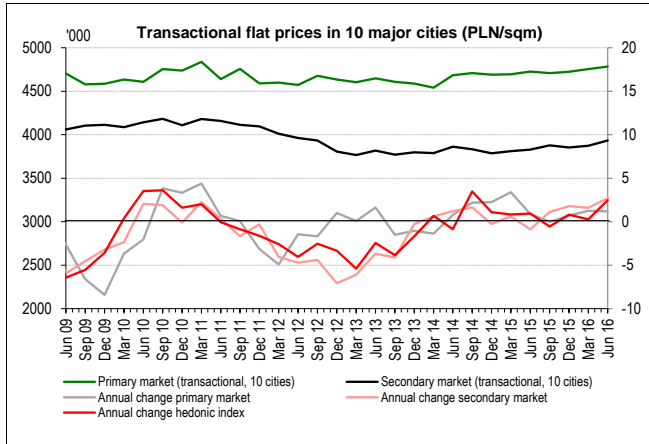
### Budget deficit might be below PLN40bn

- After ten months of the year, the central budget deficit amounted to PLN24.6bn, i.e. to 60% of the plan for the month (PLN41.1bn). Tax revenues rose in October by 8.3% y/y, with VAT revenues rising by 7% y/y, PIT by 7.2% y/y, CIT by 0.4% y/y and excise duties by 9.4% y/y. In general, after October, revenues are by 2.9% higher than planned in the schedule and spending is by 2.9% lower. Higher realisation of revenues and lower of expenditure suggest that this year's deficit will be considerably lower (even by more than PLN10bn) than assumed in the budget act (PLN54.7bn). The general government deficit may be lower than 2.5% of GDP. However, the government may decide to move some spending from 2017 to 2016 in order to smooth its deficit path.

### This year financing needs have been already covered

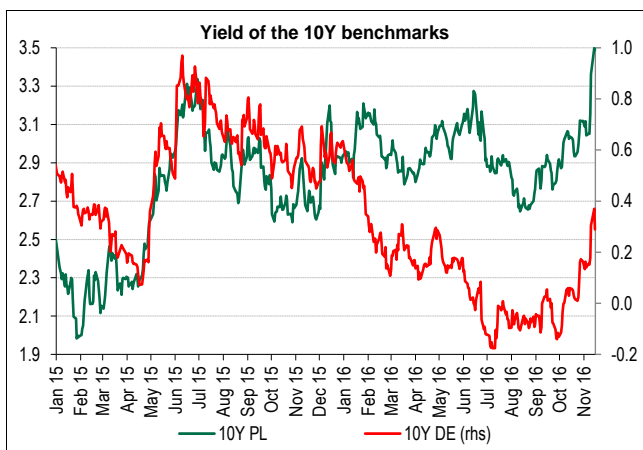
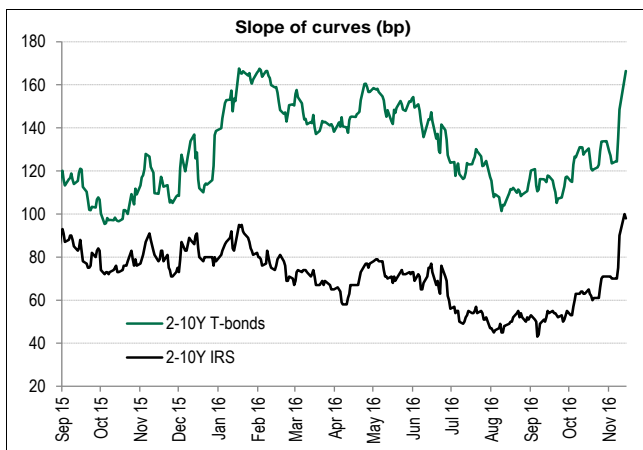
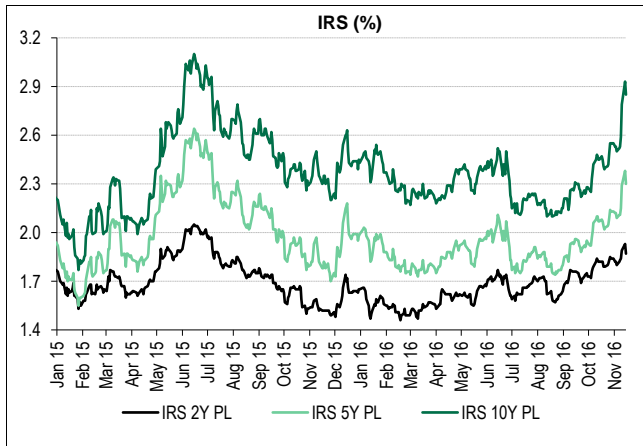
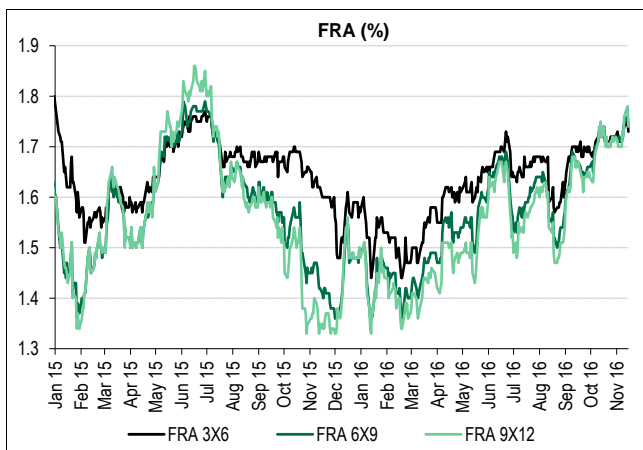
- October was quite intense for the Polish primary market. Poland successfully launched bonds denominated in euro, tapping 2Y (in private placement format), 12Y and 30Y worth €250m, €750m and €500m, respectively. The Ministry of Finance also sold bonds worth cPLN16.7bn on the domestic market (regular and top-up auctions). At the end of October, Poland has covered 98% of this year's borrowing needs after amendment.

- The ministry has continued its pre-financing process through switch tenders, selling bonds worth PLN3.9bn in November (below September's sell worth PLN12.7bn). The ministry did not accept less attractive bids and so the final sale was clearly below the PLN6bn target. According to our estimation, the level of pre-financing through switch auctions is at c5%. However, taking into account our assumption that this year's budget deficit will be lower by cPLN10bn than target, we believe that the 2016 borrowing needs are fully financed (with the surplus, thus effective pre-financing rate is higher). Despite this, it is likely that the 2017 pre-financing might be lower than in previous years.



Source: REAS, GUS, NBP, Ministry of Finance, Eurostat, BZ WBK.

## Interest rate market



Source: Finance Ministry, Reuters, Bloomberg, BZ WBK.

### Rates higher on Trump's victory

▪ Similarly as in previous months, Polish interest rate market has remained vulnerable to global factors in November. High volatility in the last weeks resulted from rising chances for rate hike by Fed in December, uncertainty about results of the US presidential election, and reaction to the result of the elections later on. Soon after the information about Donald Trump's victory international investors started pricing-in the scenario of higher future inflation and fiscal deficit in the USA due to implementation of Trump's economic program, and faster interest rate hikes by Fed. As a result, a selloff took place on the core debt markets with yields of 10Y UST and 10Y Bunds growing to 2.25% and 0.35%, respectively. At the same time, yield of Polish 10Y benchmark climbed to c3.50% (its highest since August 2014), while 10Y IRS rate rose to 2.92% (its highest since early July 2015). Spread of Polish 10Y bonds vs. German Bunds widened to c.315bp.

▪ Bear steepening took place on debt markets. As a result, the 2-10Y spread in Poland widened to nearly 150bp for T-bonds and to c60bp for IRS.

▪ 3M- 12M WIBOR rates increased by 1bp in early November, after rising by 1-3bp across the curve in October. At the same time, FRA rates grew significantly by 2-22bp (with the highest rise for longer tenors), following moves on IRS market. Currently, FRA21x24 is nearly 2.10%, and it means that investors start to price in monetary tightening by 50bp in the next two years.

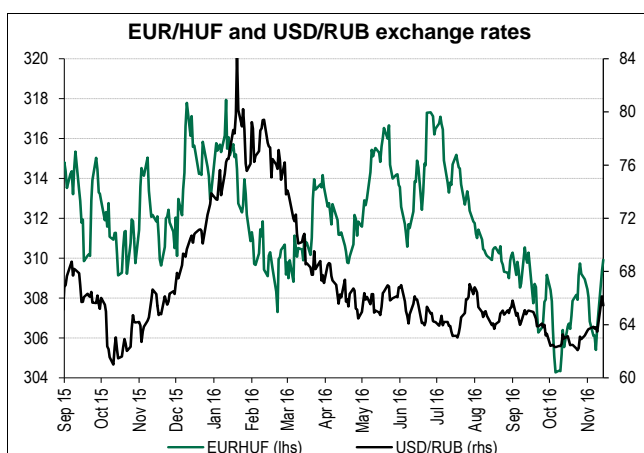
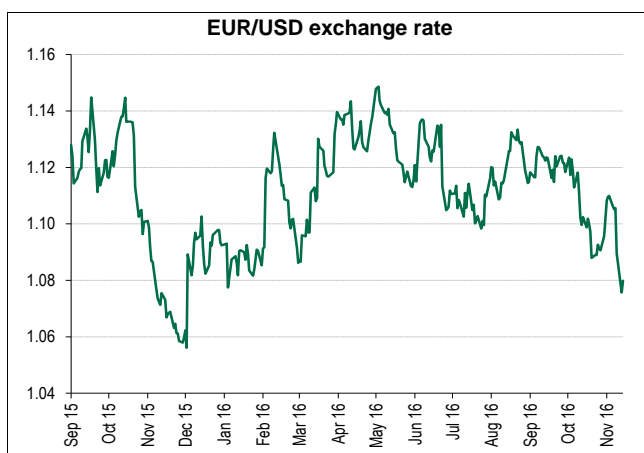
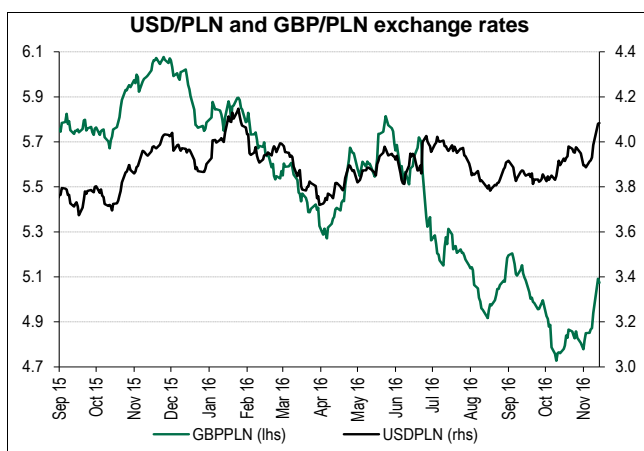
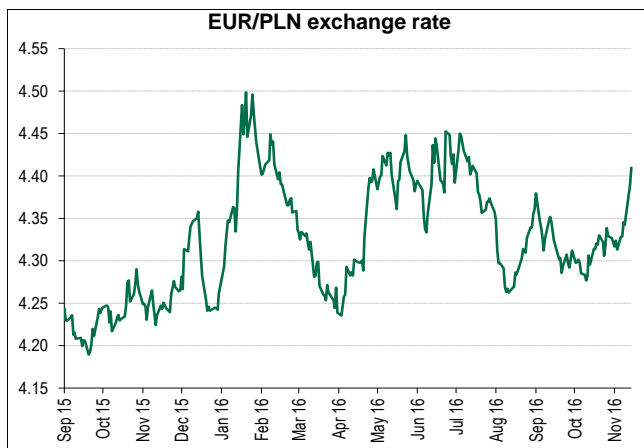
### Global factors are still the key for market direction

▪ Last month we wrote that in the world of ultra-low interest rates the yield of Polish 10Y bond at 3.0% should look attractive to investors, and we think that this statement is still valid. The question is, however, if the era of ultra-loose monetary policy is coming to an end – a scenario which global markets seem to price-in after the US elections.

▪ Our expectations regarding the US Fed policy outlook have not changed much – we still believe an interest rate hike by 25bp in December and two next hikes of similar magnitude in 2017. In this context, we see the recent sell-off as exaggerated. We think there is a chance for some recovery if investors on the global markets reach a similar conclusion. For the Polish market this would probably mean lowering of the spread against Bunds to the levels observed recently at the start of November. As regards the yield, we think that the level of 3.10-3.15%, which was for some time the upper end of the trading range, now may become the lower end of the range. In the medium-term we still expect a moderate increase in yields both locally and abroad.

▪ A less optimistic scenario for the Polish debt market would be a continuation of upward trend in yields abroad. Strong selloff in the US Treasury market makes Polish bonds much less attractive investment for the US investors (which hold c. 25% of Polish bonds held by non-residents, or 5% of all Polish bonds). If additionally the ECB surprises investors with the scale of its quantitative easing programme in future (higher bond yields in the euro zone), it could turn out that it will be hard to finance the 2017 borrowing needs worth PLN80bn net without a significant rise of domestic bond yields. Additional risk factor is uncertainty regarding possible changes in the bank tax, which could affect the activity of the local players in the bond market.

## Foreign exchange market



Sources: Reuters, Bloomberg, Markit, BZ WBK.

### Higher volatility hits zloty

October was the calmest month for EUR/PLN since November 2015 when considering monthly high-low spread. Implied volatilities for EUR/PLN were near the lowest levels since 2Q15 suggesting that a bigger move could soon take place. For the EM currencies higher volatility often means depreciation and this pattern was confirmed also this time in reaction to the November victory of Donald Trump in the US presidential elections. As a result, EUR/PLN skyrocketed above 4.45 (the highest since July) from 4.33 within two days. The scale of the increase could have been strengthened by lower liquidity on November 11 when the Polish market was closed. The zloty lost sharply also vs the US dollar – USD/PLN jumped to 4.10 from 3.84 since the US elections result was announced.

The first reaction of the CEE currencies to the US election results was rather moderate, but the recent days showed that the spike in volatility could set the direction for the weeks to come. We think that the scenario of weaker EMs amid rising volatility has just started materializing and this is coherent with our forecasts assuming the zloty will remain under pressure for the remainder of the year.

In previous reports we were outlining our negative outlook for the zloty until the end of the year on numerous occasions and our forecast for December (4.40) has materialized already in mid-November. We do not expect the zloty's depreciation vs the euro to continue but both external factors (December Fed rate hike) and internal issues (economic growth below expectations) should limit the scope for the zloty's recovery.

### High volatility of EUR/USD

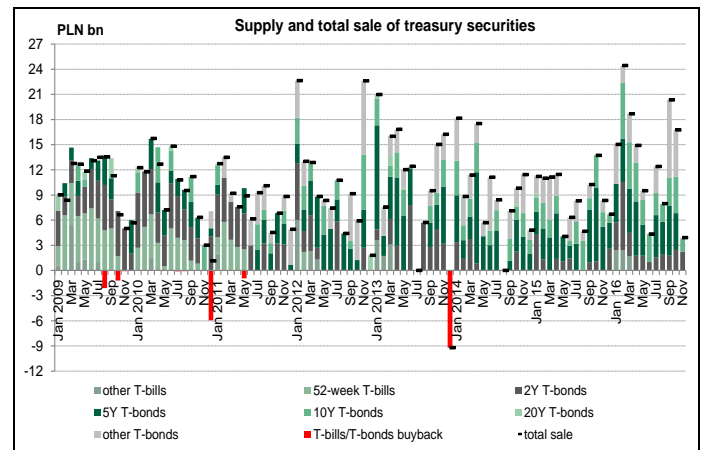
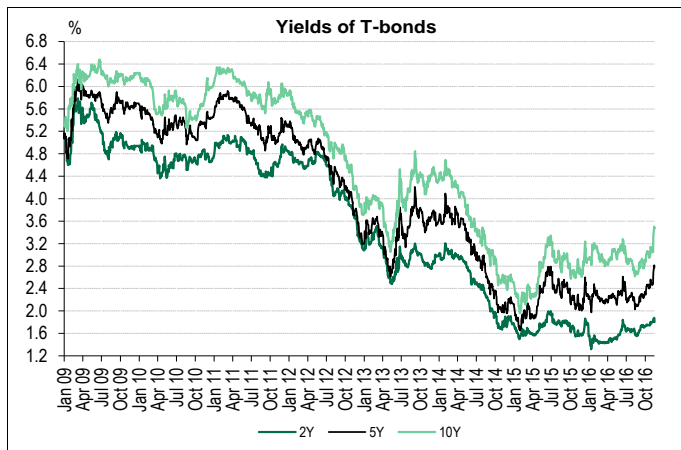
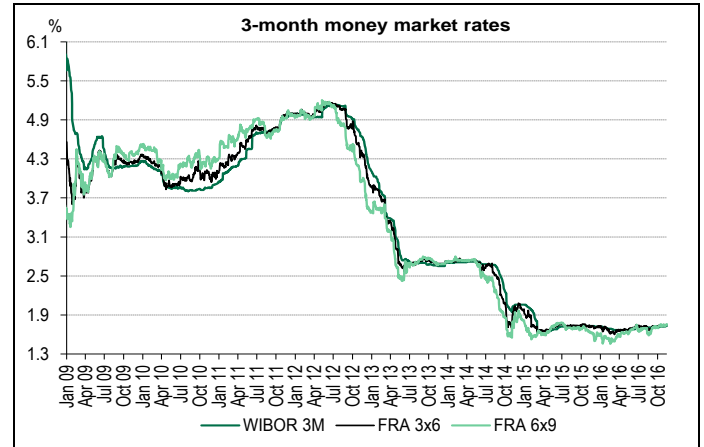
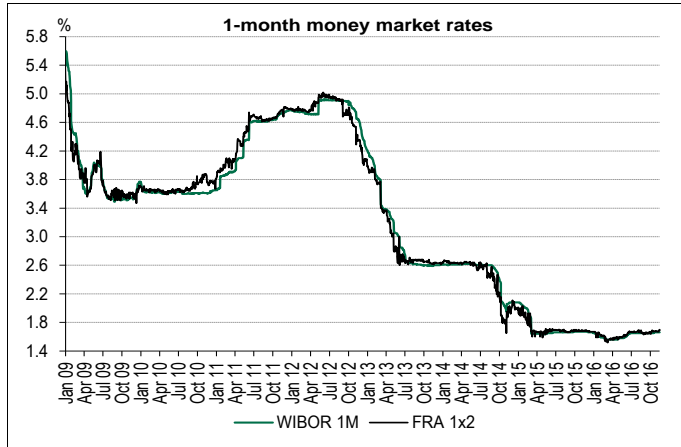
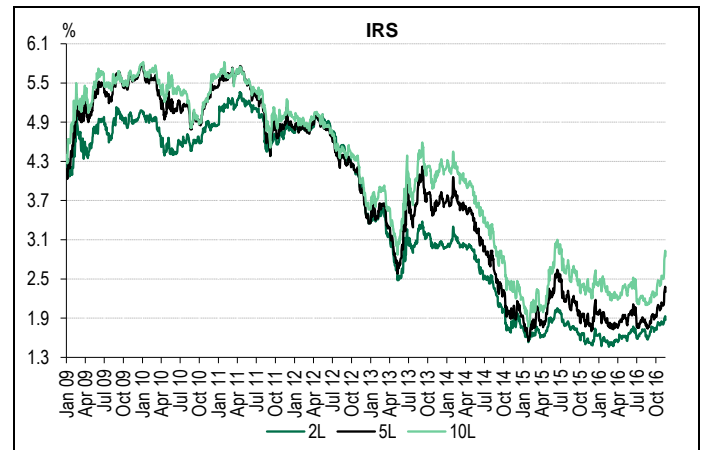
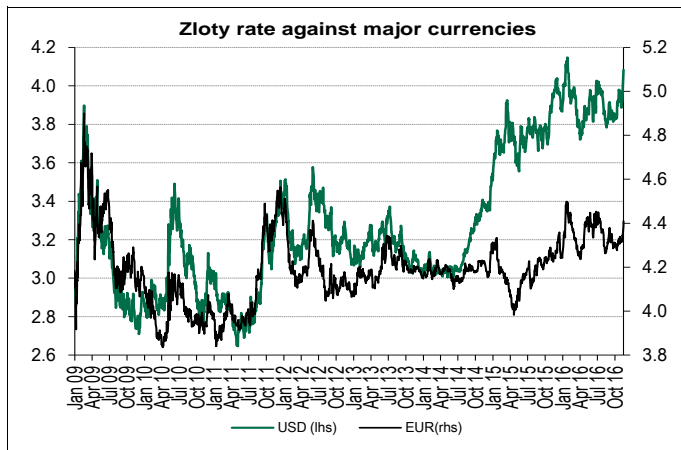
Last month we wrote that EUR/USD is also waiting for the trigger and that the volatility could rise if Donald Trump wins the US presidential elections. Already as investors were waiting for the voting the exchange rate became more volatile and after the Republican's candidate was called a winner EUR/USD first jumped to 1.13 and then plummeted to the fresh 2016 low at 1.07. The dollar gained as the market started to price in realization of the election promises that could lead to higher economic growth and inflation in the US.

The market prices more than 80% chances for the December Fed rate hike by 25bp so the coming US data shall have a bigger market impact if they appear to be disappointing rather when they beat expectations. We think that the recent euro's depreciation was overdone considering the most recent European data that could make the ECB ease the monetary policy in December (yet before the Fed decision) to a smaller extent than expected by many. As a result, EURUSD could rebound towards our year-end target at 1.10. After US elections we have revised the EURUSD forecasts for 2017, assuming stronger dollar – the average rate for next year have been lowered to 1.09 from 1.14, and 2017-end to 1.11 from 1.16.

### Little reason for ruble's appreciation

USD/RUB rebounded from this year's low at c62 and reached c66.4. We expect more weakening of the ruble in the months to come. First, the Russian economic fundamentals are still fragile. It is worth noting that the annual dynamics for industrial output or real disposable incomes rebounded in early 2016 to around zero and stayed flat in the following months suggesting that this 'improvement' was solely due to the base effect. Geopolitical tensions have strengthened recently due to the situation in Syria and this increases the risk of imposing new/extending current sanctions. As a reminder, in the last months several high-ranked Russian officials, including President Putin, said that the ruble's appreciation is becoming excessive. Protracting negotiations of OPEC countries on cutting oil output suggest it may be hard to reach a conclusion that could push oil prices up. Any correction is likely to hit the ruble.

# Market monitor



## Treasury bond auctions in 2015/2016 (PLN mn)

Month	First Auction			Second Auction			Switch Auction	
	Date	T-bonds	Offer	Date	T-bonds	Offer	Date	T-bonds Offer
November '15	26.11	EUR20160201**	Up to €1bn	€730m			19.11	OK0116/PS0416 WZ0120/PS0421/DS0726
December							10.12	OK0116/PS0416 OK0717/PS0421/DS0726
January '16	7.01	PS0421	2500-4500	4555.0	28.01	OK1018/WZ0120/WZ0126	5000-8000	8074.0
February	4.02	OK1018/DS0726	4500-7500	9011.2	18.02	WZ0120/PS0421	4000-6000	7210.0
March	3.03	OK1018/DS0726	4000-7000	8387.5	28.04	WZ0120/PS0721/WZ0126	5000-8000	8534.7
April	7.04	OK1018/DS0726	3000-6000	6356.6	25.05	PS0721/IZ0823	2000-4000	4801.7
May	5.05	OK1018/DS0726	2500-4500	4703.9				
June	9.06	OK1018/DS0726	3000-4000	4321.7				
July	7.07	OK/DS/WS	3000-6000	4431.9	28.07	PS0721/WZ1122/WZ0126	5000-8000	7950.9
August	18.08	OK/PS/DS	5000-8000	7949.4				
September	1.09	OK/DS/WZ	4000-7000	7593.5				
October	6.10	OK1018/DS0727	3000-6000	6806.5	21.10	WZ0121/PS0422/WZ1122	6000-10000	9943.1
November	17.11	To be announced	3000-7000				3.11	WZ0117/PS0417/DS1017 OK1018/IZ0823/DS0727

\* with supplementary auction, \*\* buy-back auction, \*\*\* demand/sale.



## Economic calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<b>14 November</b> <i>PL: CPI (Oct)</i> <i>PL: Balance of payments (Sep)</i> <i>PL: Money supply (Oct)</i> EZ: Industrial output (Sep)	<b>15</b> <i>PL: GE. EZ. HU. CZ: Flash GDP (Q3)</i> <i>PL: Core inflation (Oct)</i> GE: ZEW index (Nov) US: Retail sales (Oct)	<b>16</b> US: Industrial output (Oct)	<b>17</b> EZ: HICP (Oct) US: House starts (Oct) US: Building permits (Oct) US: CPI (Oct) US: Philly Fed index (Nov)	<b>18</b> <i>PL: Wages and employment (Oct)</i>
<b>21</b> <i>PL: Industrial output (Oct)</i> <i>PL: PPI (Oct)</i> <i>PL: Retail sales (Oct)</i>	<b>22</b> HU: Central bank decision US: Home sales (Oct)	<b>23</b> GE: Flash PMI – manufacturing (Nov) EZ: Flash PMI – manufacturing (Nov) US: Durable goods orders (Oct) US: New home sales (Oct) US: Michigan index (Nov) US: FOMC minutes	<b>24</b> GE: GDP (Q3) GE: Ifo index (Nov) <i>PL: MPC minutes</i>	<b>25</b> <i>PL: Unemployment rate (Nov)</i>
<b>28</b>	<b>29</b> US: Preliminary GDP (Q3) US: Consumer confidence index (Nov)	<b>30</b> <i>PL: GDP (Q3)</i> EZ: Flash HICP (Nov) US: ADP report (Nov) US: Personal income (Oct) US: Consumer spending (Oct) US: Pending home sales (Oct) US: Fed Beige Book	<b>1 December</b> <i>PL: PMI – manufacturing (Nov)</i> GE: PMI – manufacturing (Nov) EZ: PMI – manufacturing (Nov) US: ISM – manufacturing (Nov)	<b>2</b> <i>PL: S&amp;P rating review</i> CZ: GDP (Q3) US: Non-farm payrolls (Nov) US: Unemployment rate (Nov)
<b>5</b> GE: PMI – services (Nov) EZ: PMI – services (Nov) US: ISM – services (Nov)	<b>6</b> GE: Industrial orders (Oct) HU, EZ: GDP (Q3) US: Industrial orders (Oct)	<b>7</b> <i>PL: MPC decision</i> GE: Industrial output (Oct) CZ: Industrial output (Oct)	<b>8</b> EZ: ECB decision HU: CPI (Nov)	<b>9</b> GE: Exports (Oct) CZ: CPI (Nov) US: Flash Michigan (Dec)
<b>12</b> <i>PL: CPI (Nov)</i>	<b>13</b> <i>PL: Core inflation (Nov)</i> GE: ZEW index (Dec)	<b>14</b> <i>PL: Balance of payments (Oct)</i> <i>PL: Money supply (Nov)</i> EZ: Industrial output (Oct) US: Retail sales (Nov) US: Industrial output (Nov) US: FOMC decision	<b>15</b> GE: Flash PMI – manufacturing (Dec) EZ: Flash PMI – manufacturing (Dec) US: CPI (Nov) US: Philly Fed index (Dec)	<b>16</b> <i>PL: Wages and employment (Nov)</i> EZ: HICP (Nov) US: House starts (Nov) US: Building permits (Nov)

Source: CSO, NBP, Bloomberg.

## Calendar of MPC meetings and data releases for 2016

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ECB meeting	21	-	10	21	-	2	21	-	8	20	-	8
MPC meeting	13-14	2-3	10-11	5-6	12-13	7-8	5-6	-	6-7	4-5	8-9	6-7
MPC minutes	28	18	17	21	27	23	-	25	22	20	24	22
Flash GDP*		12			13			12			15	
GDP*	-	29	-	-	31	-	-	30	-	-	30	-
CPI	15	12 <sup>a</sup>	15 <sup>b</sup>	11	12	13	11	12	12	11	14	12
Core inflation	18		16	12	13	14	12	16	13	12	15	13
PPI	21	17	17	19	19	17	19	18	19	19	21	19
Industrial output	21	17	17	19	19	17	19	18	19	19	21	19
Retail sales	21	17	17	19	19	17	19	18	19	19	21	19
Gross wages, employment	20	16	16	18	18	16	18	17	16	18	18	16
Foreign trade												
Balance of payments*			31			30			30			
Balance of payments	13	15	15	13	13	13	14	12	13	14	14	
Money supply	14	12	14	14	13	14	14	12	14	14	14	

\* Quarterly data. a preliminary data for January. b January and February.

Source: CSO, NBP.

## Economic data and forecasts for Poland

## Monthly economic indicators

		Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16E	Nov 16E
PMI	pts	52.2	52.1	52.1	50.9	52.8	53.8	51.0	52.1	51.8	50.3	51.5	52.2	50.2	51.2
Industrial production	% YoY	2.4	7.8	6.7	1.3	6.8	0.7	6.0	3.2	6.0	-3.4	7.5	3.2	-0.1	1.5
Construction production	% YoY	-5.2	1.2	-0.4	-8.6	-10.5	-15.8	-14.9	-13.7	-13.0	-18.8	-20.5	-15.3	-17.1	-14.2
Retail sales <sup>a</sup>	% YoY	0.8	3.3	4.9	0.9	3.9	0.8	3.2	2.2	4.6	2.0	5.6	4.8	4.5	4.4
Unemployment rate	%	9.6	9.6	9.7	10.2	10.2	9.9	9.4	9.1	8.7	8.5	8.4	8.3	8.2	8.3
Gross wages in corporate sector	% YoY	3.3	4.0	3.1	4.0	3.9	3.3	4.6	4.1	5.3	4.8	4.7	3.9	4.2	5.4
Employment in corporate sector	% YoY	1.1	1.2	1.4	2.3	2.5	2.7	2.8	2.8	3.1	3.2	3.1	3.2	3.1	3.0
Exports (€)	% YoY	5.2	10.7	10.8	-1.3	5.4	0.0	4.1	0.0	5.7	-5.1	8.5	1.5	0.6	2.5
Imports (€)	% YoY	-1.0	6.3	4.4	0.3	7.4	0.9	0.3	1.5	0.4	-6.8	10.7	3.2	4.6	3.1
Trade balance	EUR mn	549	357	143	439	200	337	455	318	662	-322	-478	-200	-51	266
Current account balance	EUR mn	-165	28	-846	679	-652	-217	492	389	113	-635	-1 007	-999	-154	123
Current account balance	% GDP	-0.6	-0.7	-0.6	-0.4	-0.5	-0.8	-1.0	-1.1	-0.6	-0.5	-0.6	-0.7	-0.7	-0.6
Budget deficit (cumulative)	PLN bn	-34.5	-36.1	-42.6	1.8	-3.1	-9.6	-11.1	-13.5	-18.7	-14.4	-14.9	-20.6	-24.6	-29.5
Budget deficit (cumulative)	% of FY plan	74.8	78.4	92.5	-3.2	5.7	17.5	20.3	24.6	34.1	26.3	27.3	37.7	45.0	54.0
CPI	% YoY	-0.7	-0.6	-0.5	-0.9	-0.8	-0.9	-1.1	-0.9	-0.8	-0.9	-0.8	-0.5	-0.2	0.1
CPI excluding food and energy	% YoY	0.3	0.2	0.2	-0.1	-0.1	-0.2	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4	-0.2	0.0
PPI	% YoY	-2.3	-1.8	-0.8	-1.2	-1.5	-1.9	-1.2	-0.4	-0.8	-0.5	-0.1	0.2	0.4	0.3
Broad money (M3)	% YoY	8.9	9.3	9.1	10.2	10.1	9.1	11.6	11.6	11.4	10.7	10.1	9.4	8.7	8.1
Deposits	%YoY	9.2	9.7	9.0	9.9	10.4	9.4	11.6	11.8	11.3	10.6	9.9	9.1	8.6	7.8
Loans	%YoY	7.7	7.0	6.9	6.2	5.8	4.4	6.7	5.0	4.6	4.7	3.7	3.7	3.8	3.8
EUR/PLN	PLN	4.25	4.25	4.29	4.41	4.40	4.29	4.31	4.41	4.40	4.40	4.30	4.32	4.31	4.38
USD/PLN	PLN	3.78	3.96	3.95	4.06	3.96	3.87	3.80	3.90	3.92	3.98	3.84	3.86	3.91	4.01
CHF/PLN	PLN	3.91	3.92	3.96	4.03	3.99	3.93	3.94	3.99	4.04	4.05	3.96	3.96	3.96	4.04
Reference rate <sup>b</sup>	%	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
3M WIBOR	%	1.73	1.73	1.72	1.71	1.69	1.67	1.67	1.67	1.69	1.71	1.71	1.71	1.72	1.73
Yield on 2-year T-bonds	%	1.65	1.58	1.71	1.46	1.46	1.44	1.48	1.54	1.70	1.66	1.61	1.71	1.75	1.80
Yield on 5-year T-bonds	%	2.18	2.10	2.28	2.24	2.26	2.18	2.25	2.24	2.38	2.24	2.14	2.26	2.43	2.70
Yield on 10-year T-bonds	%	2.66	2.73	2.93	3.04	3.03	2.88	2.95	3.04	3.11	2.89	2.71	2.85	3.01	3.35

Note: <sup>a</sup> in nominal terms, <sup>b</sup> at the end of the period.

Source: CSO, NBP, Finance Ministry, BZ WBK estimates.

This analysis is based on information available until 15.11.2016 has been prepared by:

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