Bank Zachodni WBK
Grupa Santander

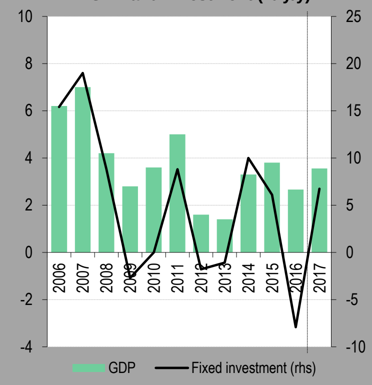
MACROscope

Polish Economy and Financial Markets

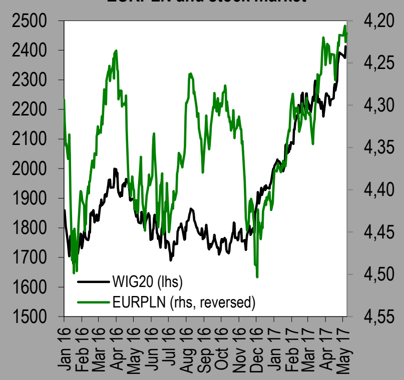
May 2017

Back to the past?

GDP and investment (% y/y)



EURPLN and stock market



- The recent high-frequency data have shown a clear revival of economic activity in Poland in the first quarter of the year, significantly faster and stronger than we had earlier expected. Surprisingly strong readings plus a downward revision of GDP data for 2016 have convinced us to lift our forecasts of this year's economic growth again. Currently **we estimate that GDP growth in 1Q17 reached 3.7% y/y, and it may be near 3.6% on average in the entire year**.
- It seems that in some aspects the economic situation this year may resemble the one seen in 2015. We are moving "back to the past" not only in terms of the pace of GDP growth, but also, to some extent, its composition. After a short disruption seen in 2016, we expect to see all the engines fuelling domestic economic growth to start working again. Private consumption remains strong, supported by healthy labour income and family subsidies. Exports started reviving amid improving external environment, and we expect this trend to continue thanks to a pickup in international trade and rising business confidence in the euro zone. Moreover, we see a growing evidence of recovery in investments – the construction output and the production of investment goods have picked up significantly in the recent months.
- Despite higher optimism regarding the pace of economic growth, our inflation forecast remains roughly unchanged. We expect that the **CPI inflation, after having reached its local top at 2.2% y/y in February, is now going to stabilise near 2%, or slightly below, for the better part of the year**. We see some risk of upward surprise from the food prices later this year (as the cold temperatures in the recent weeks could negatively affect fruit production in the summer), but our base-case scenario still assumes CPI growth going down to 1.5% y/y in December 2017, and core inflation rising only gradually in the coming quarters.
- In such environment **we still do not expect the Polish central bank to hurry with monetary tightening**. The wait-and-see mode is likely to be maintained, in our view, even until 2H18 (scenario currently priced-in by the Polish financial market).
- The Polish zloty strengthened again in April, with EURPLN and CHFPLN also moving back in time to the levels last seen in 2015. **We still expect to see a short-term profit taking after the recent significant rally**, but the end of the year could witness a return towards the stronger zloty.
- On the fixed income market, we think that rising bond yields abroad should result in upward pressure on Polish debt, particularly at the long end of the curve. While there still seems to be some room for PL-DE spread compression, we do not expect the Polish bond yields to go much lower from the current levels.

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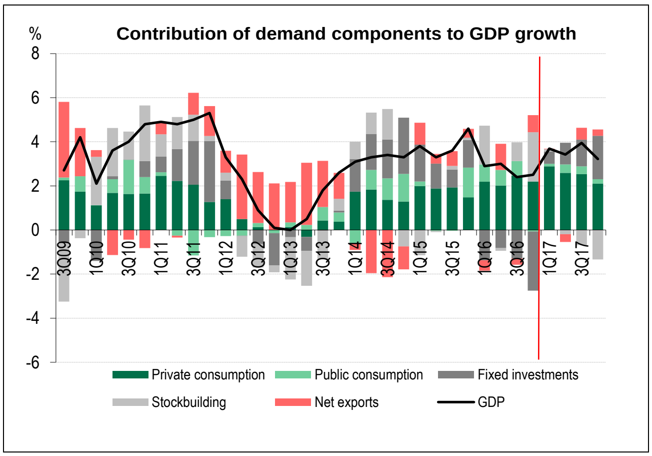
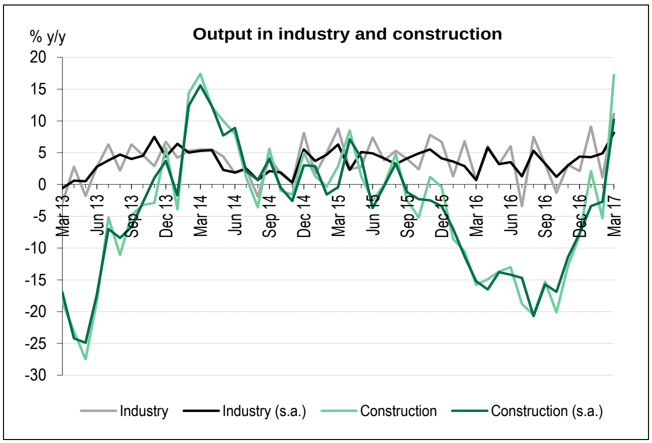
Financial market on May 11, 2017:

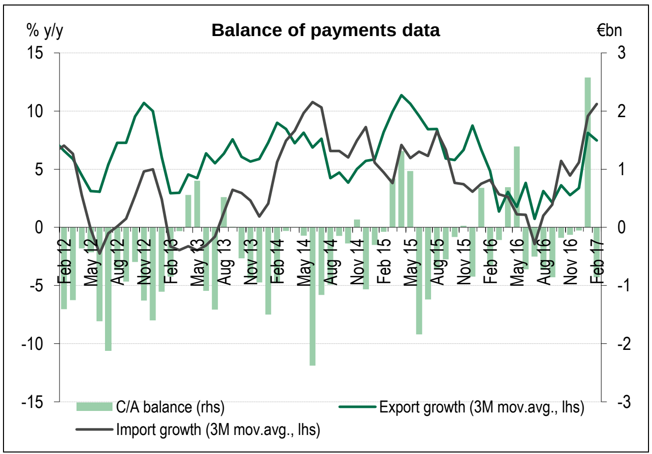
NBP deposit rate	0.50	WIBOR 3M	1.73	EURPLN	4.2150
NBP reference rate	1.50	Yield on 2-year T-bond	1.97	USDPLN	3.8744
NBP lombard rate	2.50	Yield on 10-year T-bond	3.37	CHFPLN	3.8446

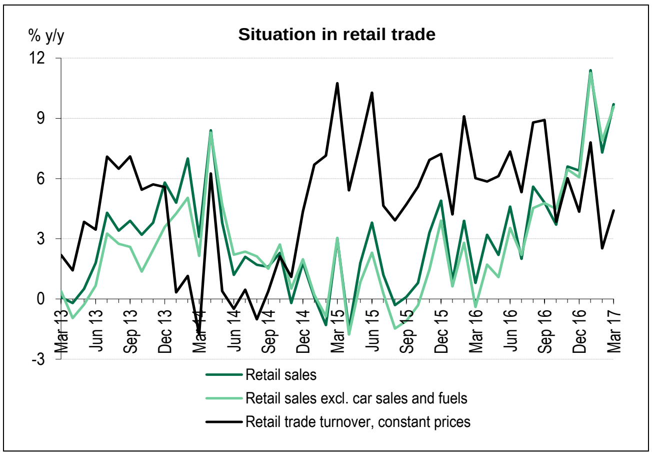
This report is based on information available until 11.05.2017

Economic update









Source: Markit, GUS, Eurostat, BZ WBK.

1Q17 better than expected

▪ Economic data from 1Q2017 proved better than we had expected, with industrial output rising by as much as 7.1% y/y (the best result since 2011) and construction output adding 5.6% y/y after five consecutive quarters of declines.

▪ Moreover, the Statistics Office revised 2016 GDP growth to 2.7% from 2.8%. 4Q16 data went down more considerably than in other quarters, to 2.5% from 2.7%. As regards breakdown by categories, the most significant downward revision was applied to investment in 1Q and 4Q16, bringing them both down to -9.8% y/y (and the entire year result to -7.9% y/y) and lowering the base for investment in 2017. Private consumption was corrected slightly to the upside, suggesting that impact of 500+ programme on consumption was a bit more significant than estimated earlier and justifying higher forecasts of consumption in 1H2017.

▪ The factors mentioned above made us raise our 1Q17 GDP growth forecast to 3.7% y/y, with rebound in investment being the main culprit of recovery. Let us also note that the lower base of investment in 1Q16 explains the relatively quick pace of rebound in this category in 1Q2017. In our view, economic growth in the entire year may hit 3.6%.

Sharp revival of production growth in March

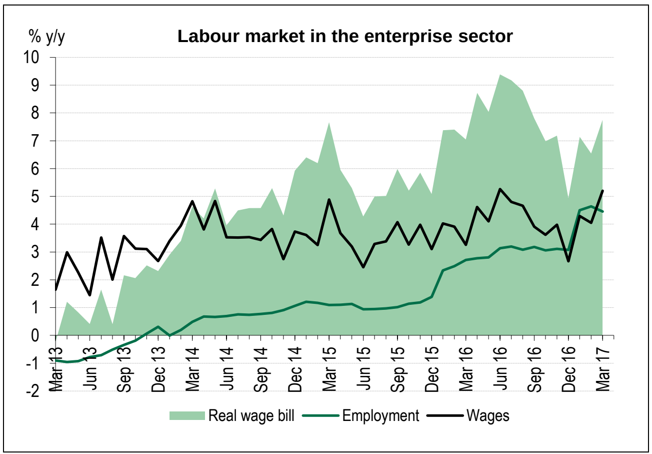
▪ Sold industrial output increased in March by 11.1% y/y. To some extent, a significant improvement in dynamics as compared to February (when growth was merely 1.2% y/y) was driven by the calendar effect: in March the number of working days was 1 more than a year ago, and in February 1 less. Nevertheless, even taking this effect into account, March results seem to be impressive. According to the Statistic Office estimates, seasonally-adjusted industrial output rose 8.1% y/y, the most since December 2011. Importantly, manufacturing was the key contributor to the improvement of production (output growth in the mining and the energy sectors was poor), with the biggest gains in export-oriented branches (including manufacturing of machinery, equipment, vehicles, furniture, etc.).

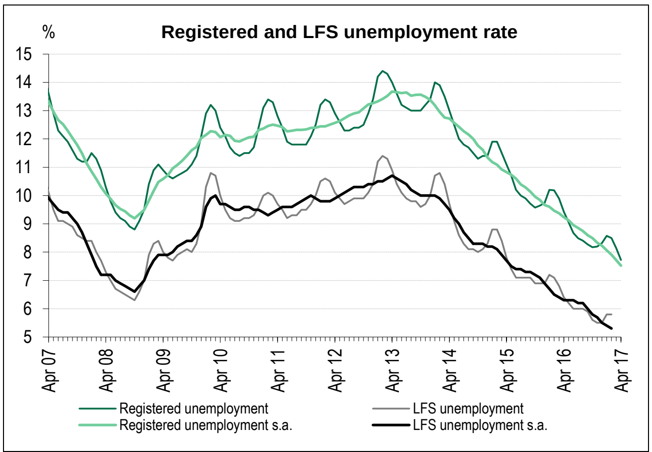
▪ Even though the results of foreign trade in February were not breath-taking (exports advanced by 3.8% y/y), positive data from Germany suggest that we are likely to see a significant increase in foreign demand for Polish goods. At the same time, February surprised to the upside with imports (9.1% y/y), most probably reflecting the strength of the domestic demand. In general, imports may rise faster than exports which could deteriorate the C/A balance.

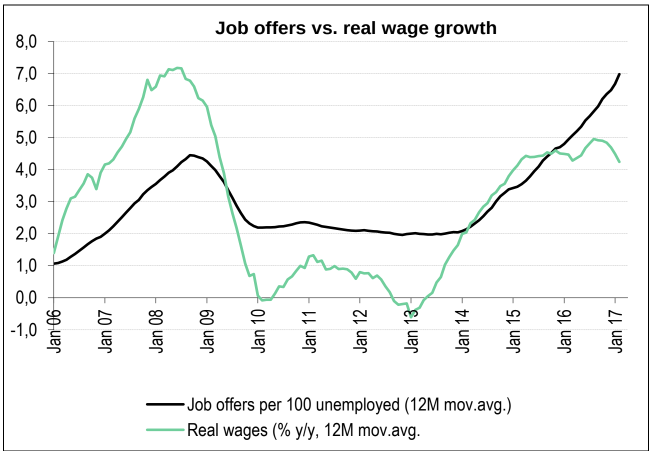
▪ The construction output rose by 17.2% y/y in March and by 10.2% y/y in seasonally-adjusted terms, the most since April 2014. Two-digit increase in production occurred in all construction sectors. In the entire first quarter of this year, production in the construction sector rose around 5.6% y/y, after falling over 13% y/y in 4Q16. Very positive results of the construction sector are a clear harbinger of reviving investment.

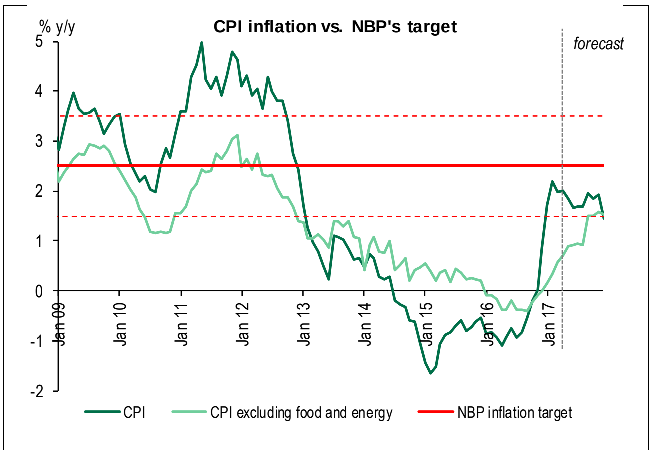
▪ In March retail sales in constant prices grew up by 7.9% y/y, slightly above expectations. Acceleration was observed in car, clothes, furniture and consumer electronics sales, whereas sales of food went down due to the date of Easter. We expect the dynamics of retail sales to accelerate in April, also because of Easter and stay close to the March reading in the months to come.

Economic update









Source: GUS, NBP, Eurostat, BZ WBK.

Labour market keeps improving, new record on unemployment

- Employment in the corporate sector increased by 4.5% y/y in March which suggests that the labour market is getting stronger but the pace of improvement is just not increasing. The increase of enterprise payrolls vs. January was +22k which was impressive when seen against the analogous period of 2014-15, but no better than last year (+24k). We expect the Polish labour market to become tighter and this should lead to less momentum in employment data in the coming months and to more pressure on wages. Actually this is what we saw in the March data – a marginal negative surprise when it comes to employment growth and a sharp acceleration of y/y wage growth (from 4.0% to 5.2% vs. market expectations of 4.3%) but the presence of positive one-off effects makes it hard to tell already if the wage pressure has increased.

- Judging by the level of the unemployment, rate the labour market has already become quite tight. The Labour Ministry estimate of 7.7% for April sets a new record low since the start of the economic transformation of Poland in the early 90s. The lowest the unemployment rate got before the global financial crisis was 8.8%.

- The NBP report on business climate in companies has also added some insight into the labour market as the quarterly survey on which it is based was expanded to include questions on the reaction to the '500+' child benefit programme when it comes to resignations of employees and consequences to wage policies. The NBP report noted that the '500+' programme fuelled employment resignation and wage rises in consumer service sector, especially in retail trade. However, the scale of this phenomenon was not big, as 14% of companies pointed to new benefits as a reason behind resignations and 6% a reason behind wage rises. The programme carries risks to the participation rate as it could discourage lower-paid employees and low-skilled job seekers who receive the benefit from staying active on the labour market. This is confirmed to some extent by the NBP report and could also help explain the momentum in the unemployment rate.

Credit demand improved mostly in consumer loans area in 1Q

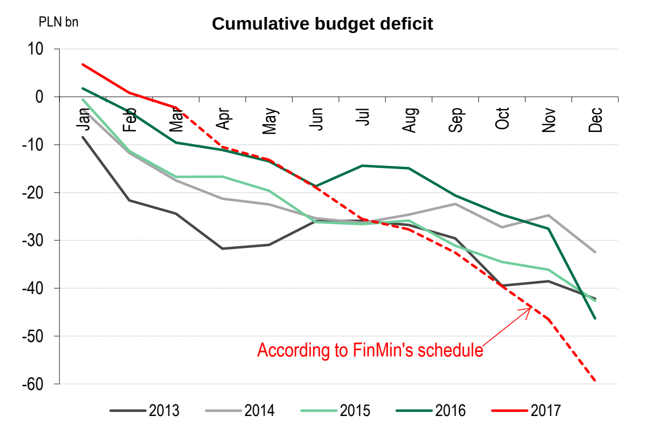
- The NBP senior loan officers' survey report for 1Q showed that the improving economic situation did not cause positive adjustment in credit supply in the banking sector as far as loan policy and loan conditions are concerned. Polish banks saw credit demand increasing mostly in the area of consumer loans. In 1Q the realized demand for consumer loans exceeded the senior loan officers' expectations for the first time since 1Q 2013.

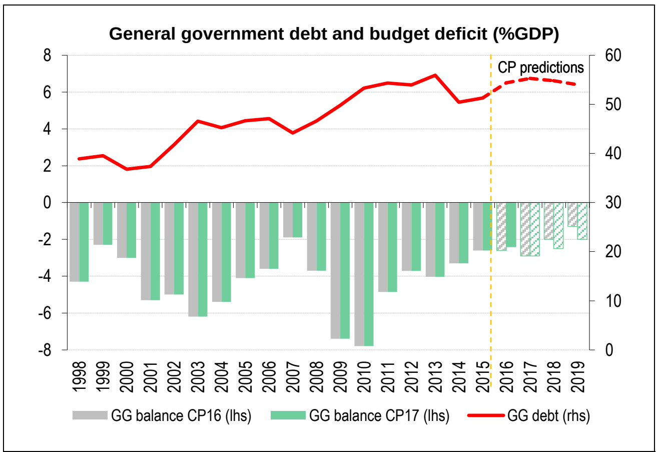
- The report was less bullish from the macroeconomic perspective when it comes to enterprise loans. The overall credit demand registered in this segment was flat in 1Q and this was yet another quarter without a positive surprise in this respect. The banks signalled that financing needs for fixed investment continued to decline. This leaves much uncertainty if the private sector investments rebound significantly this year. Still, the banks expect a modest rise in corporate credit demand during 2Q.

Inflation at or slightly below 2% y/y in following months

- Despite higher optimism regarding the pace of economic growth, our inflation forecasts remain roughly unchanged. We consider the 2.2% y/y from February for the CPI measure to be the local top. Polish inflation has already dropped to 2% since then and this is where it should stabilise in our view for the better part of the year, possibly sliding a bit below this level. We see some risk of upward surprise from food prices later this year due to the fact that the recent weeks, crucial for this year's fruit output, were quite cold compared to the previous years. Our scenario still assumes CPI growth going down to 1.5% y/y at the end of the year and core inflation rising to 1.5%.

Fiscal policy watch

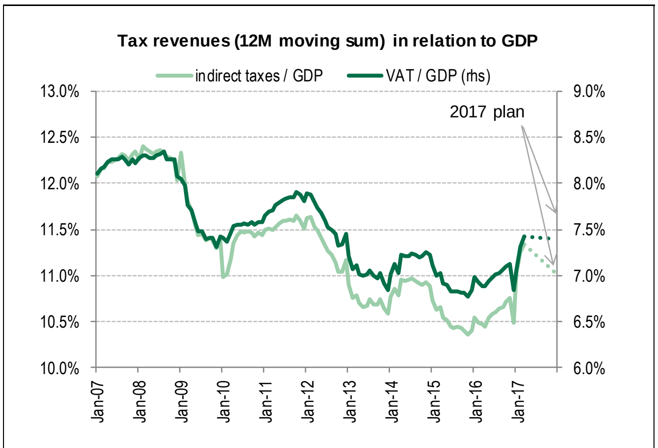




Main assumptions of the 2017 Convergence Programme (%YoY)

	2017	2018	2019	2020
Nominal GDP	4.7	6.1	6.2	6.4
Spending	14.8	1.6	4.5	2.9
Revenues	14.1	2.1	5.9	4.8
Spending ex redemption of FUS loan	9.7	6.4	4.5	2.9
Revenues ex redemption of FUS loan	8.7	7.2	5.9	4.8
Nominal GDP*	4.9	5.0	5.2	5.0

* BZ WBK estimate;



Source: Ministry of Finance, Reuters, BZ WBK.

Fiscal performance continues to look good

- The final notification confirmed that the general government deficit declined to just 2.4% of GDP in 2016. What is more, the monthly fiscal performance figures are still coming strong. 1Q central budget revenues exceeded the scheduled value by PLN2.1bn (or 2.6%), while expenditures were realized in 98.4% of the 1Q plan. As a consequence the fiscal deficit was PLN3.5bn smaller than envisaged in the MinFin plan for 1Q and that's on top of the huge cPLN9bn NBP profit to be transferred later this year which was not included in the budget bill.
- Year-to-date state revenues were up 11% y/y in March compared to 8.5% in February. VAT brought 44.6% more revenue in March alone compared to the same month last year. A switch from quarterly to monthly VAT settlement disrupts the VAT collection data and some items like personal income tax inflow decelerated from 5.5 to 4.8% y/y. Yet, it doesn't seem the market would pay attention to this given the recent strong run of Polish macro releases, which made us upgrade our 2017 growth forecast. Could such positive fiscal picture last, given the government's drive towards more social spending and the upcoming costs of the lowered retirement age?

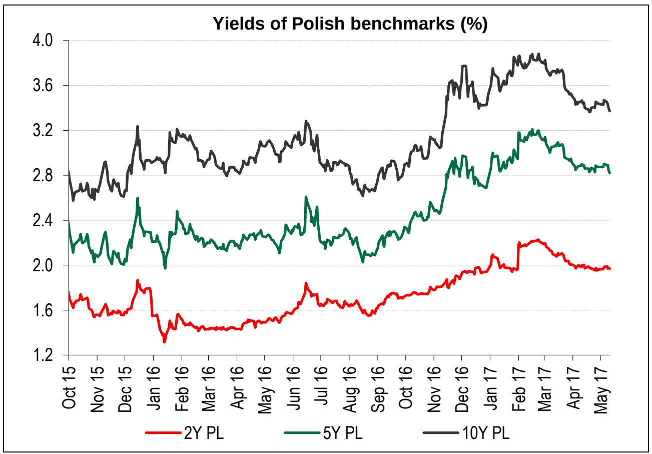
Convergence Programme update in stark contrast with European Commission forecasts

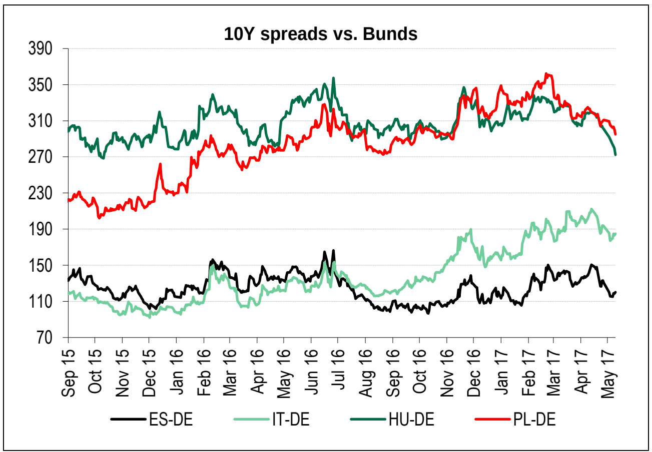
- The 2017 Convergence Programme update released in late April should be the right report to answer such worries. The obvious benchmark for the government fiscal projection, which is the European Commission Spring forecast, was calculated with cautious assumptions about possible improvement of the efficiency of tax collection (and this is why it expects the deficit to grow to 2.9% in 2017 and 2018 and the structural balance to jump from 2.2% to 3.2% this year), while the CP stresses the importance of the ongoing efforts to limit tax fraud and draws several scenarios for fiscal balance depending on the extent to which the so-called VAT gap could be closed in the coming years. The government baseline is that both measures of deficit will be down to 2.5% in 2018 and will dip to almost 1% in 2020.
- Revisions of 2017-20 forecasts vs. CP2016 include a decline of GDP path by c0.2 pp due to lower public spending, offset to some extent by neutral rather than negative net exports. The higher GG deficit path comes from inclusion of full costs of the retirement age decrease and an assumption that government expenditures will be realized at maximum levels allowed by the Stabilizing Fiscal Rule. The planned redemption of the social security fund loans from 2009-14 worth PLN39.1bn sent this year's planned GG revenues and expenditures above 10% y/y and suggested only tiny increases next year; yet once this one-off factor is removed, we can see that the growth of spending is likely to exceed the pace of nominal GDP in both 2017 and 2018.

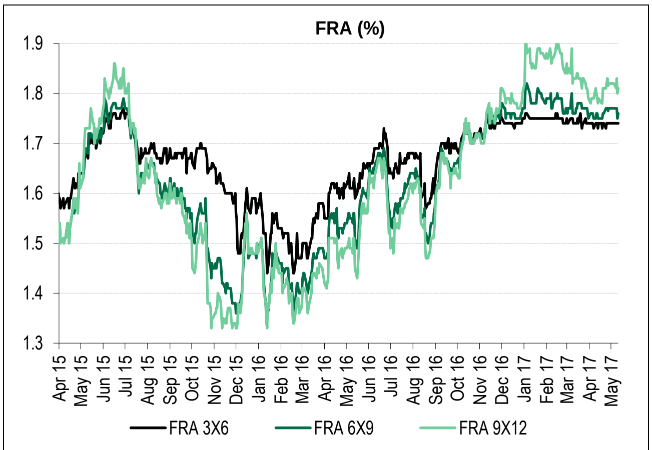
Moody's rating agency likely to keep outlook unchanged

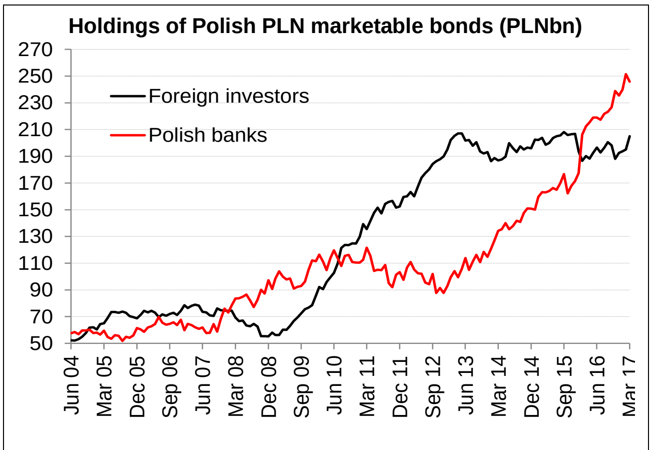
- Moody's has a calendar day on Poland on May 12 which begs the question if it could upgrade the rating outlook from negative to stable to match the approach of other major agencies. Surprisingly strong macroeconomic performance in 1Q could justify action, but actually when Moody's imposed the negative outlook in May 2016 it used the economic resilience of Poland as a reason to refrain from an outright downgrade of the country. The decision on outlook was driven by the lowering of the pension age and signals of little fiscal discipline as well as risks of a collapse in investment climate.
- Improving VAT collection numbers and the apparent strong demand for Polish bonds (March saw the largest monthly net purchases by non-residents in almost 3 years) give some reason for a positive change in the way Moody's sees Poland, but bear in mind the agency holds the country at A2 which is a notch higher than Fitch and 2 notches above what S&P has.

Interest rate market









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

Bond yields lower

▪ In April, Polish yields and IRS remained stable after having fallen by almost 20-40bp and 10-30bp, respectively, from February's peaks. The reaction for dovish ECB rhetoric was mild, similar to the one on the core markets that also remained fairly stable on monthly basis.

▪ Polish bond yields fell more than IRS, which led to asset swap spread narrowing for second month in a row (to 52bp from 85bp at the end of February). At the same time, 10Y Polish spread over Bund decreased below 300bp. Both risk premia measures reached their lowest levels since the US elections

▪ In April the 2-10Y spread for T-bonds was stable and close to 148bp. It reached 139bp mid-April but started rising after the first round of elections in France. The April MPC decision to keep rates stable and its continuing dovish rhetoric were rather neutral for the Polish debt market.

▪ The money market saw some slight changes on the FRA curve. After downward trend in March, the FRA curve shifted up in particular in longer tenors. Consequently, the date of the first rate hike priced-in by the swap market moved in time towards September 2018. WIBOR rate has remained stable since the US elections.

Limited room for further strengthening

▪ FOMC kept the main interest rates unchanged in May but left the door open for interest rate hike in June. As a result, the market's expectations for such scenario are now fully priced (95% chances for 25bp hike and 5% for 50bp) and it triggered the rise of yields of US Treasuries. Consequently, the gradual shift towards tighter policy by the Fed and likely future improvement of price and output data plus reduced near-term political risk perceptions in the euro zone should keep Bund yields in a shallow upward medium-term trend.

▪ Reduced systemic political risks in Europe arising from the elections' victories of pro-European options in the Netherlands and France caused risk-on mood and some profit taking after the recent strengthening. Reduced political concerns ahead of French and UK parliamentary elections in June could have limited impact on Polish debt market. In the coming weeks investors seem to focus on comments of the ECB members which should keep evolving to reflect macro improvements.

▪ We expect core market yields to rise gradually in the coming months. In our view, it should result in upward pressure on Polish debt, particularly in the long end of the curve. However, improving Polish macro data and dovish MPC rhetoric may lead to narrowing the 10Y PL-DE spread after the two-year period of widening, which ended in February 2017.

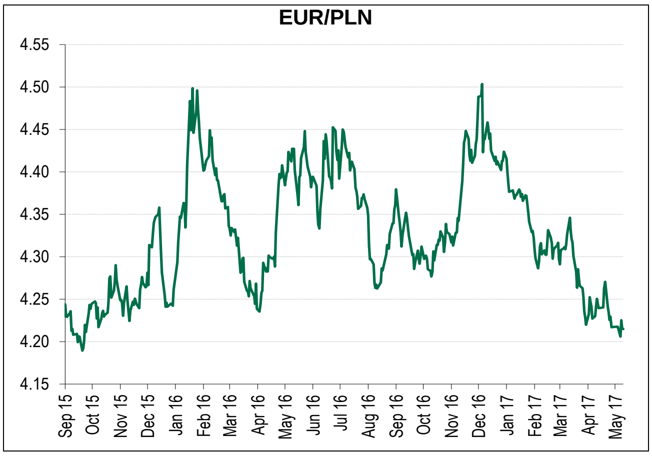
High demand for Polish bonds

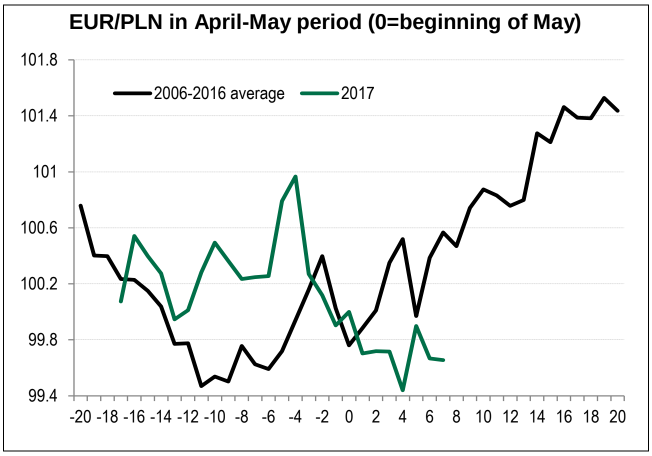
▪ According to the data released by the Ministry of Finance, in March non-residents purchased Polish PLN-denominated marketable bonds for nearly PLN10bn. After the biggest monthly buying since June 2014, nominal value of foreign investors portfolio rose to cPLN205bn, the highest since December 2015. Foreign central banks purchased debt for PLN4.4bn. This was their first buying after three months of selling and the nominal value of their portfolio reached the highest level (PLN31.7bn) since making the data available (April 2004) while the mutual funds added up some PLN1.9bn. Under the geographical criteria, non-residents from Asia (excluding Middle East) purchased bonds for PLN4.9bn and those from euro zone for PLN1.9bn

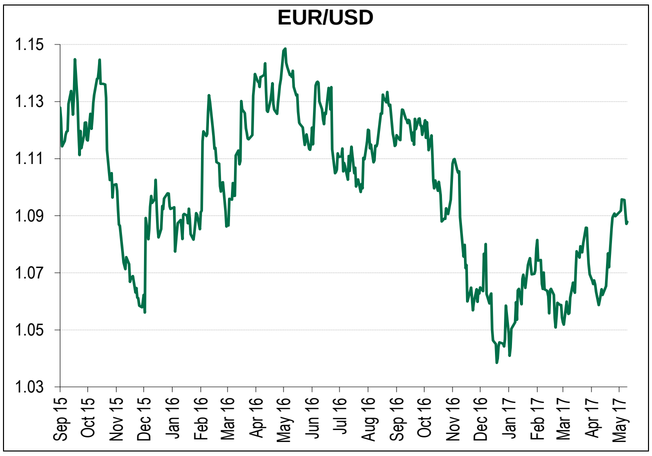
▪ The second bond auction in April was favourable for the Polish Ministry of Finance when bonds for PLN8.97bn were sold amid demand nearing PLN11bn. The Ministry said that after the auction, this year's gross borrowing needs have been covered in c61%.

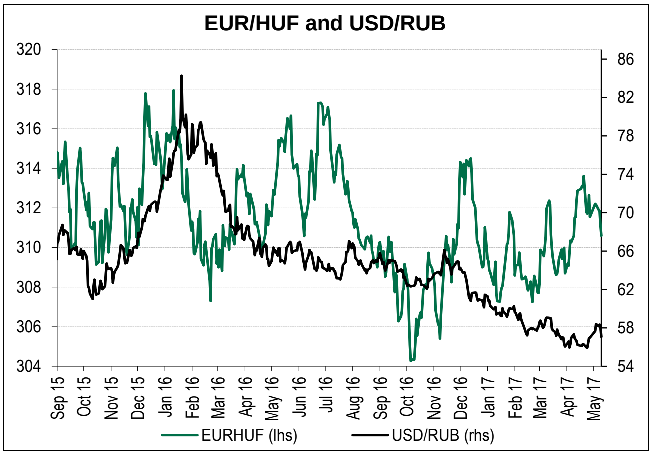
▪ The Finance Ministry announced its plans to issue bonds for PLN20-30bn in 2Q17 at 5 standard auctions. On 18 May bonds will be offered with expected supply of PLN3-5bn.

Foreign exchange market









Sources: Reuters, Bloomberg, Markit, BZ WBK.

Will May story repeat this year?

- April's correction on the Polish FX market proved only temporary and the zloty soon resumed its appreciation impulse amid market-friendly result of the French elections and sound European macro data which proved supportive for stocks and other risky assets. As a result, EUR/PLN fell temporarily below 4.19, reaching its lowest since September 2015.
- Last month we wrote that the zloty's 1Q17 appreciation vs the euro has been the best quarterly performance of the Polish currency since 1Q15 and that the last time EUR/PLN fell for the two quarters in a row was in 2013. This time we present another seasonal pattern, suggesting that zloty's appreciation could pause soon – in the last 11 years EUR/PLN fell in May only twice. This phenomenon is less obvious for the stock market, but works quite well for Polish bonds, suggesting that impulse for weaker zloty may come from the interest rate market.
- As we wrote on the previous page, March saw a significant rise in non-residents' holdings of Polish bonds. However, the nominal value of their portfolio is nearing all-time high, suggesting there could be limited room for more purchases, especially when the Fed is on track to hike rates and the ECB may soon start to prepare the market for a gradual exit from its asset purchase programme. Also, please note that when we look at this year's bond auctions, the bid/cover ratio is in a clear downtrend, from 2.58 in January to 1.22 in April, which implies that more disappointments (like after the last auction) are possible and a bond market adverse reaction may finally hit the zloty.
- Equity market's positive reaction to the result of the French presidential elections proved only temporary and the euro lost vs the dollar, indicating that the pro-EU result has already been priced-in. More positive factors may now be needed to push EUR/PLN further down and if this does not happen, profit taking could take place.

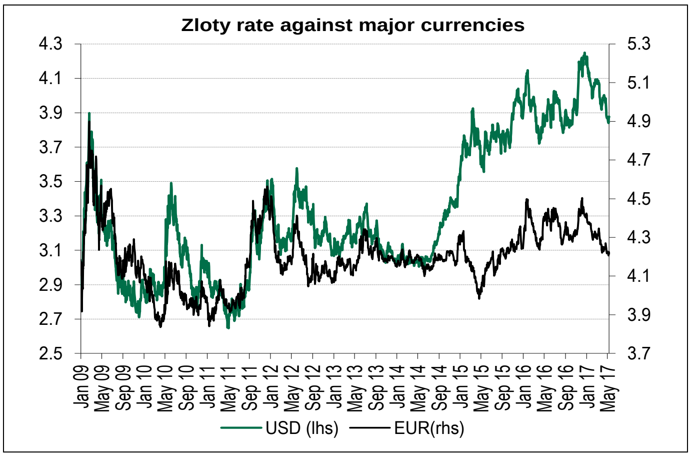
EUR/USD jumps on French politics

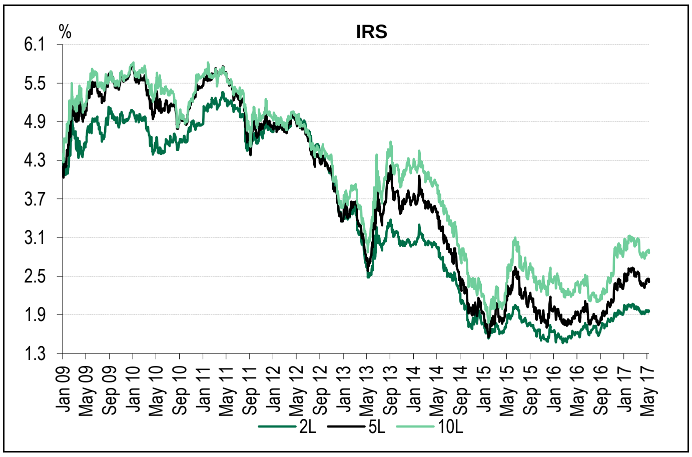
- French presidential elections have been the main driver for EUR/USD in the recent weeks. The exchange rate opened with an upside gap after the first round when it appeared that the final pro-EU result is very likely. EUR/USD rose above 1.10 (its highest since November 2016) after the second round.
- Although in the short-term perspective the euro looks overbought to us, we expect EUR/USD to stay in the upside trend later in the year amid continued economic revival in the euro zone and market starting to price in (probably no sooner than in 2H17) the ECB's gradual exit from highly accommodative monetary policy. Fed rate hikes look to be pretty much priced in and delivery should not provide additional support for the dollar. In the short term, muted market reaction to the outcome of the French elections suggests that some correction after the recent euro's rally could be observed.

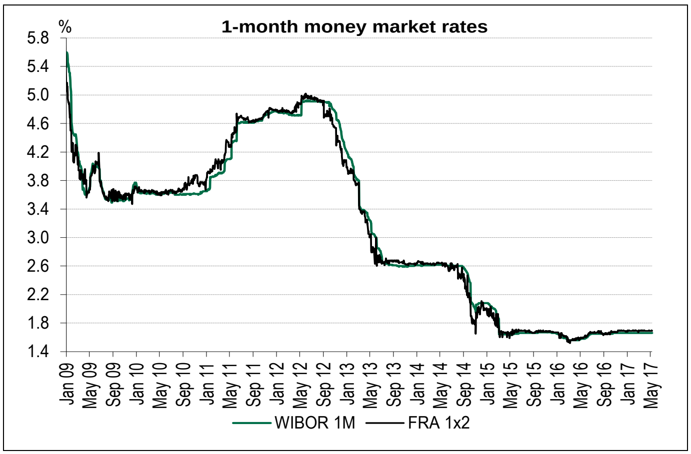
MNB still ready to ease monetary policy even further

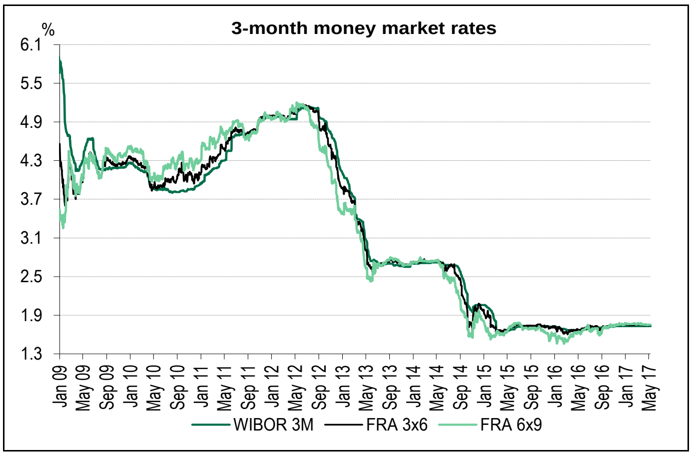
- The Hungarian central bank (MNB) kept the main interest rate unchanged at 0.9%, in line with expectations. The MNB repeated the declaration to maintain accommodative monetary policy and to support the economy if needed. Inflation rate in Hungary fell in April to 2.2% y/y after it rose to 2.7% y/y in March, which was below the market expectations. The MNB expects the CPI to decrease later this year and the bank sees no risk of exceeding the target (3%) neither this year nor in the first half of 2018. However, if inflation rate remains below the target, the bank is ready for further policy easing, using the non-conventional tools. The dovish rhetoric of the central bank could keep weighing on the forint, in our view.

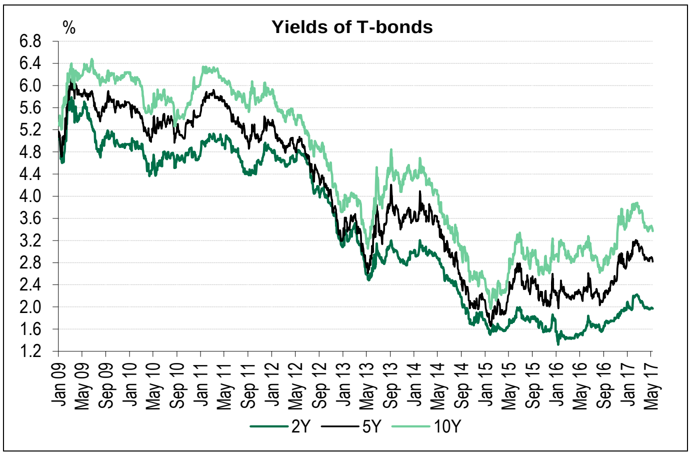
Market monitor

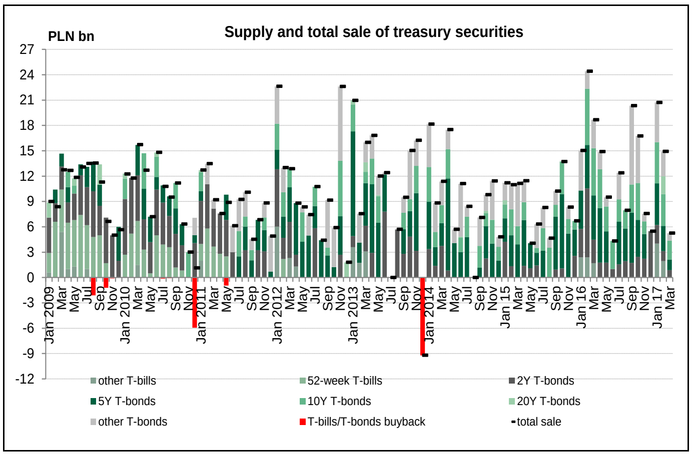












Treasury bond auctions in 2016/2017 (PLN mn)

Month	First Auction				Second Auction				Switch Auction		
	Date	T-bonds	Offer		Date	T-bonds	Offer		Date	T-bonds	Offer
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/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					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	3000-7000	7000.2			
March	23.03	OK/PS/WZ/DS/WS/IZ	3000-5000						2.03	PS0417/OK0717/DS1017	OK/PS/WZ/DS
April	6.04	OK/PS/WZ/DS	3000-5000	5000	25.04.	OK/PS/WZ/DS	6000-9000	8970			
May											

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

Source: Finance Ministry, Reuters, BZ WBK.

Economic calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
8 May DE: Industrial orders (Mar)	**9** DE: Industrial output (Mar) DE: Exports (Mar)	**10** CZ: Industrial output (Mar) CZ: CPI (Apr) HU: CPI (Apr)	**11**	**12** ***PL: Money supply (Apr)*** ***PL: CPI (Apr)*** ***PL: Moody's rating review*** EZ: Industrial output (Mar) DE: Flash GDP (Q1) US: Retail sales (Apr) US: Flash Michigan (May) US: CPI (Apr)
15 ***PL: Balance of payments (Mar)*** ***PL: Core inflation (Apr)***	**16** ***PL: Flash GDP (1Q)*** DE: ZEW index (May) CZ, HU, EZ: Flash GDP (Q1) US: House starts (Apr) US: Building permits (Apr) US: Industrial output (Apr)	**17** ***PL: MPC decision*** EZ: CPI (Apr)	**18** ***PL: Wages and employment (Apr)*** US: Philly Fed index (May)	**19** ***PL: Industrial output (Apr)*** ***PL: Retail sales (Apr)*** ***PL: PPI (Apr)***
22	**23** DE: GDP (Q1) DE: Ifo index (May) HU: Central bank decision US: New home sales (Apr)	**24** DE: Flash PMI – services (May) DE: Flash PMI – mfg (May) EZ: Flash PMI – mfg (May) EZ: Flash PMI – services (May) US: PMI – services (May) US: PMI – manufacturing (May) US: Home sales (Apr)	**25** ***PL: Unemployment rate (Apr)***	**26** US: Preliminary GDP (Q1) US: Michigan index (May)
29	**30** US: Personal income (Apr) US: Consumer spending (Apr) US: Consumer confidence index (May)	**31** ***PL: GDP (Q1)*** ***PL: CPI (May)*** EZ: Flash CPI (May) US: Pending home sales (Apr) US: Fed Beige Book	**1 June** PL: MPC minutes PL: PMI –mfg (May) DE: PMI – mfg (May) EZ: PMI – mfg (May) US: ADP report (May) US: ISM – mfg (May)	**2** CZ: Preliminary GDP (Q1) US: Non-farm payrolls (May) US: Unemployment rate (May)
5 US: ISM – services (May) US: Industrial orders (Apr) US: Durable goods orders (Apr)	**6** DE: PMI – services (May) EZ: PMI – services (May)	**7** ***PL: MPC decision*** DE: Industrial orders (Apr) CZ: Industrial output (Apr) EZ: GDP (Q1)	**8** DE: Industrial output (Apr) HU: CPI (May) EZ: Central bank decision	**9** DE: Exports (Apr) CZ: CPI (May)
12 ***PL: CPI (May)***	**13** ***PL: Balance of payments (Apr)*** ***PL: Core inflation (May)*** ***PL: PPI (May)*** DE: ZEW index (Jun) EZ: ZEW index (Jun)	**14** ***PL: Money supply (May)*** EZ: Industrial output (Apr) US: CPI (May) US: FOMC decision US: Retail sales (May)	**15** US: Philly Fed index (Jun) US: Industrial output (May)	**16** EZ: CPI (May) US: House starts (May) US: Building permits (May) US: Flash Michigan (Jun)

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	16-17	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					about 50 working days after reported period							
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

		Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17E	May 17E
PMI	pts	51.0	52.1	51.8	50.3	51.5	52.2	50.2	51.9	54.3	54.8	54.2	53.5	54.1	54.8
Industrial production	% YoY	6.0	3.2	6.0	-3.4	7.5	3.2	-1.3	3.1	2.1	9.1	1.1	11.1	-0.2	9.1
Construction production	% YoY	-14.9	-13.7	-13.0	-18.8	-20.5	-15.3	-20.1	-12.8	-8.0	2.1	-5.3	17.2	6.6	12.7
Retail sales [a]	% YoY	3.2	2.2	4.6	2.0	5.6	4.8	3.7	6.6	6.4	11.4	7.3	9.7	10.6	10.4
Unemployment rate	%	9.4	9.1	8.7	8.5	8.4	8.3	8.2	8.2	8.3	8.6	8.5	8.1	7.7	7.4
Gross wages in corporate sector	% YoY	4.6	4.1	5.3	4.8	4.7	3.9	3.6	4.0	2.7	4.3	4.0	5.2	4.4	4.5
Employment in corporate sector	% YoY	2.8	2.8	3.1	3.2	3.1	3.2	3.1	3.1	3.1	4.5	4.6	4.5	4.5	4.4
Exports (€)	% YoY	4.0	1.4	6.0	-5.3	9.3	3.1	-0.5	5.8	5.2	13.9	3.8	16.6	-1.9	19.8
Imports (€)	% YoY	0.0	2.5	0.8	-7.3	10.7	3.5	3.6	6.3	7.1	16.1	9.1	16.2	15.1	17.9
Trade balance	EUR mn	487	375	641	-272	-387	5	-80	307	-105	213	-537	446.3	-2,011	711
Current account balance	EUR mn	691	1,392	-723	-503	-729	-858	-179	-128	-56	2,576	-860	-177	-1,883	1,550
Current account balance	% GDP	-0.9	-0.8	-0.5	-0.4	-0.4	-0.4	-0.5	-0.5	-0.3	0	0	0.1	-0.5	-0.5
Budget deficit (cumulative)	PLN bn	-11.1	-13.5	-18.7	-14.4	-14.9	-20.6	-24.6	-27.6	-46.3	6.7	0.9	-2.3	-10.5	-13.2
Budget deficit (cumulative)	% of FY plan	20.3	24.6	34.1	26.3	27.3	37.7	45.0	50.4	84.6	-11.4	-1.4	3.8	17.6	22.2
CPI	% YoY	-1.1	-0.9	-0.8	-0.9	-0.8	-0.5	-0.2	0.0	0.8	1.7	2.2	2.0	2.0	1.8
CPI excluding food and energy	% YoY	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4	-0.2	-0.1	0.0	0.2	0.3	0.6	0.7	0.9
PPI	% YoY	-1.2	-0.4	-0.8	-0.5	-0.1	0.2	0.6	1.8	3.2	4.0	4.5	4.7	4.0	2.9
Broad money (M3)	% YoY	11.6	11.6	11.4	10.7	10.1	9.4	8.7	9.7	9.6	8.5	8.2	7.7	7.3	7.0
Deposits	%YoY	11.6	11.8	11.3	10.6	9.9	9.1	8.7	9.6	9.1	8.3	7.7	7.3	6.9	6.6
Loans	%YoY	6.7	5.0	4.6	4.7	3.7	3.7	3.9	4.8	4.7	3.5	4.8	5.3	4.2	4.9
EUR/PLN	PLN	4.31	4.41	4.40	4.40	4.30	4.32	4.31	4.39	4.44	4.37	4.31	4.29	4.24	4.25
USD/PLN	PLN	3.80	3.90	3.92	3.98	3.84	3.86	3.91	4.07	4.20	4.11	4.05	4.02	3.96	3.89
CHF/PLN	PLN	3.94	3.99	4.04	4.05	3.96	3.96	3.96	4.08	4.13	4.08	4.04	4.01	3.95	3.91
Reference rate [b]	%	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	%	1.67	1.67	1.69	1.71	1.71	1.71	1.72	1.73	1.73	1.73	1.73	1.73	1.73	1.73
Yield on 2-year T-bonds	%	1.48	1.54	1.70	1.66	1.61	1.71	1.75	1.85	1.95	2.01	2.20	2.08	1.98	1.98
Yield on 5-year T-bonds	%	2.25	2.24	2.38	2.24	2.14	2.26	2.43	2.74	2.80	2.94	3.15	3.02	2.87	2.89
Yield on 10-year T-bonds	%	2.95	3.04	3.11	2.89	2.71	2.85	3.01	3.41	3.55	3.69	3.82	3.66	3.42	3.42

Note: [a] in nominal terms, [b] 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	4Q16	1Q17	2Q17E	3Q17E	4Q17E
GDP	PLN bn	1,719.7	1,798.3	1,851.2	1,942.0	428.0	449.2	452.9	521.0	451.1	466.1	476.8	548.1
GDP	% YoY	3.3	3.8	2.7	3.6	2.9	3.0	2.4	2.5	3.7	3.4	3.9	3.2
Domestic demand	% YoY	4.7	3.3	2.4	3.6	3.5	1.9	2.7	1.7	3.8	4.0	3.5	3.0
Private consumption	% YoY	2.6	3.0	3.8	4.3	3.4	3.4	4.1	4.5	4.5	4.4	4.2	4.2
Fixed investments	% YoY	10.0	6.1	-7.9	6.7	-9.8	-4.5	-6.7	-9.8	4.5	5.9	6.9	8.0
Industrial production	% YoY	3.4	4.8	2.9	5.8	3.0	5.7	2.5	1.5	7.3	4.1	6.2	5.9
Construction production	% YoY	4.3	0.3	-14.6	11.7	-12.2	-13.9	-18.1	-13.2	5.6	11.1	14.0	13.3
Retail sales [a]	% YoY	3.1	1.5	3.9	8.5	1.9	3.5	4.1	5.6	9.6	10.0	8.3	6.4
Unemployment rate [b]	%	11.4	9.7	8.3	6.9	9.9	8.7	8.3	8.3	8.1	7.1	6.8	6.9
Gross wages in the national economy [a]	% YoY	3.6	3.3	3.8	5.0	3.1	4.3	4.1	3.7	4.5	4.5	4.2	6.1
Employment in the national economy	% YoY	0.2	0.9	2.3	3.5	2.1	2.4	2.6	2.1	3.4	3.3	3.2	2.8
Exports (€)	% YoY	6.4	8.5	2.7	8.6	1.4	3.8	2.1	3.4	11.5	8.9	7.0	7.0
Imports (€)	% YoY	8.3	5.0	2.9	10.9	2.9	1.1	1.9	5.6	13.8	15.0	7.7	7.2
Trade balance	EUR mn	-3,255	2,213	1,949	-1,873	976	1,503	-652	122	122	-1,031	-1,003	39
Current account balance	EUR mn	-8,534	-2,653	-1,273	-1,149	-186	1,357	-2,087	-357	1,539	-1,343	-1,869	523
Current account balance	% GDP	-2.1	-0.6	-0.3	-0.3	-0.8	-0.5	-0.4	-0.3	0.1	-0.5	-0.5	-0.3
General government balance	% GDP	-3.5	-2.6	-2.4	-2.9	-	-	-	-	-	-	-	-
CPI	% YoY	0.0	-0.9	-0.6	1.8	-0.9	-0.9	-0.8	0.2	2.0	1.8	1.8	1.7
CPI [b]	% YoY	-1.0	-0.5	0.8	1.4	-1.1	-0.8	-0.5	0.8	2.0	1.7	2.0	1.4
CPI excluding food and energy	% YoY	0.6	0.3	-0.2	1.0	-0.1	-0.3	-0.4	-0.1	0.3	0.8	1.1	1.5
PPI	% YoY	-1.5	-2.2	-0.2	3.6	-1.5	-0.8	-0.1	1.9	4.4	3.3	4.1	2.5
Broad money (M3) [b]	% oY	8.2	9.1	9.6	8.2	9.1	11.4	9.4	9.6	9.2	8.9	8.5	8.2
Deposits [b]	%YoY	9.0	9.0	9.1	8.2	9.4	11.3	9.1	9.1	8.8	8.6	8.4	8.2
Loans [b]	%YoY	7.2	6.9	4.7	4.7	4.4	4.6	3.7	4.7	4.7	4.7	4.7	4.7
EUR/PLN	PLN	4.18	4.18	4.36	4.29	4.37	4.37	4.34	4.38	4.32	4.26	4.32	4.24
USD/PLN	PLN	3.15	3.77	3.95	3.94	3.96	3.87	3.89	4.06	4.06	3.92	3.95	3.84
CHF/PLN	PLN	3.45	3.92	4.00	3.92	3.98	3.99	3.99	4.06	4.04	3.92	3.91	3.80
Reference rate [b]	%	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	2.18	1.45	1.57	1.66	1.85	2.10	2.02	2.23	2.37
Yield on 5-year T-bonds	%	2.96	2.21	2.35	3.12	2.23	2.29	2.22	2.66	3.03	2.95	3.20	3.28
Yield on 10-year T-bonds	%	3.49	2.69	3.04	3.73	2.98	3.04	2.82	3.32	3.72	3.50	3.78	3.92

Note: [a] in nominal terms, [b] at the end of period. Source: CSO, NBP, Finance Ministry, BZ WBK estimates.

This analysis is based on information available until 11.05.2017 has been prepared by:

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