

Weekly Focus Poland

The full set of macro indicators for April will be released this week. We expect wage and employment growth to land around recently observed dynamics. Industrial production growth might surprise to the upside, as we see it at 4.0% y/y compared to the more positive market view of 9.0% y/y. Retail sales should benefit from the Easter effect and we expect growth of 6.5% y/y. We will provide our first now-cast of GDP growth in 2Q19. The zloty will most likely remain under global influence.

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This week:

- **May 21: Wage growth and employment to remain stable**

We see wage growth to increase by 6.2% y/y in April, while the market is a bit more positive and expects growth of 6.5% y/y. On the other hand, employment growth should remain stable at 3.0% y/y in April. The situation on the labor market remains tight, with the unemployment rate holding below 6% (5.6% in April, according to the Ministry of Family, Labor and Social Politics).

- **May 22: Industrial production to slow down**

Unlike the market, which expects industrial production growth to visibly accelerate to 9.0% y/y in April, we see growth as slowing down to 4.0% y/y due to the base effect. Separately, the PPI should marginally ease and land at 2.4% y/y, suggesting limited price pressure.

- **May 23: Easter effect to shift retail sales up in April**

After sluggish performance of retail sales in March (growth of 3.1% y/y), we expect retail sales to increase by 6.5% y/y. The Easter effect and consumer confidence remaining high should be positive for the level of household spending.

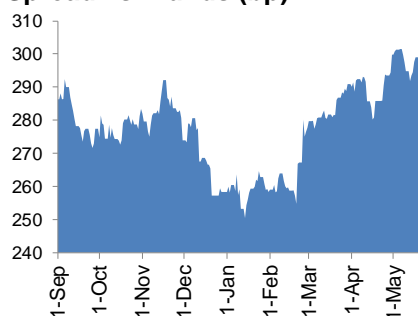
After this week's releases, the full dataset for April will be available and we will provide our first now-cast of GDP growth in 2Q19. We believe that 2Q19 growth could remain around 4.5%, as the monthly indicators suggest a strong beginning to the current quarter.

Last week's highlights

- Flash GDP for 1Q19 arrived at 4.6% y/y
- MPC left key rate unchanged
- CPI confirmed at 2.2% y/y in April, while core inflation increased to 1.7% y/y – highest level since November 2012

Bond market drivers

Spread vs. Bunds (bp)

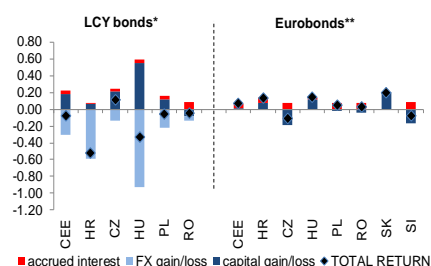


Source: Erste Group Research, Bloomberg

Polish 10Y yields increased to 2.9%

In the first half of the week, the long end of the curve was decreasing and 10Y yields went below 2.8%. After the GDP data and decision of the MPC to keep rates unchanged, 10Y yields started increasing. At the end of the week, the 10Y yield stood marginally below 2.9%. Despite positive signals from the German economy, worsening trade war prospects and gloomy market sentiment moved the 10Y German Bund further into negative territory. As a result, the spread vs. 10Y Bund went close to 300bp. This week, the local macro release should be neutral for the bond market.

Weekly performance of 5Y bonds (% in EUR)



Source: Erste Group Research, Bloomberg

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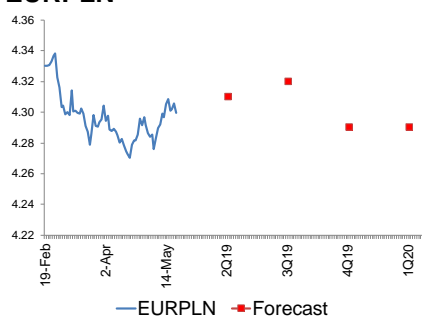
The performance of the LCY bond market in the region was marginally negative last week. In Hungary and Croatia, the negative performance of the market has been mostly due to weakening of the currencies. Yield decreases have been observed among all CEE region countries due to lower German Bund yields.

FX market drivers

Zloty remains over 4.30 vs. EUR

Over the course of the week, the zloty remained above 4.30 vs. the EUR due to renewed global risk aversion. This week, the publication of Eurozone PMIs for May will be the most important macro factor for the development of the EURUSD. We might see further depreciation of the zloty ahead of the EU parliament elections and global trade tensions.

EURPLN



Source: Erste Group Research, Bloomberg

Calendar

Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
21-May							
10:00	PL	Wages (y/y)	Apr	6.50%	6.2%	5.7%	Wage growth should sustain solid growth.
10:30	SI	PPI (y/y)	Apr			1.1%	
22-May							
10:00	PL	Industrial Production (y/y)	Apr	8.7%	4.0%	5.6%	We expect somewhat weaker performance of industry.
10:00	PL	PPI (y/y)	Apr	2.6%	2.4%	2.5%	Price pressure should remain limited.
23-May							
10:00	PL	Retail Sales (y/y)	Apr	9.6%	6.5%	3.1%	Easter effect should shift retail sales up.
24-May							
12:00	RS	Wages (y/y)	Mar			6.9%	

Market Forecasts

Government bond yields											
	current	2019Q2	2019Q3	2019Q4	2020Q1		current	2019Q2	2019Q3	2019Q4	2020Q1
Croatia 10Y	1.72	1.80	1.80	1.80	1.90	FX					
spread (bps)	180	165	158	152	154						
Czech Rep. 10Y	1.83	2.17	2.17	2.33	2.44						
spread (bps)	191	202	195	205	208	EURHRK	7.43	7.32	7.42	7.45	7.42
Hungary 10Y	3.16	3.14	3.23	3.40	3.46	forwards		7.43	7.43	7.43	7.43
spread (bps)	324	299	301	312	310	EURCZK	25.77	25.65	25.51	25.31	25.03
Poland 10Y	2.89	2.85	2.90	3.00	3.10	forwards		25.80	25.80	25.80	25.80
spread (bps)	297	270	268	272	274	EURHUF	326.0	319.0	320.0	322.0	322.0
Romania 10Y	4.92	4.70	5.10	5.20	5.40	forwards		329.2	329.2	329.3	329.3
spread (bps)	500	455	488	492	504	EURPLN	4.30	4.31	4.32	4.29	4.29
Slovakia 10Y	0.46	0.75	0.85	0.85	0.95	forwards		4.30	4.30	4.30	4.30
spread (bps)	54	60	63	57	59	EURRON	4.76	4.75	4.75	4.77	4.79
Slovenia 10Y	0.56	0.80	0.90	0.90	1.00	forwards		4.76	4.76	4.76	4.76
spread (bps)	64	65	68	62	64	EURRSD	117.9	117.9	118.0	118.3	118.1
Serbia 5Y	3.92	3.96	3.90	3.93	3.95	forwards		-	-	-	-
DE10Y (BBG)*	-0.08	0.15	0.22	0.28	0.36	EURUSD	1.12	1.15	1.18	1.18	-
3M Money Market Rate						Key Interest Rate					
	current	2019Q2	2019Q3	2019Q4	2020Q1		current	2019Q2	2019Q3	2019Q4	2020Q1
Croatia	0.47	0.50	0.50	0.50	0.50	Croatia	0.30	0.30	0.30	0.30	0.30
Czech Republic	2.20	2.18	2.18	2.18	2.24	Czech Republic	2.00	2.00	2.00	2.00	2.00
Hungary	0.16	0.22	0.30	0.45	0.60	Hungary	0.90	0.90	0.90	0.90	0.90
Poland	1.72	1.72	1.72	1.72	1.72	Poland	1.50	1.50	1.50	1.50	1.50
Romania	3.28	3.20	3.70	3.60	3.50	Romania	2.50	2.50	2.50	2.50	2.50
Serbia	2.96	2.96	2.98	2.98	2.99	Serbia	3.00	3.00	3.00	3.00	3.00
Eurozone	-0.31	-0.30	-0.30	-0.30	-	Eurozone	0.00	0.00	0.00	0.00	-

Source: Erste Group Research, Bloomberg

Note: *Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

Past performance available [here](#)

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