

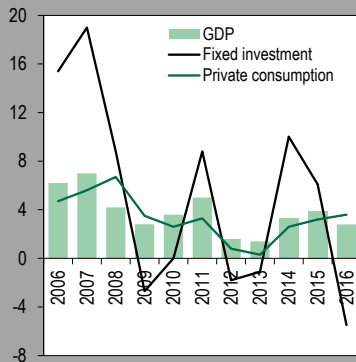
# MACROscope

Polish Economy and Financial Markets

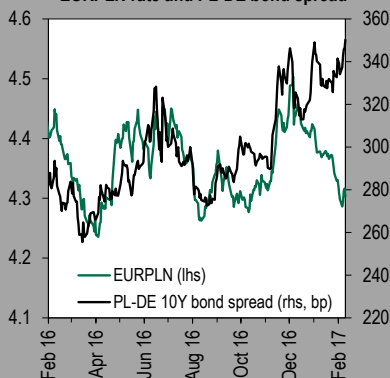
February 2017

## So far, so good

GDP and its main components (%YoY)



EURPLN rate and PL-DE bond spread



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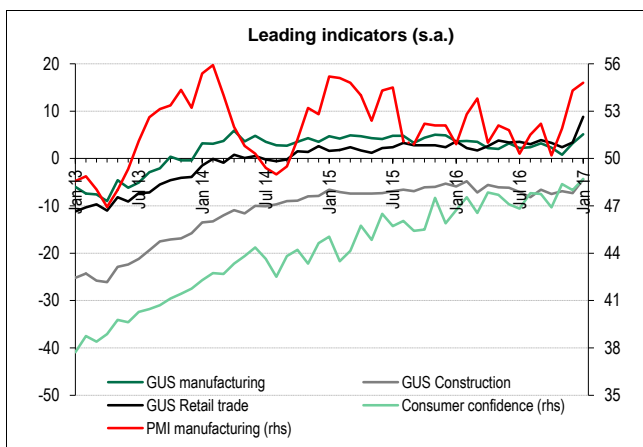
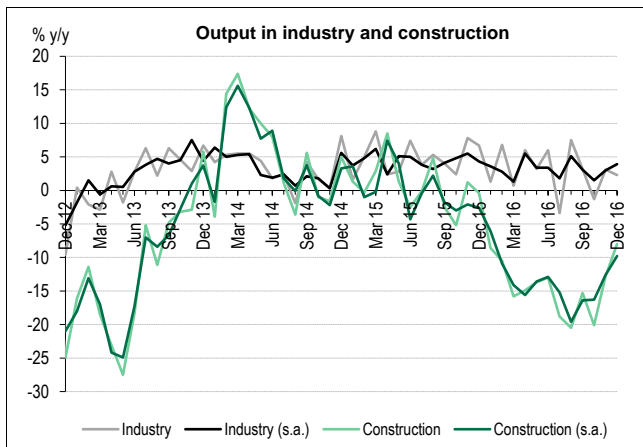
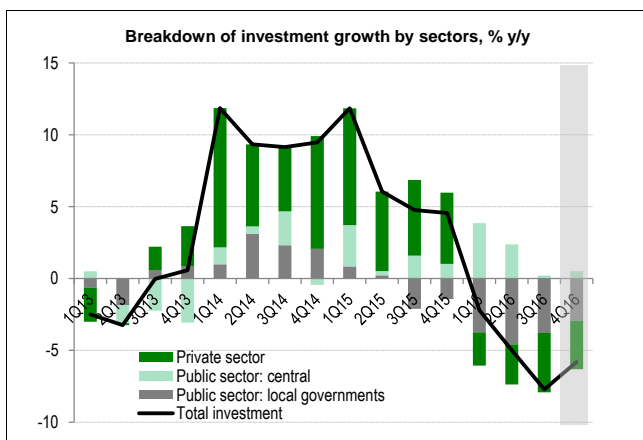
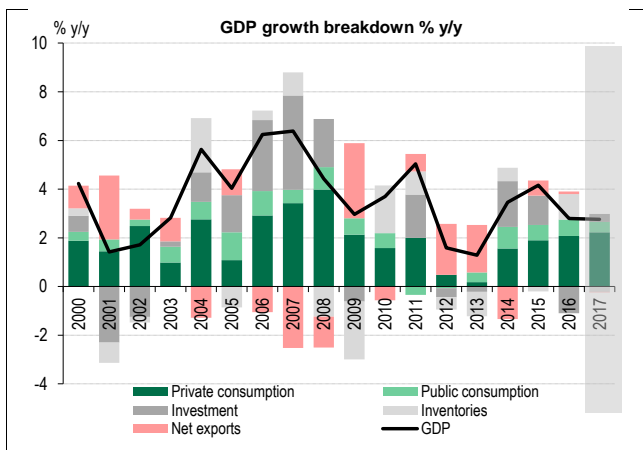
- Poland's GDP growth slowed to 2.8% in 2016, which means that the fourth quarter of the last year was slightly better than we had expected. **It seems that the bottom of the economic cycle is already behind us, and we see the growing number of signs that the upcoming quarters will bring further revival in the economic activity.** However, we do not change our forecast assuming that the revival will be gradual and the average GDP growth in 2017 will reach 2.8%. Private consumption will be the main engine of growth, at least in the first half of 2017, while export should join relatively quickly, boosted by the improving business climate in Europe. Investments are still in red, but we expect a gradual recovery in the coming quarters, mainly due to the revival of the EU-financed public spending.
- Inflation is picking up quickly – it may reach 2% y/y by April – but it is mainly driven by the low base effects and price hikes in food and energy, while the underlying price pressure remains almost invisible. Even though the unemployment rate is at a record low level and falling, the average wage growth remains moderate. While we expect wages to accelerate in the coming months, the increase in core inflation should remain pretty much subdued (rising from around zero to slightly above 1.5% this year).
- The Monetary Policy Council, which was not in a hurry to cut interest rates when Poland was in deflation, still remains in the 'wait-and-see' mode. The central bank has just softened its rhetoric and signalled it was ready to accept 'temporarily' negative real interest rates. **We expect that the main interest rates will remain on hold this year;** however, the market could be speculating again about rate hike probability in the nearest months once the CPI growth hits 2% y/y.
- It seems that the fiscal deficit in 2016 could have been higher than we had expected. This resulted mainly from two factors, the first one being the Eurostat's decision under which the revenues from the LTE frequency auction should not reduce the general government deficit in 2016, but should be spread over the next 15 years instead; and the second one being the Finance Ministry's decisions that boosted the state deficit in December 2016, but lowered the burden for 2017. In general, **a higher fiscal deficit in 2016 does not imply a higher risk for 2017, but rather the opposite, in our view.**
- Expectations for higher inflation and faster economic growth boosted equity markets and the zloty in recent weeks, but were unsupportive for debt market. **We think that the EUR/PLN's downside move could cease in the near future and some profit taking after the recent zloty's appreciation could take place. We also see very limited room for the strengthening of Polish bonds,** as yields in the core debt markets are still in the upward trend, and political risks in Europe (uncertainty before elections, renewed worries about Greece) also add to the negative sentiment.

### Financial market on February 10, 2017:

NBP deposit rate	0.50	WIBOR 3M	1.73	EURPLN	4.3030
NBP reference rate	1.50	Yield on 2-year T-bond	2.20	USDPLN	4.0435
NBP lombard rate	2.50	Yield on 10-year T-bond	3.83	CHFPLN	4.0322

This report is based on information available until 10.02.2017.

## Economic update



Source: GUS, NBP, Eurostat, Markit, BZ WBK.

### GDP slowed in 2016, but not as much as we had expected

▪ According to the flash GDP data, economic growth slowed in 2016 to 2.8% from 3.9% in 2015. This proved better than we and the market had expected (2.7%). Based on the data for the whole year and earlier releases on the first three quarters of 2016 (assuming no revisions in the earlier data), we estimate that the GDP growth in 4Q16 was close to 2.5% y/y, i.e. similar to the one recorded in 3Q.

▪ Private consumption was the main engine of growth in 2016, rising 3.6% in real terms despite disappointment in 4Q, when it reached c4.0% y/y, only slightly more than in 3Q. Inventories added as much as 1pp to the growth in 2016 and even 1.3pp in 4Q. This is an interesting phenomenon, as usually during the economic slowdown inventories were a negative, rather than positive contributor to the economic growth. Another interesting fact is that, contrary to our expectations, the public consumption growth remained positive in 4Q (in 2-3% y/y range) despite very high "base" from the last year. Data on budget delivery suggest that the government may have front-loaded some spending from 2017 to December 2016. Investment fell by 5.5% in the entire 2016, which means -5.8% y/y in 4Q (we were expecting a slightly better reading, at -4.5% y/y). Net exports contributed 0.1pp to the growth in 2016 and 0.4pp in 4Q, in our view.

### Investments of local governments still in the red

▪ Investments of local government fell in 4Q16 by 22.5% y/y in nominal terms. In total, local government investments deducted about 2.9pp from investment growth in 4Q, according to our estimates. Even though data show deep contraction in this sector, a rebound versus 1-3Q result at -46% y/y is clear. There is also some, yet less impressive, revival in EU-financed local governments investment, as it fell by 74.8% y/y in 4Q as compared to -86.7% y/y in 1-3Q. In our view, local government investments will be rebounding further in 2017. Interestingly, central government investments were showing positive growth rates, according to our estimates, at least in 1Q-3Q: at about +15% y/y in nominal terms.

▪ Private sector accounts for about 60-70% of total investment, so developments in this area are crucial as regards investment outlook. However, so far we see no convincing signs of revival in private investments. A quite visible rebound in local governments amid no marked move in the headline suggests no improvement in the private sector.

▪ Construction output rebounded in 4Q to -13.2% y/y from -18.1% y/y, and this is suggesting a rebound in construction-related investments. On the other hand, investment in machinery and equipment most likely deepened its fall. This is suggested also by weak output of industrial investment goods in 4Q.

▪ In general, we see some evidence that investment is rebounding, but so far this is not a strong and broad-based recovery. Thus, we are not changing our forecasts for 2017.

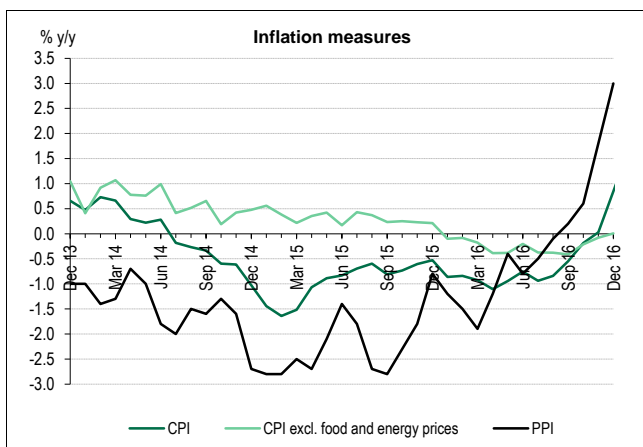
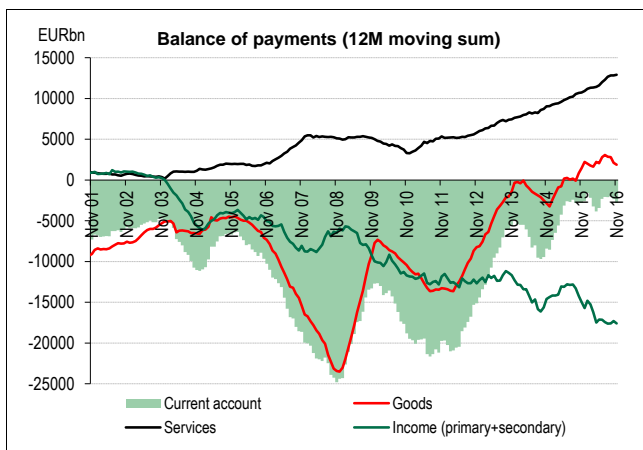
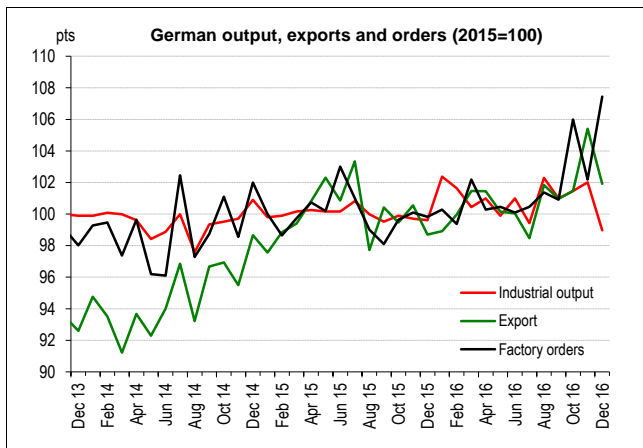
### Sharp revival in business climate in January

▪ Business climate indices went up in January across the board. Poland's manufacturing PMI climbed to 54.8pts from 54.3pts in December. The index had reached its highest level since March 2015. According to the survey, output had rose at the fastest pace since February 2014, and the pace of growth of new orders had also accelerated.

▪ As regards Statistics office indicators of business climate, the most significant improvement (one of the biggest surges in the last decade) took place in retail trade, but manufacturing and construction also picked up.

▪ Overall, the data seem to confirm that the bottom of the slowdown was reached in 3Q16, which gives hope that the upcoming quarters will bring further revival in economic activity.

## Economic update



Source: GUS, NBP, Eurostat, BZ WBK.

### Mixed signals from Germany

▪ Economic situation in Germany, Poland's main trade partner, is crucial for Polish export outlook. German data in 4Q were mixed. Industrial output was really sluggish in October and November and then fell markedly in December, reaching the lowest level since more than two years. Factory orders and exports posted quite impressive growth rates in the previous months, which were then followed by really weak readings, suggesting that one-off factors are in play. On the other hand, business climate indices for Germany have recently risen markedly, promising that 'hard' economic data may also improve soon.

▪ Generally, we assume only a slight acceleration of GDP growth in Germany to 2.1% in 2017 from 1.9% in 2016. However, growth breakdown will be more favourable for Polish economy, as German exports will grow faster than in 2016. Moreover, it seems that other big European economies like Italy and France are also experiencing a recovery, which will be supportive for the Polish economy.

### Slight improvement in Polish exports

▪ In November, the current account deficit narrowed to €427m from €531m in October, which resulted mainly from trade balance improvement. Trade surplus amounted to €102m, with exports at €15.943bn (increase by 4.6% y/y) and imports at €15.841bn (6.4% y/y). November brought improvement in foreign trade with better than expected nominal volumes of both exports and imports. Trade growth was higher than in October and resulted, to a large extent, from calendar effect but as for now it is still too early to herald exports revival – 3M moving average of exports growth even slightly declined after November. In contrast, improvement in imports was more pronounced, which probably resulted mainly from a strong consumer demand. In our view, exports growth might decelerate somewhat in December due to the adverse effect of working days, but the trend in the following months should be positive, as indicated by signals on rising export orders in recent business surveys.

▪ After November the 12-month deficit of the current account reached the level of €2.8bn and accounted for c0.7% of GDP.

### CPI positive again

▪ In our view, CPI will spike in the following months, most likely exceeding 1.5% y/y in January and staying close to 2.0% y/y in February. The upward move of the headline figure will be mostly caused by higher fuel and electricity prices. Also hike in cigarette prices will add a bit to inflation. In the following months, pressure on vegetable prices is possible, given weak crops in South Europe. In mid-February, gas prices are scheduled to go down, but in our view it cannot be ruled out they will go up again soon, as new tariff is at odds with current wholesale gas prices. In general, we are expecting inflation to be on average close to 2.0% y/y in 2017.

▪ In December, producer prices rose 3.0% y/y, after rising 1.8% y/y in November. PPI growth was the highest since August 2012. Its acceleration was triggered by sharp price hikes in mining (24.1% y/y, most since 2011) but also by faster price growth in: water supply, sewage management (3.1% y/y) and manufacturing (2.6% y/y). Commodity prices had important impact on PPI – prices of coke and oil products went up 27.3% y/y. We are expecting that the beginning of 2017 will see a further rise of PPI to c4.0% y/y in March. Later on, the price growth should slow due to high base effect, among other factors.

## Monetary policy watch

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

Economic growth abroad remains moderate, but forecasts for the global economy have recently been revised up. In the euro area, a gradual recovery continues, amid stronger industrial confidence. In the United States, economic conditions are supported by improving labour market, reflected both in rising employment and wages. In China, GDP growth slightly picked up in 4Q 2016, following a few years of slowdown. In Russia, recession is gradually receding.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. The ECB also continues its asset purchase programme. The Federal Reserve indicates further rise in interest rates in 2017.

In Poland, preliminary data on GDP in 2016 indicate that in 4Q 2016 the annual economic growth rate was close to that recorded a quarter earlier. Economic growth was mainly driven by increasing consumer demand, supported by a rise in employment and wages, very good consumer sentiment and child benefit payments. Net exports and rise in inventories also added to GDP growth. At the same time, fall in investment narrowed. Lower pace of investment decline probably resulted from higher use of EU funds under the new EU financial perspective.

In recent months, like in many countries the annual growth in prices of consumer goods and services picked up. The price growth results from higher global commodity prices, i.e. factors beyond the direct impact of domestic monetary policy. At the same time, inflationary pressure is contained by moderate growth in unit labour costs and the negative output gap in the domestic economy.

In the Council's opinion, following a rise in inflation in the first months of the year, price growth will stabilize in the coming quarters. Annual inflation will be increased owing to the effects of higher global commodity prices. Bearing in mind the external and most probably temporary nature of factors behind the increase in price growth as well as low domestic demand pressure, the Council judges that the risk of inflation persistently running above the target in the medium term is low.

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.

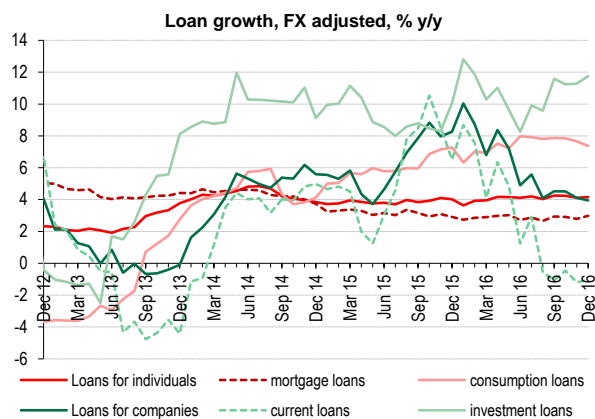
### MPC ready for 'temporarily' negative real rates

- As expected, the Monetary Policy Council kept interest rates on hold in February, with the main reference rate at 1.5%.
- The tone of the MPC's official communiqué seems to have softened again. The Council stated that the inflation rate, after rising in the first months this year, should 'stabilize' in the following quarters. Moreover, they added that factors fuelling the rise in inflation (mainly commodity prices) are of a temporary nature, while the underlying pressure remains non-existent.
- There was a new element in the MPC statement, as the Council wrote that the risk of breaching the inflation target 'persistently' in the medium term is very low. It does not mean, in our view, that the central bank expects inflation to top 2.5% in the near term. During the press conference, the NBP Governor Adam Glapiński reiterated many times that interest rates in Poland may turn negative in real terms, but it is not so certain; even if they do, it will be only temporary, as inflation should ease later this year. Glapiński also said that the MPC still agrees that the best strategy is to maintain a 'wait-and-see' approach, and there were no discussions in the Council about the timing of interest rate hikes. In his personal view, interest rates should remain unchanged until the end of this year.

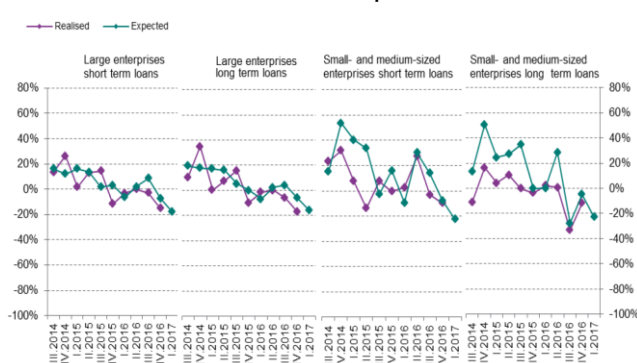
- The February MPC statement and the press conference confirmed once again that the Council wants to maintain the status quo in monetary policy throughout 2017, as they see the inflation pickup as moderate and short-lived. We think that CPI will jump to 2% in March/April and, for the better part of the year, will stabilise near this level, which is probably above the inflation path anticipated currently by the central bank. Such a situation may cause the MPC to become less unanimous about the monetary policy outlook. Kamil Zubelewicz, one of the most hawkish MPC members, said that for him the changes in inflation forecasts will be key for the next few decisions. However, we believe that the majority of the Council members will not hurry with monetary tightening, as was the case with easing when GDP growth was slowing, especially given that core inflation should remain much lower than the headline rate. Moreover, the NBP Governor will probably keep trying to tame expectations for rate hikes, as he did during the last two meetings (with some success, as FRA rates fell after February's press conference by up to 7bps).

### Credit slowing, but banks expect to see higher demand

- Credit growth has slowed in 2016, mainly in the case of loans for companies, which decelerated to 5% y/y in December 2016 from over 8% y/y at the end of 2015. Interestingly, investment loans continued growing at a healthy pace over 12% y/y, despite the apparent slump in real investment activity last year, while the stagnation took place in the current (revolving) loans (as financial situation of companies is very good) and property loans. In case of loans for individuals, there was a stable growth in mortgage lending (around 5% y/y after FX adjustment, 11% y/y in PLN-denominated mortgages), and a decent rise in consumer loans (over 7% y/y).
- According to the recent NBP's senior loan officer opinion survey, banks reported lower demand for long-term corporate loans at the end of last year (due to lower needs related to investment financing) and tightening lending criteria for companies. However, most institutions expected the demand for loans to rise in 1Q17, despite planned further tightening of lending policies.
- In terms of credit for households, most banks saw higher demand for mortgage loans in 4Q16 and expected further significant rise of demand for this type of lending in 1Q17. Demand for consumption loans decreased slightly at the end of last year (mainly due to lower needs to finance durable goods purchase) and no major changes in demand are expected in the near future.

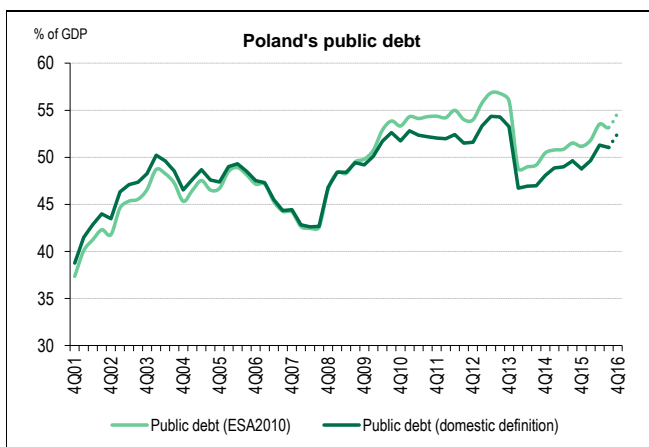
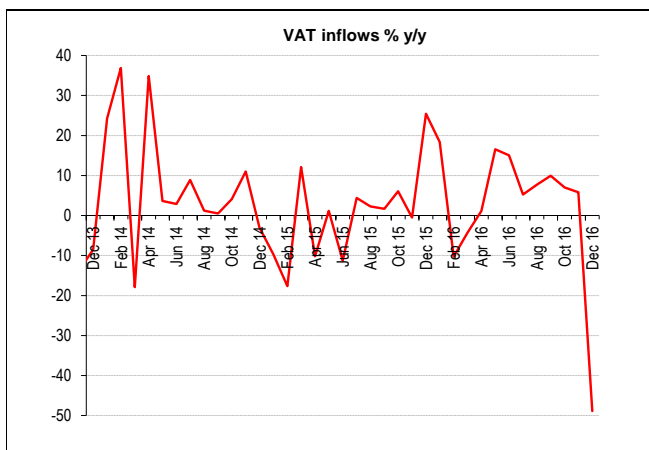
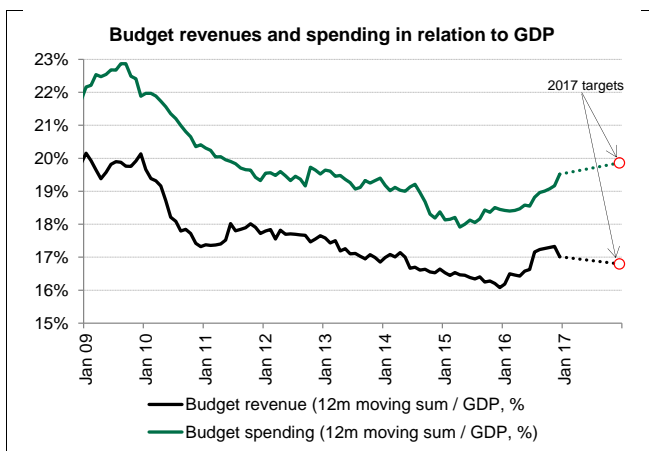
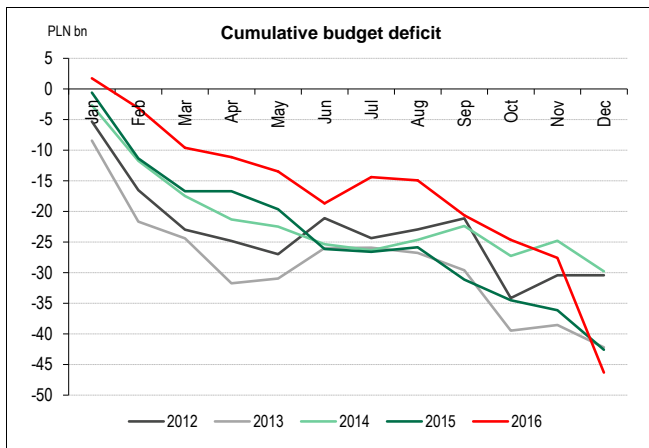


### Credit standards on corporate loans



Sources: NBP, BZ WBK.

## Fiscal policy watch



Source: Ministry of Finance, BZ WBK.

### Surprisingly large budget deficit in December

- The Finance Ministry informed that budget deficit in 2016 amounted to PLN46.3bn as compared to 54.7bn planned in the budget act and versus PLN42.6bn gap in 2015. Budget revenues amounted to PLN314.6bn, i.e. 100.3% of the plan, and spending to PLN360.9bn, i.e. 97.9% of the plan. It means that the budget deficit rose sharply in December, which was the result of substantial revenue deterioration and spending rise at the same time.

- It is very likely that deficit widening in December resulted mainly from the Finance Ministry's decisions aimed at 'smoothing' budget balance in 2016-2017. First of all, budget spending rose substantially in December, as probably some expenditures from 2017 were moved to 2016 (which may explain the relatively high public consumption in 4Q16, implied by GDP data). We estimate that the spending 'shift' from 2017 could have amounted to PLN7-8bn. Moreover, VAT tax revenues deteriorated significantly in December (and were nearly PLN5bn lower than in December 2015). According to deputy Finance Minister Leszek Skiba, this was largely due to much higher VAT returns to companies. Skiba argues that acceleration of VAT returns was aimed at improving firms' liquidity to help them start investing. At the same time, the ministry signalled that VAT revenue growth got back on track in January, which suggests that December's higher tax returns were just 'one-off' operation aimed at reducing the burden for 2017 budget.

### Higher fiscal gap in 2016 lowers risk for 2017

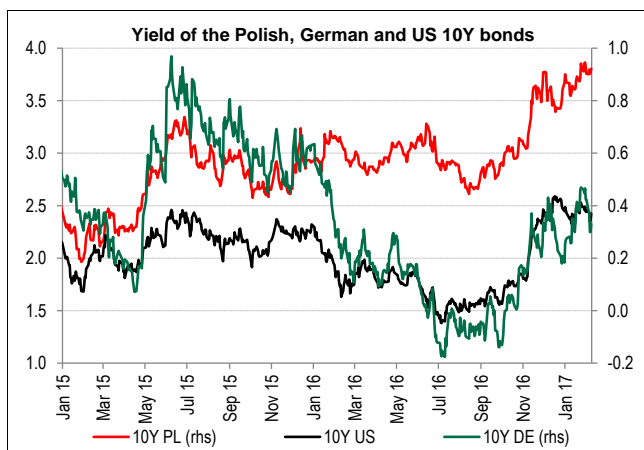
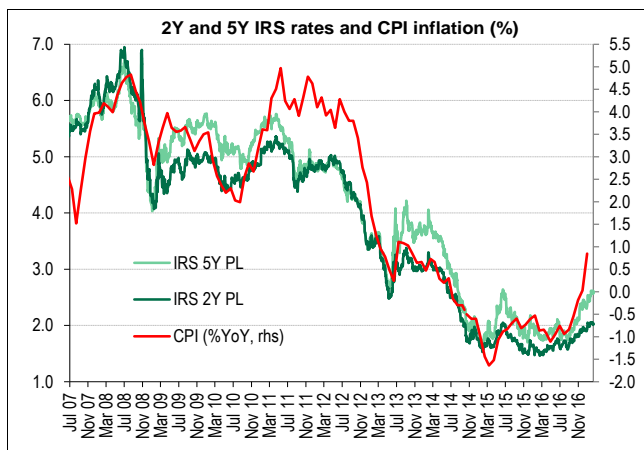
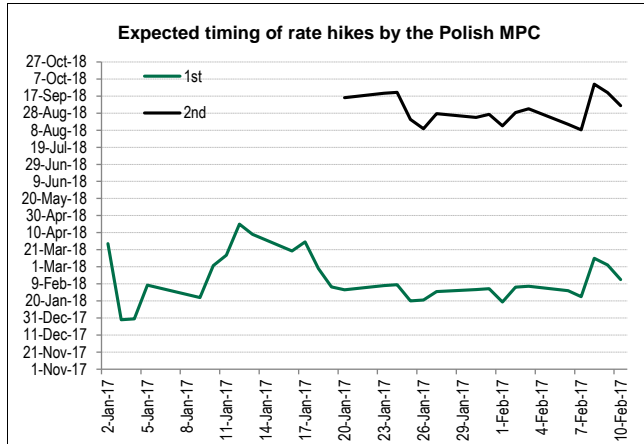
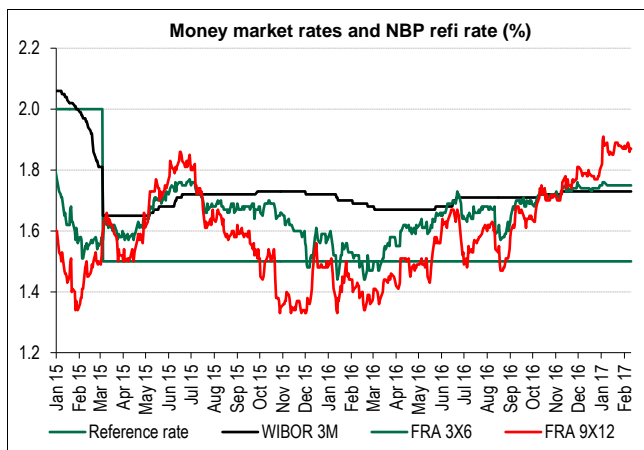
- Not only the deficit of the central budget in 2016 was higher than we had expected (by c.PLN6bn), but also the Ministry of Finance informed that the Eurostat was likely to decide that the PLN9bn of income from the LTE frequency auction should not reduce the general government deficit in 2016, but rather should be spread to the next 15 years. It implies that the fiscal deficit in 2016 according to Eurostat's methodology probably reached 2.8-2.9% of GDP (instead of being close to 2% of GDP, as we predicted last month).

- However, the same factors that pushed fiscal gap higher in 2016 should be positive for 2017 budget: the December's budget spending spree and accelerated tax returns should lower burden for 2017 budget even by c.PLN15bn, while the Eurostat's ruling on treatment of LTE revenues will add c.PLN600m to fiscal revenues each year until 2031. Thus, the risk of fiscal deficit above 3% of GDP in 2017 has decreased slightly, in our view. Deputy Finance Minister Leszek Skiba confirmed recently that the deficit of the public sector in 2017 should be close to 2.8% of GDP.

- The biggest question mark for the central budget in 2017 is the assumed improvement in tax collection (expected to bring additional PLN10bn of revenues). However, even if it is not achieved in full, the Ministry of Finance will always have the room to curb spending by at least several PLNbn. The central budget will also benefit from the higher-than-planned central bank profit, which, according to Puls Biznesu daily, reached a record-high PLN9bn. While this money is not included in Eurostat's measure of general government balance, it would reduce the government's net borrowing needs in 2017.

- Another uncertainty for 2017 is the local governments' balance. Preliminary data on local government's budget performance for December 2016 showed the budget surplus of PLN7.7bn vs planned deficit at PLN4.8bn. However, if local governments speed up investment activity in 2017, then this surplus may turn into a deficit, deteriorating the general government balance.

## Interest rate market



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

### Core markets support Poland's debt

Early February domestic interest rate market gained markedly after significant yields rise in January. Both yields and IRS rates fell across the board, with the yield of 10Y benchmark reaching c3.70% for a while, its lowest since mid-January. This mainly stemmed from core market strengthening as a result of less hawkish Fed and mixed January labour market data in the USA, which cooled down expectations for a fast monetary tightening by FOMC. However, the growing political risks arising from the elections (both parliamentary and presidential) in some EU countries, including France and Germany caused risk-off mood and some profit taking after recent strengthening. On the other hand, Poland's debt market response to domestic macro (including stronger GDP growth for 2016) was muted.

In early February, a bull flattener (after a bear steepener in January) developed on both bond and IRS markets as the long end outperformed other sectors. The 2-10Y spread for T-bonds somewhat tightened, decreasing below 160bp, down from 168bp at the end of January. In the meantime, the risk premia for Poland's assets, reflected in the spread over Bund increased somewhat, reaching 350bp, its highest level since 2012.

The money market saw some changes on the FRA curve. Early February WIBOR rates remained stable as in January, while FRAs continued upward move, in particular for longer tenors. This resulted mainly from hawkish comments from some MPC's members. However, more dovish MPC's rhetoric after the February meeting resulted in FRA rates decline, in particular for longer tenors. Consequently FRA curve somewhat flattened. Currently, the market sees c80% chance that rates will be hiked by 25bp in 12 months horizon.

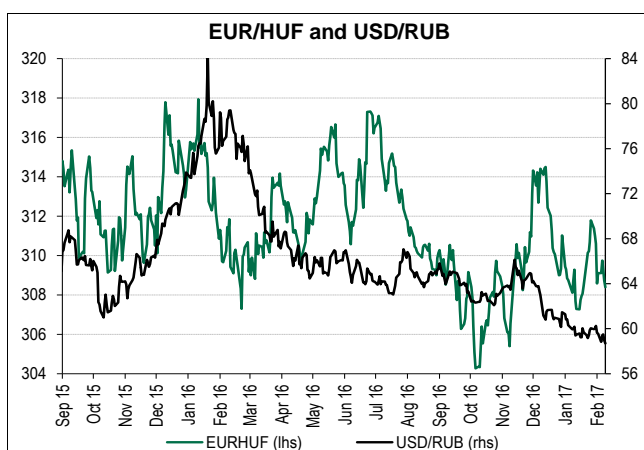
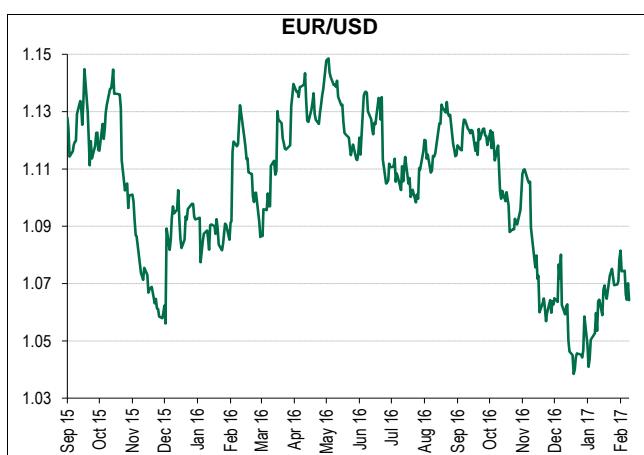
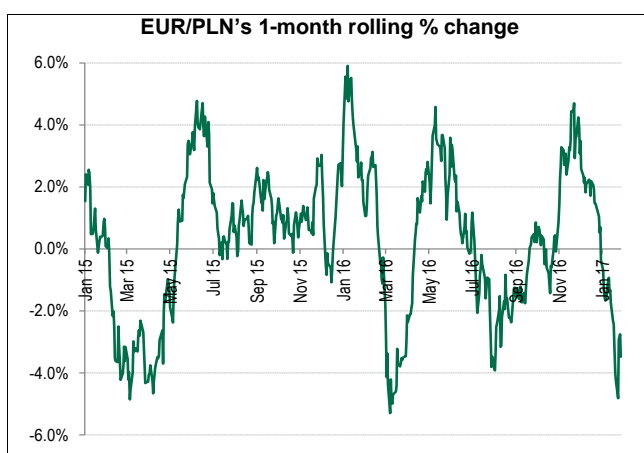
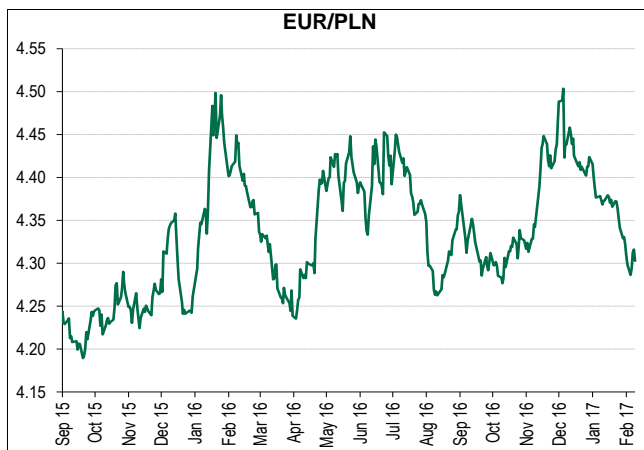
### Limited room for further strengthening

We expect WIBOR rates to remain more or less stable in the upcoming weeks, in particular due to the fact that the MPC consequently repeated that there is no rush to change current monetary conditions. Nevertheless, the growing CPI, well above the lower limit for deviations from NBP's inflation target in January and positive signals from Poland's economy (quite strong industrial production and retail sales data) might cause gradual increase in FRA rates (in particular for longer tenors).

The front end of the curves will still remain more sensitive to domestic rather than external factors. In our view, clear signals that Polish economy has continued positive tendencies together with the upward trend of inflation (our forecast of CPI for January is at 1.7% y/y, slightly above market consensus) might influence interest rate market, in particular the front end of the curves. The rise in inflation and strong data on economic activity may push short-term yields/IRS rates up in the short run, in our view, but given the prospect of stable monetary policy in the coming quarters suggested by the MPC after its February's meeting, we think that such movements on the front end of the curves could be short-lived and the horizontal trend should dominate.

Situation on belly and the long end of curves will remain under the influence of global factors. Continued concerns about political uncertainties in Europe, with Dutch, French and German elections scheduled for the coming months might add to market volatility. Taking into account growing political risk in Europe together with expected by us solid domestic data and high net issuance plan for upcoming months the room for Polish market strengthening is limited. Our base line scenario assumes higher yields on the core markets in the upcoming months, which will spill over into Poland's higher yields.

## Foreign exchange market



Sources: Reuters, Bloomberg, Markit, BZ WBK.

### Time to take profit?

▪ Rally on the equity market and surprisingly sound economic data from Poland and abroad were supporting risky assets in January. In contrast to our expectations, the zloty benefited from optimism that persisted on the global market and EUR/PLN fell temporarily to 4.27, its lowest since early October. USD/PLN declined to 3.98 from 4.18, CHF/PLN eased to 4.0 from 4.10 while GBP/PLN was hovering around 5.05.

▪ In January, the zloty was the best performing EM currency vs the euro, dollar, Swiss franc and British pound. The second chart shows that EUR/PLN's 1-month rolling percentage change has reached levels considered extreme given the past experience.

▪ This suggests that market's pricing for an economic recovery may have been exaggerated and now more positive impulses might be needed for the zloty to continue its appreciation trend or, at least, to help keep the recent gains. This could be challenging as the market's attention may now turn towards European politics ahead of the elections planned for 2017.

▪ We think EUR/PLN's downside move could pause in February and some profit taking after the recent zloty's appreciation could take place. In our base case scenario, we do not expect the exchange rate to rise above 4.40 later this year, the zloty should benefit from the ongoing economic recovery.

### Politics may weigh on the euro

▪ In January, EUR/USD continued to rebound and temporarily broke 1.08, reaching its highest since early December. The dollar was hit by pretty dovish rhetoric of the FOMC and market concerns that Donald Trump's presidency could do more harm than good to the US and global economy.

▪ We think that looming elections in Europe, scheduled for 2017, may stop the euro's appreciation vs the dollar. We expect EUR/USD to hold near 1.05 later in 1Q17 and resume the upside move later on.

### Ruble's appreciation may stop, HUF waiting for more data

▪ USD/RUB was moving in a horizontal trend in January and in mid-February, it reached fresh 2017 low at 57.82. The oil prices stabilized and did not support the ruble but the Russian currency was backed by the rhetoric of the central bank.

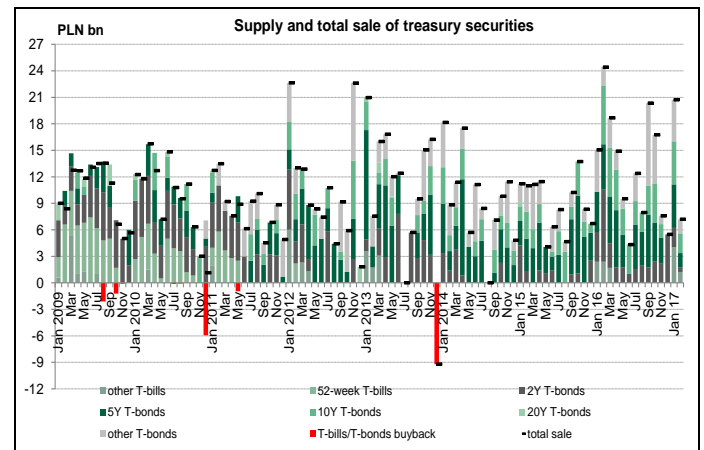
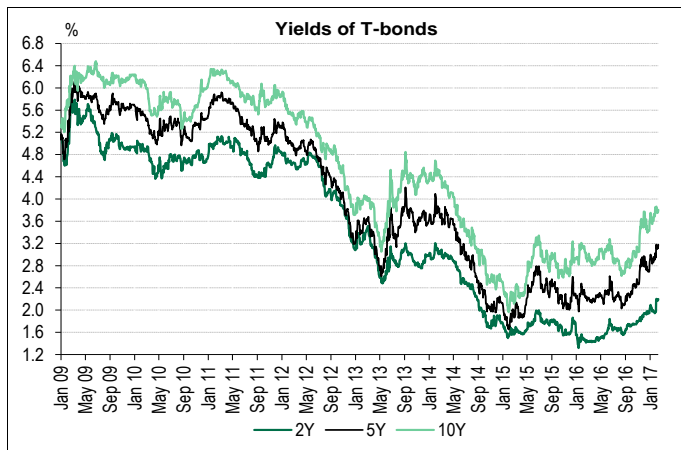
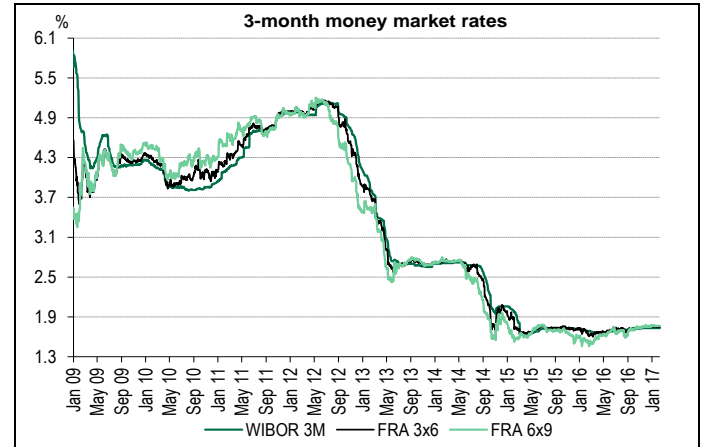
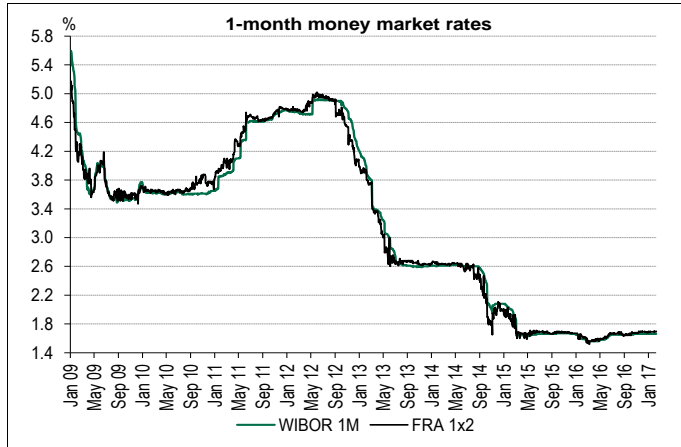
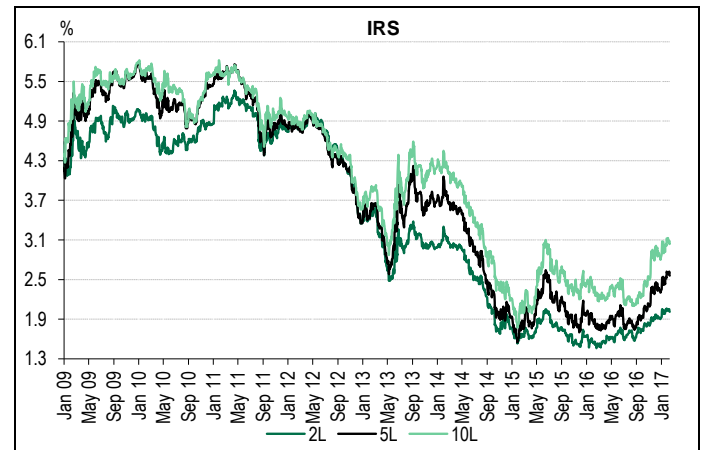
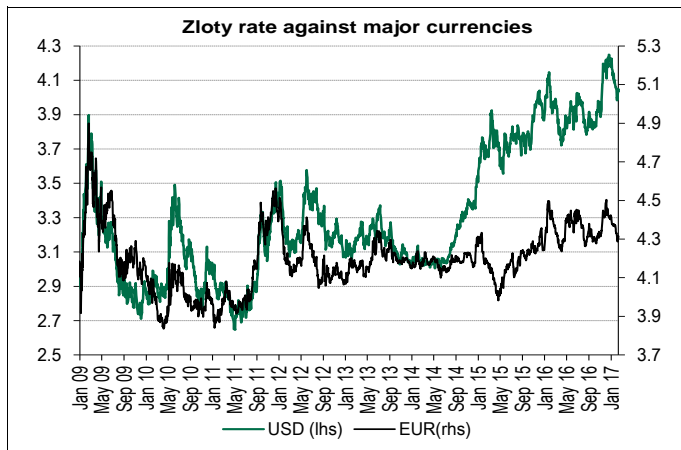
▪ The Central Bank of Russia left interest rates unchanged this month, the main refi rate is still at 10%, in line with expectations. The bank acknowledged that inflation is falling in line with its forecasts while the economy is reviving faster than expected. In its view, somewhat slower growth of CPI is due to one-off factors. The bank concluded that "considering the change in the external and internal environment, the Bank of Russia's capability to downgrade its key rate in the course of the first half of 2017 has diminished".

▪ However, as long as the monetary policy outlook might be now a bit more positive for the ruble, the decision of the Russian Ministry of Finance to start FX purchases to restore its reserves has been interpreted by the market as an attempt to stop ruble's appreciation. Already in the past months Russian government officials have been suggesting that ruble was getting too strong which had a negative effect on the economy. USD/RUB picked up slightly after this plan was announced and we expect the exchange rate to rise in the weeks to come.

▪ At the same time, EUR/HUF rose in January to 312 from 306.5 despite the positive global market sentiment and due to continued dovish rhetoric of the Hungarian central bank (MNB).

▪ Hungarian macro data were pretty robust and inflation continued to rise. We think that if this trend continues in the coming weeks, the risk for more monetary policy easing from the MNB could fall, allowing the forint to benefit from an economic rebound.

# Market monitor



## Treasury bond auctions in 2016/2017 (PLN mn)

Month	First Auction				Second Auction			Switch Auction		
	Date	T-bonds	Offer		Date	T-bonds	Offer	Date	T-bonds	Offer
February '16	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						
April	7.04	OK1018/DS0726	3000-6000	6356.6	28.04	WZ0120/PS0721/WZ0126	5000-8000	8534.7	24.03	PS0416/OK0716/PS1016 WZ0120/PS0721/WZ0126
May	5.05	OK1018/DS0726	2500-4500	4703.9	25.05	PS0721/IZ0823	2000-4000	4801.7		
June	9.06	OK1018/DS0726	3000-4000	4321.7					27.06	OK0716/IZ0816/PS1016 Cancelled
July	7.07	OK/DS/MS	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					22.09	PS1016/WZ0117/PS0417 PS0721/WZ0120/WZ0126
October	6.10	OK1018/DS0727	3000-6000	6806.5	21.10	WZ0121/PS0422/WZ1122	6000-10000	9943.1		
November	17.11	PS/WZ	3000-5000	3694.0					3.11	WZ0117/PS0417/DS1017 OK1018/IZ0823/DS0727
December									15.12	WZ0117/PS0417/DS1017 OK0419
January '17	5.01	OK/PS/WZ/DS	3000-5000	6004.0	23.01	OK/PS/WZ/DS/	6000-9000	10684.7		
February	2.02	OK/PS/WZ/DS	3000-5000	5964.3	16.02	OK/PS/WZ/DS/WS/IZ	3000-7000			

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



## Economic calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<b>13 February</b> <i>PL: CPI (Jan)</i> <i>PL: Balance of payments (Dec)</i>	<b>14</b> <i>PL: Money supply (Jan)</i> <i>PL: EZ, DE, HU, CZ: Advance GDP (Q4)</i> HU: CPI (Jan) EZ: Industrial output (Dec) DE: ZEW index (Feb)	<b>15</b> US: CPI (Jan) US: Retail sales (Jan) US: Industrial output (Jan)	<b>16</b> <i>PL: Wages and employment (Jan)</i> US: House starts (Jan) US: Building permits (Jan) US: Philly Fed index (Feb)	<b>17</b> <i>PL: Industrial output (Jan)</i> <i>PL: PPI (Jan)</i> <i>PL: Retail sales (Jan)</i>
<b>20</b>	<b>21</b> DE: Flash PMI – manufacturing (Feb) EZ: Flash PMI – manufacturing (Feb)	<b>22</b> DE: Ifo index (Jan) EZ: HICP (Jan) US: Home sales (Jan)	<b>23</b> <i>PL: Unemployment rate (Feb)</i> <i>PL: MPC minutes</i> GE: GDP (Q4)	<b>24</b> US: New home sales (Jan) US: Michigan index (Feb)
<b>27</b> US: Durable goods orders (Jan) US: Pending home sales (Jan)	<b>28</b> <i>PL: GDP (Q4)</i> EZ: Flash HICP (Feb) HU: Central bank decision US: Preliminary GDP (Q4) US: Consumer confidence index (Feb)	<b>1 March</b> <i>PL: PMI – manufacturing (Feb)</i> DE: PMI – manufacturing (Feb) EZ: PMI – manufacturing (Feb) US: ISM – manufacturing (Feb) US: Personal income (Jan) US: Consumer spending (Jan) US: Fed Beige Book	<b>2</b>	<b>3</b> CZ: GDP (Q4) DE: PMI – services (Feb) EZ: PMI – services (Feb) US: ISM – services (Feb)
<b>6</b> US: Industrial orders (Jan)	<b>7</b> DE: Industrial orders (Jan) HU: GDP (Q4) EZ: GDP (Q4)	<b>8</b> <i>PL: MPC decision</i> DE: Industrial output (Jan) HU: CPI (Feb) US: ADP report (Feb)	<b>9</b> CZ: CPI (Feb) EZ: ECB decision	<b>10</b> DE: Exports (Jan) US: Non-farm payrolls (Feb) US: Unemployment rate (Feb)
<b>13</b>	<b>14</b> <i>PL: CPI (Feb)</i> <i>PL: Money supply (Feb)</i> EZ: Industrial output (Jan) DE: ZEW index (Mar)	<b>15</b> <i>PL: Core inflation (Feb)</i> CZ: Industrial output (Jan) US: CPI (Feb) US: Retail sales (Feb) US: Decyzja FOMC	<b>16</b> <i>PL: Balance of payments (Jan)</i> <i>PL: Wages and employment (Feb)</i> EZ: HICP (Feb) US: House starts (Feb) US: Building permits (Feb) US: Philly Fed index (Mar)	<b>17</b> <i>PL: Industrial output (Feb)</i> <i>PL: PPI (Feb)</i> <i>PL: Retail sales (Feb)</i> US: Industrial output (Feb) US: Flash Michigan (Mar)

Source: CSO, NBP, Bloomberg.

## Calendar of MPC meetings and data releases for 2017

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ECB meeting	19	-	9	27	-	8	20	-	7	26	-	14
MPC meeting	10-11	7-8	7-8	4-5	11-12	6-7	4-5	-	5-6	3-4	7-8	4-5
MPC minutes	26	23	23	21	25	22	-	24	21	19	23	21
Flash GDP*		14			16			16			14	
GDP*		28			31			31			30	
CPI	13	13	14	11	12	12	11	11	11	12	13	11
Core inflation	16		15	12	15	13	12	14	12	13	14	12
PPI	19	17	17	20	19	20	19	18	19	18	20	19
Industrial output	19	17	17	20	19	20	19	18	19	18	20	19
Retail sales	19	17	17	20	19	20	19	18	19	18	20	19
Gross wages, employment	18	16	16	19	18	19	18	17	18	17	17	18
Foreign trade												
Balance of payments*			31									
Balance of payments	13	13	16	13								
Money supply	13	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

		Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17E	Feb 17E
PMI	pts	50.9	52.8	53.8	51.0	52.1	51.8	50.3	51.5	52.2	50.2	51.9	54.3	54.8	54.5
Industrial production	% YoY	1.3	6.8	0.7	6.0	3.2	6.0	-3.4	7.5	3.2	-1.3	3.1	2.3	8.0	0.0
Construction production	% YoY	-8.6	-10.5	-15.8	-14.9	-13.7	-13.0	-18.8	-20.5	-15.3	-20.1	-12.8	-8.0	-1.9	-6.4
Retail sales <sup>a</sup>	% YoY	0.9	3.9	0.8	3.2	2.2	4.6	2.0	5.6	4.8	3.7	6.6	6.4	7.7	7.9
Unemployment rate	%	10.2	10.2	9.9	9.4	9.1	8.7	8.5	8.4	8.3	8.2	8.2	8.3	8.7	8.7
Gross wages in corporate sector	% YoY	4.0	3.9	3.3	4.6	4.1	5.3	4.8	4.7	3.9	3.6	4.0	2.7	4.9	5.0
Employment in corporate sector	% YoY	2.3	2.5	2.7	2.8	2.8	3.1	3.2	3.1	3.2	3.1	3.1	3.1	3.0	2.9
Exports (€)	% YoY	-1.3	5.4	0.0	4.0	1.4	6.0	-5.2	9.2	2.7	-2.3	4.6	3.1	15.9	-5.3
Imports (€)	% YoY	0.3	7.4	0.9	0.0	2.5	0.8	-6.9	10.8	3.1	2.1	6.4	6.3	11.0	6.7
Trade balance	EUR mn	439	200	337	487	375	641	-327	-409	2	-128	102	-284	1,134	-1,520
Current account balance	EUR mn	679	-652	-217	691	1,392	-723	-993	-739	-445	-531	-427	-562	1,247	-1,837
Current account balance	% GDP	-0.4	-0.5	-0.8	-0.9	-0.8	-0.5	-0.5	-0.5	-0.5	-0.6	-0.7	-0.6	-0.5	-0.7
Budget deficit (cumulative)	PLN bn	1.8	-3.1	-9.6	-11.1	-13.5	-18.7	-14.4	-14.9	-20.6	-24.6	-27.6	-46.3	-1.0	-14.0
Budget deficit (cumulative)	% of FY plan	-3.2	5.7	17.5	20.3	24.6	34.1	26.3	27.3	37.7	45.0	50.4	84.6	1.7	23.6
CPI	% YoY	-0.9	-0.8	-0.9	-1.1	-0.9	-0.8	-0.9	-0.8	-0.5	-0.2	0.0	0.8	1.7	1.9
CPI excluding food and energy	% YoY	-0.1	-0.1	-0.2	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4	-0.2	-0.1	0.0	0.3	0.3
PPI	% YoY	-1.2	-1.5	-1.9	-1.2	-0.4	-0.8	-0.5	-0.1	0.2	0.6	1.8	3.0	3.3	3.4
Broad money (M3)	% YoY	10.2	10.1	9.1	11.6	11.6	11.4	10.7	10.1	9.4	8.7	9.7	9.6	9.5	9.7
Deposits	%YoY	9.9	10.4	9.4	11.6	11.8	11.3	10.6	9.9	9.1	8.7	9.6	9.1	9.2	9.3
Loans	%YoY	6.2	5.8	4.4	6.7	5.0	4.6	4.7	3.7	3.7	3.9	4.8	4.7	4.5	4.2
EUR/PLN	PLN	4.41	4.40	4.29	4.31	4.41	4.40	4.40	4.30	4.32	4.31	4.39	4.44	4.37	4.32
USD/PLN	PLN	4.06	3.96	3.87	3.80	3.90	3.92	3.98	3.84	3.86	3.91	4.07	4.20	4.11	4.04
CHF/PLN	PLN	4.03	3.99	3.93	3.94	3.99	4.04	4.05	3.96	3.96	3.96	4.08	4.13	4.08	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	%	1.71	1.69	1.67	1.67	1.67	1.69	1.71	1.71	1.71	1.72	1.73	1.73	1.73	1.73
Yield on 2-year T-bonds	%	1.46	1.46	1.44	1.48	1.54	1.70	1.66	1.61	1.71	1.75	1.85	1.95	2.01	2.20
Yield on 5-year T-bonds	%	2.24	2.26	2.18	2.25	2.24	2.38	2.24	2.14	2.26	2.43	2.74	2.80	2.94	3.20
Yield on 10-year T-bonds	%	3.04	3.03	2.88	2.95	3.04	3.11	2.89	2.71	2.85	3.01	3.41	3.55	3.69	3.90

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

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

## Quarterly and annual economic indicators

		2014	2015	2016	2017E	1Q16	2Q16	3Q16	4Q16E	1Q17E	2Q17E	3Q17E	4Q17E
GDP	PLN bn	1,719.7	1,798.3	1,848.9	1,937.6	428.3	449.4	453.4	517.8	447.7	469.7	474.5	545.7
GDP	% YoY	3.3	3.9	2.8	2.8	3.0	3.1	2.5	2.5	2.7	2.4	2.8	3.1
Domestic demand	% YoY	4.7	3.4	2.8	2.9	3.9	2.2	2.9	2.2	2.8	2.9	2.6	3.1
Private consumption	% YoY	2.6	3.2	3.6	3.9	3.2	3.3	3.9	4.0	4.2	4.2	3.8	3.2
Fixed investments	% YoY	10.0	6.1	-5.5	1.8	-2.2	-5.0	-7.7	-5.8	-3.5	-1.2	3.0	5.0
Industrial production	% YoY	3.4	4.8	2.9	4.4	3.0	5.7	2.5	1.5	4.8	2.8	5.2	4.8
Construction production	% YoY	4.3	0.3	-14.6	6.1	-12.2	-13.9	-18.1	-13.2	-2.9	-2.5	12.4	11.7
Retail sales <sup>a</sup>	% YoY	3.1	1.5	3.9	6.6	1.9	3.5	4.1	5.6	7.5	8.0	6.4	4.5
Unemployment rate <sup>b</sup>	%	11.4	9.7	8.3	7.4	9.9	8.7	8.3	8.3	8.4	7.5	7.2	7.4
Gross wages in the national economy <sup>a</sup>	% YoY	3.6	3.3	3.8	5.5	3.1	4.3	4.1	3.7	5.0	5.1	4.8	6.7
Employment in the national economy	% YoY	0.2	0.9	2.3	2.0	2.1	2.4	2.4	2.3	2.1	1.9	1.8	1.5
Exports (€)	% YoY	6.4	8.5	2.2	5.3	1.4	3.8	1.9	1.8	3.0	4.0	7.0	7.0
Imports (€)	% YoY	8.3	5.0	2.7	6.1	2.9	1.1	1.9	4.9	4.0	5.5	7.7	7.2
Trade balance	EUR mn	-3,255	2,213	1,434	-14	976	1,503	-735	-310	584	917	-1,092	-423
Current account balance	EUR mn	-8,534	-2,653	-2,529	-3,498	-186	1,357	-2,180	-1,520	-470	879	-2,447	-1,459
Current account balance	% GDP	-2.1	-0.6	-0.6	-0.8	-0.8	-0.5	-0.5	-0.6	-0.7	-0.8	-0.8	-0.8
General government balance	% GDP	-3.4	-2.6	-2.8	-3.2	-	-	-	-	-	-	-	-
CPI	% YoY	0.0	-0.9	-0.6	1.9	-0.9	-0.9	-0.8	0.2	1.8	1.9	1.9	1.9
CPI <sup>b</sup>	% YoY	-1.0	-0.5	0.8	1.6	-1.1	-0.8	-0.5	0.8	1.9	1.8	2.1	1.5
CPI excluding food and energy	% YoY	0.6	0.3	-0.2	1.0	-0.1	-0.3	-0.4	-0.1	0.4	0.8	1.2	1.6
PPI	% YoY	-1.5	-2.2	-0.2	2.8	-1.5	-0.8	-0.1	1.8	3.6	3.0	2.9	1.6
Broad money (M3) <sup>b</sup>	% oY	8.2	9.1	9.6	8.7	9.1	11.4	9.4	9.6	9.4	9.1	8.9	8.7
Deposits <sup>b</sup>	%YoY	9.0	9.0	9.1	8.8	9.4	11.3	9.1	9.1	9.0	8.9	8.9	8.8
Loans <sup>b</sup>	%YoY	7.2	6.9	4.7	3.7	4.4	4.6	3.7	4.7	4.4	4.2	3.9	3.7
EUR/PLN	PLN	4.18	4.18	4.36	4.33	4.37	4.37	4.34	4.38	4.35	4.35	4.32	4.30
USD/PLN	PLN	3.15	3.77	3.95	4.00	3.96	3.87	3.89	4.06	4.09	4.07	3.94	3.89
CHF/PLN	PLN	3.45	3.92	4.00	3.94	3.98	3.99	3.99	4.06	4.04	3.95	3.91	3.86
Reference rate <sup>b</sup>	%	2.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
3M WIBOR	%	2.52	1.75	1.70	1.73	1.69	1.68	1.71	1.73	1.73	1.73	1.73	1.73
Yield on 2-year T-bonds	%	2.46	1.70	1.63	2.24	1.45	1.57	1.66	1.85	2.14	2.20	2.27	2.37
Yield on 5-year T-bonds	%	2.96	2.21	2.35	3.20	2.23	2.29	2.22	2.66	3.10	3.18	3.23	3.28
Yield on 10-year T-bonds	%	3.49	2.69	3.04	3.88	2.98	3.04	2.82	3.32	3.81	3.88	3.90	3.93

Note: <sup>a</sup> in nominal terms, <sup>b</sup> at the end of period. Source: CSO, NBP, Finance Ministry, BZ WBK estimates.

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