

Main Economic & Financial Indicators: Poland

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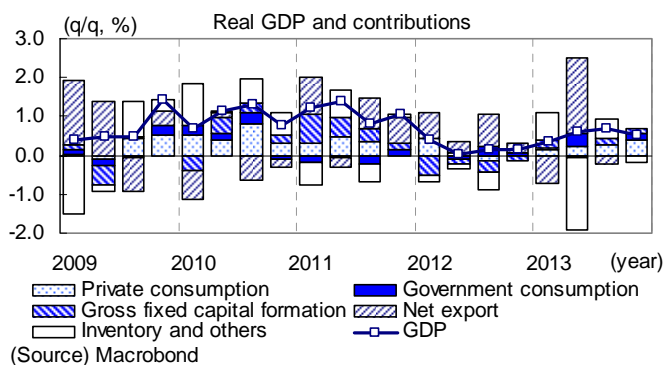
Overview

The Polish economy is on a gradual recovery path. Although real GDP growth decelerated from 0.7% q/q in Q3 to 0.5% q/q in Q4, it remained resilient. Gradual wage growth as well as low inflation and historically low interest rates supported the recovery in private consumption. Looking ahead, economic indicators at the start of 2014 show that private consumption is likely to continue its recovery. The latest consumer confidence reading recovered to a level last reached in 2010 on the back of better labour market conditions, while bank lending to households has been increasing at a moderate pace, reflecting record low policy rates set by the National Bank of Poland.

Looking at corporate activities, growth in industrial production remained resilient on the back of the recovery in external demand from Germany. The latest readings of the Purchasing Managers' Index (PMI) indicate that the outlook for the industry remains positive. Data in bank lending to non-financial corporations is also showing signs of recovery and has started to increase at a slow pace. The latest bank lending survey also suggests that lending criteria loosened not only to large enterprises but also to small and medium-sized enterprises.

GDP

In Q4, real GDP grew by 0.5% q/q. Private consumption contributed the most to overall growth, up by 0.5% q/q. Growth in gross fixed capital formation has remained positive for the second quarter in a row, growing by 0.5% q/q. Both exports and imports decelerated sharply to 1.0% q/q and 1.1% q/q respectively, rebounding from a jump in the previous quarter (exports and imports in Q3 grew by 3.1% q/q and 3.9% q/q respectively).



Output

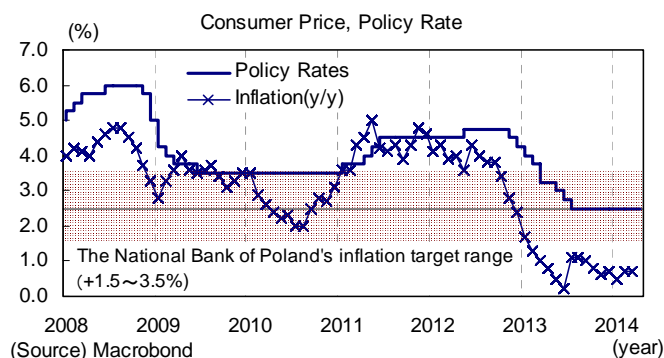
Growth in industrial production remained resilient in March, up by 5.4% y/y following the 5.3% y/y growth in February. The manufacturing sector continued to grow strongly, up by 7.4% y/y. Notable growth was seen in automobiles (+12.5% y/y), rubber and plastics (+16.3% y/y) and furniture (+21.3% y/y). The PMI for the manufacturing sector stood at 52.0 in April, down from the three-year high of 55.9 in February for the second month in a row, but it remained above the 50 mark, which indicates an expansion in the sector. The breakdown of this figure suggests that the growth pace in new orders decelerated on the back of slower growth in export orders, reflecting a weaker European demand as well as the political tensions between Ukraine and Russia (% in Poland's export: Russia 6%, Ukraine 3%), however domestic orders remained robust. Employment continued to increase. Meanwhile, growth in the construction sector jumped for the second month in a row in March, up by 17.4%. Although the rise mostly came from a very low base, it was the first time in two years that the sector saw two consecutive months of growth. The Business Confidence Index in the construction sector is also painting a brighter picture, improving gradually on the back of a domestic demand recovery.

Consumption, Consumer sentiment

Despite the fact that retail sales decelerated from the 7.0% y/y growth in February to 3.3% y/y in March, private consumption is likely to remain resilient. The unemployment rate (non-seasonally adjusted) fell to 13.5% in March from 14.3% a year ago, while the number of employees in the private sector has also been increasing on a year-on-year basis since last October. Gradual growth in gross wages, low inflation as well as the historically low interest rates have also been providing a boost for household budgets, pushing the Consumer Confidence Index in April up to the highest level since 2010.

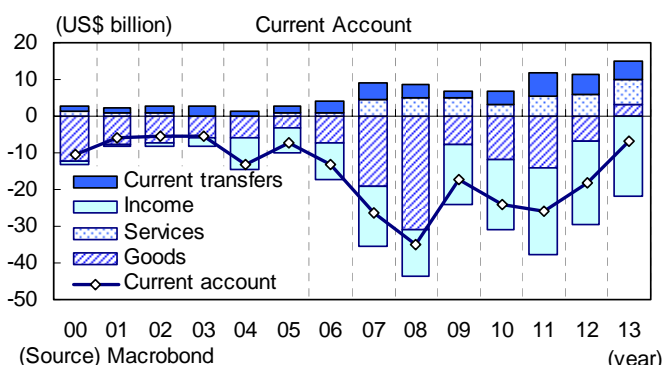
Prices, Monetary Policy

The Consumer Price Index rose by 0.7% y/y in March, unchanged from February. The central bank held its policy rate at 2.5% at its monetary policy meeting on May 7th. The bank iterated that it would keep its rates unchanged at least until the end of the third quarter of 2014. It also said that the country's economic recovery is likely to continue in 2014 and 2015 on the back of a domestic and external demand recovery as well as a recovery in corporate investment, given the improvements in their financing. On the other hand, it added, inflationary pressures will remain subdued, as recovery in demand is likely to remain gradual. Gas price cuts imposed in January of this year will also put downward pressure on inflation throughout the year. Therefore, it said, the inflation rate in 2014 is likely to remain below the bottom range of the central bank's inflation target (between 1.5% and 3.5%).



Balance of payments

The current account deficit in 2013 decreased to US\$6.6bn (1.3% of GDP, the lowest level since 2000) from US\$18.3bn a year earlier, thanks to an improvement in its goods trade balance, which turned into a surplus of US\$3.0bn from a deficit of US\$6.7bn in 2012. Exports increased 8.5% y/y, supported by a recovery in demand from Germany and the UK in particular, while imports grew at a more moderate pace of 3.3% y/y.



Main Economic & Financial Indicators: Poland

1. Annual and quarterly data

| | | 2011 | 2012 | 2013 | 13/Q1 | 13/Q2 | 13/Q3 | 13/Q4 | 14/Q1 |
|--|-----------|----------|----------|---------|---------|---------|---------|---------|--------|
| GDP (at current prices) | (US\$ bn) | 515.3 | 490.2 | 517.6 | 120.2 | 123.3 | 126.5 | 148.2 | - |
| Real GDP growth | (q/q, %) | 4.5 | 2.1 | 1.5 | 0.4 | 0.6 | 0.7 | 0.5 | - |
| | (y/y, %) | | | | 0.4 | 0.8 | 2.0 | 2.7 | - |
| (Private consumption) | (q/q, %) | 2.6 | 1.3 | 0.8 | 0.4 | 0.2 | 0.4 | 0.5 | - |
| | (y/y, %) | | | | 0.0 | 0.1 | 1.0 | 2.1 | - |
| (Gross fixed capital formation) | (q/q, %) | 8.0 | -0.3 | -0.8 | 0.9 | -0.3 | 0.9 | 0.5 | - |
| | (y/y, %) | | | | -2.4 | -3.3 | 0.5 | 2.0 | - |
| Industrial production | (y/y, %) | 7.2 | 1.4 | 2.3 | -1.6 | 1.3 | 4.9 | 4.6 | 4.9 |
| Retail sales (real) | (y/y, %) | 6.8 | 3.1 | 2.6 | 0.4 | 1.3 | 4.0 | 4.6 | 5.0 |
| Bank credits to the private sector | (y/y, %) | 13.4 | 1.5 | 4.2 | 3.5 | 3.5 | 4.0 | 4.2 | 5.2 |
| Consumer price index | (y/y, %) | 4.3 | 3.7 | 0.9 | 1.3 | 0.5 | 1.1 | 0.7 | 0.6 |
| Wage growth rate | (y/y, %) | 4.9 | 3.5 | 2.6 | 2.0 | 2.2 | 3.0 | 3.0 | 4.1 |
| Unemployment rate | (%) | 12.4 | 12.8 | 13.5 | 14.3 | 13.6 | 13.0 | 13.2 | 13.8 |
| Trade balance* | (US\$ mn) | ▲ 21,796 | ▲ 13,730 | ▲ 3,093 | ▲ 1,619 | 318 | ▲ 120 | ▲ 1,672 | - |
| Exports* | (US\$ mn) | 188,424 | 185,307 | 202,131 | 48,652 | 49,325 | 51,228 | 52,926 | - |
| Export growth | (y/y, %) | 18.2 | -1.7 | 9.0 | 5.4 | 9.3 | 12.2 | 9.2 | - |
| Imports* | (US\$ mn) | 210,220 | 199,037 | 205,225 | 50,271 | 49,007 | 51,349 | 54,598 | - |
| Import growth | (y/y, %) | 18.3 | -5.3 | 3.1 | -0.8 | -0.1 | 8.0 | 5.3 | - |
| Current account | (US\$ mn) | ▲ 25,770 | ▲ 18,263 | ▲ 6,636 | ▲ 3,051 | 634 | ▲ 2,761 | ▲ 1,458 | - |
| Capital and financial balances | (US\$ mn) | 41,971 | 33,531 | 14,764 | 7,625 | 2,549 | 3,693 | 897 | - |
| Foreign direct investment | (US\$ mn) | 20,653 | 6,068 | ▲ 6,144 | 245 | ▲ 3,874 | 2,502 | ▲ 4,949 | - |
| Foreign reserves | (US\$ mn) | 92,647 | 103,396 | 102,236 | 103,568 | 102,922 | 102,442 | 102,236 | 98,560 |
| External debt | (US\$ mn) | 323,289 | 365,745 | 379,279 | 357,683 | 357,697 | 377,972 | 379,279 | - |
| Stock price index | | 44,558 | 41,613 | 48,323 | 46,725 | 45,626 | 48,054 | 52,796 | 51,557 |
| Short-term interest rates (Interbank 3m) | | 4.54 | 4.91 | 3.02 | 3.78 | 2.98 | 2.70 | 2.67 | 2.71 |
| Long-term interest rates (Gov.10y bond yields) | | 5.96 | 5.00 | 4.03 | 3.94 | 3.58 | 4.25 | 4.36 | 4.38 |
| Zloty/USD | | 2.97 | 3.26 | 3.16 | 3.15 | 3.22 | 3.21 | 3.07 | 3.05 |
| Zloty/Euro | | 4.12 | 4.18 | 4.20 | 4.15 | 4.20 | 4.25 | 4.18 | 4.18 |
| Zloty/GBP | | 4.75 | 5.16 | 4.94 | 4.89 | 4.94 | 4.97 | 4.98 | 5.05 |

2. Monthly data

| | | 13/09 | 10 | 11 | 12 | 14/01 | 2 | 3 | 4 |
|--|-----------|--------|--------|--------|--------|--------|--------|--------|--------|
| Industrial production | (y/y, %) | 6.2 | 4.4 | 2.9 | 6.6 | 4.1 | 5.3 | 5.4 | - |
| Retail sales (real) | (y/y, %) | 4.1 | 3.7 | 4.2 | 5.9 | 4.8 | 7.0 | 3.3 | - |
| Bank credits to the private sector | (y/y, %) | 4.0 | 3.1 | 4.0 | 4.2 | 4.3 | 4.7 | 5.2 | - |
| Consumer price index | (y/y, %) | 1.0 | 0.8 | 0.6 | 0.7 | 0.5 | 0.7 | 0.7 | - |
| Wage growth rate | (y/y, %) | 3.6 | 3.1 | 3.1 | 2.7 | 3.4 | 4.0 | 4.8 | - |
| Unemployment rate | (%) | 13.0 | 13.0 | 13.2 | 13.4 | 14.0 | 13.9 | 13.5 | - |
| Trade balance* | (US\$ mn) | 314 | ▲ 331 | ▲ 685 | ▲ 654 | 121 | ▲ 80 | - | - |
| Exports* | (US\$ mn) | 18,196 | 19,847 | 17,769 | 15,279 | 17,801 | 16,680 | - | - |
| Export growth | (y/y, %) | 12.6 | 8.2 | 6.4 | 14.2 | 11.4 | 2.4 | - | - |
| Imports* | (US\$ mn) | 17,882 | 20,179 | 18,454 | 15,933 | 17,680 | 16,760 | - | - |
| Import growth | (y/y, %) | 7.6 | 8.5 | 3.9 | 2.8 | 6.8 | 3.5 | - | - |
| Stock price index | | 49,268 | 52,456 | 54,106 | 51,901 | 50,841 | 52,792 | 51,165 | 51,977 |
| Short-term interest rates (Interbank 3m) | | 2.69 | 2.67 | 2.65 | 2.67 | 2.70 | 2.71 | 2.71 | 2.72 |
| Long-term interest rates (Gov.10y bond yields) | | 4.49 | 4.28 | 4.38 | 4.42 | 4.42 | 4.47 | 4.25 | - |
| Zloty/USD | | 3.17 | 3.07 | 3.11 | 3.04 | 3.07 | 3.05 | 3.04 | 3.03 |
| Zloty/Euro | | 4.24 | 4.19 | 4.19 | 4.17 | 4.18 | 4.17 | 4.20 | 4.19 |
| Zloty/GBP | | 5.03 | 4.95 | 4.99 | 4.99 | 5.05 | 5.06 | 5.05 | 5.07 |

Note: *Custom-based trade statistics

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

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