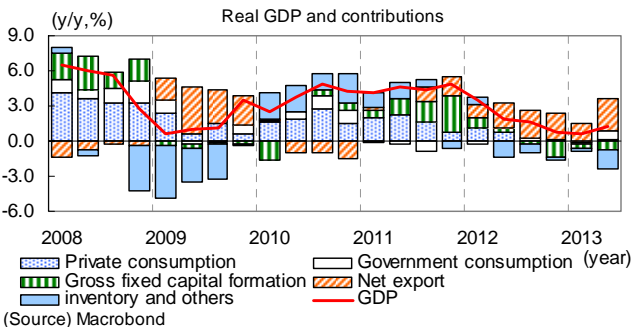


**Main Economic & Financial Indicators: Poland**

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Overview	Consumption/Consumer sentiment
<p>The Polish economy has been slowing reflecting the sluggish external demand amid the recession in the Euro area as well as the weak domestic demand on the back of the worsening labour market conditions. However, there are some signs that economic recovery has started to appear as the German economy, Poland's biggest trade partner, has returned to growth again albeit at a modest pace. Real GDP in Q2 grew by 0.8% compared to the same quarter a year earlier, picking up a pace slightly from Q1. Meanwhile, although there are some signs which suggest a recovery in private consumption, domestic demand as a whole remains weak. The Purchasing Managers' Index for the manufacturing sector in August was above 50 (above 50 mark means expansion in the sector) for the second month in a row, raising expectations of a better outlook. That said, strong recovery in export can hardly be expected given the slowdown in emerging economies and a slow recovery in the Euro area countries. Looking at domestic demand, although low inflation is good news for households, sustainable recovery in consumer spending is likely to take some time yet given low consumer confidence on the back of high unemployment. Following a series of rate cuts between November 2012 and July 2013 to prop up domestic demand, the National Bank of Poland (central bank) is deemed to have ended its monetary easing cycle given rising concerns over an increase in capital outflows from emerging economies on the back of expectations of the US Federal Reserve scaling back its QE programme.</p>	<p>Retail sales in July grew by 4.3% compared to the same month a year earlier, accelerating from the 2.6% y/y growth in June. Consumer confidence improved for two months in a row in August on the back of lower inflation and a series of interest rate cuts by the central bank, but it is still at a low level. Moreover, as the unemployment rate worsened again in August to 13.0% compared to 12.4% a year earlier, it is more likely that a sustainable recovery in consumer spending will be some time away.</p>
<p><b>GDP</b></p>	<p><b>Prices</b></p>
<p>In Q2, real GDP grew by 0.8% y/y, picking up the pace from 0.5% y/y growth seen in Q1. The main contributor to overall growth was net export. Exports grew by 5.4% y/y on the back of recovery in external demand including from Germany (it consists of around 25% of Polish exports) while imports continued to decrease, down by 0.9% y/y. Growth in private consumption turned positive but remained weak, up only by 0.2% y/y. Gross fixed capital formation decreased by 3.8% y/y reflecting a decline in infrastructure investment after the Euro 2012 football championship.</p>  <p>(Source) Macrobond</p>	<p>The consumer price index rose by 1.1% y/y in August, unchanged from July, remaining below the central bank's inflation target range of 1.5 ~ 3.5% for the seventh month in a row. The central bank expects that inflation will remain below the target range until the end of 2014 as both domestic and global demand remain weak. After the monetary policy meeting in July when the central bank last cut its policy rate, the bank indicated that there will be no further monetary easing. The bank also suggested that the policy rate will remain at a low level for an extended period as the recovery in both of the domestic and global economy is likely to be gradual.</p>  <p>(Source) Macrobond</p>
<p><b>Output</b></p>	<p><b>Balance of payments</b></p>
<p>Growth in industrial production in August slowed from 6.3% y/y in July to 2.2% y/y reflecting the fact that growth in the manufacturing sector slowed to 2.3% y/y. The Purchasing Managers' Index for the manufacturing sector in August was at 52.6, up from 51.1 in July, remaining above the 50 mark which indicates an expansion in the sector. Looking at the breakdown of this figure suggests that output is likely to remain expansive as new orders continued to recover mainly boosted by stronger export orders. An increase in employment was also observed on the back of higher output. The Construction sector continued to contract, down 11.1% y/y in August. It is likely that the construction sector remains depressed given that the number of housing permits granted continued to fall on year-on-year basis.</p>	<p>Poland has historically experienced large current account deficits thanks to its goods trade deficit owing to the country's domestic demand driven economic structure as well as the deficit it suffers in terms of its income account reflecting the repatriation of capital by foreign companies operating in Poland. However, trade deficit has been shrinking given the recent sharp decline in imports on the back of weak domestic demand. In Q2, the goods trade balance turned to a surplus of US\$1.6bn reflecting weak growth in imports, up only by 1.2% y/y, while exports grew faster by 9.2% y/y. As a result, the current account posted a surplus of US\$1.9bn. The surplus in the service and the current transfer balance remained almost flat compared to a year earlier at US\$2.2bn and US\$2.83bn respectively. The income deficit was almost unchanged from a year earlier at US\$4.7bn.</p>  <p>(Source) Macrobond</p>

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### 1. Annual and quarterly data

		2010	2011	2012	12/Q2	12/Q3	12/Q4	13/Q1	13/Q2
GDP (at current prices)	(US\$ bn)	469.5	515.3	489.9	117.2	119.0	139.5	120.1	123.0
Real GDP growth	(%, y/y)	4.7	4.9	0.7	2.3	1.3	0.7	0.5	0.8
( Private consumption )	(%, y/y)	3.7	1.4	-0.2	1.3	0.2	-0.2	0.0	0.2
( Gross fixed capital formation )	(%, y/y)	2.2	10.0	-4.1	1.4	-1.7	-4.1	-2.0	-3.8
Industrial production	(%, y/y)	11.0	7.2	1.4	2.9	0.2	-2.3	-1.6	1.3
Retail sales (real)	(%, y/y)	3.3	6.8	3.1	2.9	1.8	-0.8	0.4	1.3
Bank credits to the private sector	(%, y/y)	8.4	13.4	1.5	9.3	4.0	1.5	3.5	3.5
Consumer price index	(%, y/y)	2.6	4.3	3.7	4.0	3.9	2.9	1.3	0.5
Wage growth rate	(%, y/y)	3.6	4.9	3.5	3.8	2.2	2.6	2.0	2.2
Unemployment rate	(%)	12.1	12.4	12.8	12.6	12.4	12.9	14.3	13.6
Trade balance*	(US\$ mn)	-18,281	-21,796	-13,730	-3,923	-1,904	-3,407	-1,328	661
Exports*	(US\$ mn)	159,421	188,424	185,307	45,117	45,653	48,465	48,161	48,355
Export growth	(%, y/y)	17.4	18.2	-1.7	-8.7	-4.9	5.6	4.4	7
Imports*	(US\$ mn)	177,701	210,220	199,037	49,040	47,557	51,872	49,488	47,695
Import growth	(%, y/y)	19.5	18.3	-5.3	-12.5	-10.8	1.5	-2.3	-3
Current account	(US\$ mn)	-24,064	-25,039	-17,128	-2,805	-4,134	-4,308	-2,729	1,899
Capital and financial balances	(US\$ mn)	50,073	40,155	30,961	7,175	8,634	6,528	7,042	1,192
Foreign direct investment	(US\$ mn)	14,459	18,683	3,007	1,470	1,378	2,590	488	-4,964
Foreign reserves	(US\$ mn)	88,822	92,647	103,396	96,160	99,852	103,396	103,568	102,922
External debt	(US\$ mn)	317,132	320,637	364,973	332,123	353,445	364,973	356,879	-
Stock price index		42,789	44,558	41,613	39,339	41,561	44,856	46,725	45,626
Short-term interest rates (Interbank 3m )		3.936	4.543	4.909	5.034	5.064	4.574	3.783	2.976
Long-term interest rates (Gov.10y bond yields)		5.782	5.956	5.000	5.380	4.907	4.210	3.943	3.577
Zloty/USD		3.018	2.965	3.256	3.321	3.308	3.169	3.147	3.215
Zloty/Euro		3.994	4.121	4.184	4.255	4.137	4.111	4.155	4.197
Zloty/GBP		4.657	4.748	5.160	5.252	5.225	5.093	4.885	4.936

### 2. Monthly data

		13/01	2	3	4	5	6	7	8
Industrial production	(%, y/y)	0.3	-2.1	-2.9	2.7	-1.8	3.0	6.3	2.2
Retail sales (real)	(%, y/y)	2.4	-1.3	0.0	0.1	1.2	2.6	4.3	-
Bank credits to the private sector	(%, y/y)	3.7	3.8	3.5	2.4	1.5	3.5	3.9	-
Consumer price index	(%, y/y)	1.7	1.3	1.0	0.8	0.5	0.2	1.1	1.1
Wage growth rate	(%, y/y)	0.4	4.0	1.6	3.0	2.3	1.4	3.5	2.0
Unemployment rate	(%)	14.2	14.4	14.3	14.0	13.5	13.2	13.1	13.0
Trade balance*	(US\$ mn)	-474	186	-1,024	438	-318	540	-185.8	-
Exports*	(US\$ mn)	15,848	16,132	16,166	16,787	15,370	16,193	16554.7	-
Export growth	(%, y/y)	10.1	5.8	-2.6	9.9	1.6	9.8	11.8	-
Imports*	(US\$ mn)	16,322	15,946	17,190	16,349	15,687	15,653	16740.5	-
Import growth	(%, y/y)	3.0	-6.3	-4.0	-1.0	-6.6	-0.7	6.5	-
Stock price index		47,570	46,356	46,152	44,325	45,775	46,886	45,924	49,122
Short-term interest rates (Interbank 3m )		4.034	3.805	3.487	3.290	2.876	2.745	2.697	2.701
Long-term interest rates (Gov.10y bond yields)		3.910	3.990	3.930	3.500	3.280	3.950	3.970	4.3
Zloty/USD		3.114	3.121	3.208	3.176	3.222	3.251	3.266	3.177
Zloty/Euro		4.139	4.170	4.158	4.138	4.179	4.284	4.275	4.230
Zloty/GBP		4.975	4.833	4.836	4.870	4.921	5.025	4.964	4.920

Note: \*Custom-based trade statistics

Source: National Bank of Poland, Macrobond, Bloomberg etc.

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