

# EYEOPENER

18 April 2018

## IMF raises Poland GDP forecasts

- **IMF sees higher growth in 2018**
- **MPC's Hardt: virtually zero chances for a rate change this year**
- **Polish and global bonds gain**
- **Zloty and its CEE peers give up gains**
- **Today: Poland labour market data and Fed Beige Book**

On Tuesday, the zloty and its CEE peers were under slight pressure amid profit taking while bonds resumed gains. Polish debt was supported by positive mood on the global interest rate market. The International Monetary Fund raised Poland GDP forecast while Frans Timmermans suggested there are chances for a relations improvement with Poland.

**MPC member Łukasz Hardt** said yesterday for Parkiet TV that there are hardly any chances for an interest rate change this year while in 2019 there will be only two options – keeping them unchanged or hiking. In his view, both options are currently equally likely but next macro data may alter his assessment. He underlined that tolerating inflation large deviations from the target would be unacceptable as this would be against the MPC's mandate.

**The International Monetary Fund issued the spring edition of its World Economic Outlook report.** IMF forecasts the Polish GDP growth at 4.1% this year (upward revision from 3.3%, but still less than we envisage; the IMF report signals the economy will be running above its potential growth) and in 2019 at 3.5% (in line with our forecast, upward revision from 3%). According to the Fund, the pace of growth of developed and developing economies will remain solid (and may even improve) this year and in 2019. Only in the following years a slowdown could come, once the cyclical boost and the effect of US fiscal stimulus wane. The main factor behind the expected slowdown is going to be weak potential growth of economies. IMF pointed to some risks to global growth: still loose monetary policies, persistently low inflation, geopolitics and a possible turn towards policies curbing international trade. The Fund raised growth forecasts for all CEE economies, justifying this by better prospects of the euro zone economy (GDP forecast for the euro zone was lifted from 1.9% to 2.4% and for 2019 it was 2%). IMF decided to increase its estimate of average 2018 inflation in Poland, at the moment when the market is adjusting down its view on CPI. The Fund signals a possibility that Polish CPI hits 2.9% y/y at the end of the current year and decreases to 2.2% by the end of 2019. In both years this would yield a 2.5% average, while we expect a sub-2% result for 2018).

Frans Timmermans, deputy head of the EC said after the meeting with EU ministers when he presented the update on the **relations**

**with Poland** that agreement is likely to be reached until May. Still, despite the progress, more actions are required from Polish government.

**EURUSD fell** on Tuesday from 1.241 to 1.237. The move started after a publication of poor German ZEW data. The appreciation of the dollar was accompanied by rising equity indices and a release of the IMF report with higher short-term growth forecasts for the euro zone and the US. Today we expect the greenback to continue strengthening as there is risk that the trade war extends to Europe – South America relations.

**EURPLN rose** from 4.15 to 4.16 in a profit taking after six sessions of declines. Today we expect further zloty weakening. The pace of EURPLN rise may slow after the release of domestic labour market data, which should be better than market consensus, in our view.

**In case of the other CEE currencies**, the koruna and forint depreciated slightly against the euro – EURCZK rose from 25.26 to 25.28 and EURHUF from 310.10 to 310.40. Better IMF forecasts for the regional economies did not impress investors too much. USDRUB rose from 61.30 to 61.60, partly due to speculations about possible further sanctions that may be imposed on Russia by the US, and partly due to lower than expected PPI.

**On the global debt markets** yields were declining at the long ends of US and German curves in reaction to IMF forecasts and (in case of Germany) lower ZEW index. The long end and the belly of the US curve decreased by 1-4bp (stronger in 10Y) and the German curve decreased by 2bp. Today we expect a market stabilisation amid lack of major data releases.

**On the domestic interest rate market** yields were decreasing along the yield curve, recovering after Monday's profit taking. Polish bonds were supported by quite dovish comment of MPC member, positive IMF report and suggestions about decreasing tensions in relations with the EU. As a result, the yield curve decreased by 4-6bp in segment 5-10Y and by 2bp at the short end. Today we expect a stabilisation of yields, which should be assisted by labour market data, which should be slightly better than market expects, in our view.

**We have just released the [report](#)**, estimating costs of the government's new proposals presented during the weekend by PM Mateusz Morawiecki.

### ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40

email: [ekonomia@bzwbk.pl](mailto:ekonomia@bzwbk.pl)

Web site: [skarb.bzwbk.pl](http://skarb.bzwbk.pl)

Piotr Bielski +48 22 534 18 87

Marcin Łuziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Konrad Soszyński +48 22 534 18 86

Marcin Sulewski +48 22 534 18 84

### TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

## FX market

## Today's opening

EURPLN	4.1639	CZKPLN	0.1647
USDPLN	3.3664	HUFPLN*	1.3421
EURUSD	1.2369	RUBPLN	0.0546
CHFPLN	3.4786	NOKPLN	0.4337
GBPPLN	4.8161	DKKPLN	0.5592
USDCNY	6.2893	SEKPLN	0.4008

\*for 100HUF

## Last session in the FX market

17/04/2018

	min	max	open	close	fixing
EURPLN	4.151	4.164	4.154	4.161	4.1582
USDPLN	3.347	3.374	3.355	3.368	3.3572
EURUSD	1.234	1.241	1.238	1.236	-

## Interest rate market

17/04/2018

## T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.52	0	05-Apr-18	OK0720	1.495
PS0123 (5L)	2.31	-3	05-Apr-18	PS0123	2.335
WS0428 (10L)	3.04	-3	05-Apr-18	WS0428	3.123

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.51	0	-0.26	0
2L	1.86	-1	2.68	0	-0.15	0
3L	2.01	0	2.76	0	0.02	-1
4L	2.18	-1	2.79	0	0.20	-1
5L	2.33	-1	2.81	0	0.36	-2
8L	2.63	-2	2.84	0	0.75	-1
10L	2.80	-1	2.86	-1	0.95	-2

## WIBOR rates

Term	%	Change (bps)
O/N	2.07	30
T/N	2.06	29
SW	1.63	3
2W	1.61	1
1M	1.64	0
3M	1.70	0
6M	1.78	0
9M	1.79	0
1Y	1.82	0

## FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.70	0
3x6	1.70	-1
6x9	1.71	-2
9x12	1.73	-1
3x9	1.77	-2
6x12	1.79	-1

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.53	-4
France	17	0	0.22	0
Hungary	116	1	1.90	-1
Spain	38	-1	0.70	-1
Italy	99	-1	1.24	-1
Portugal	64	0	1.09	-1
Ireland	25	0	0.39	-3
Germany	10	1	-	-

\* 10Y treasury bonds over 10Y Bunds

\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

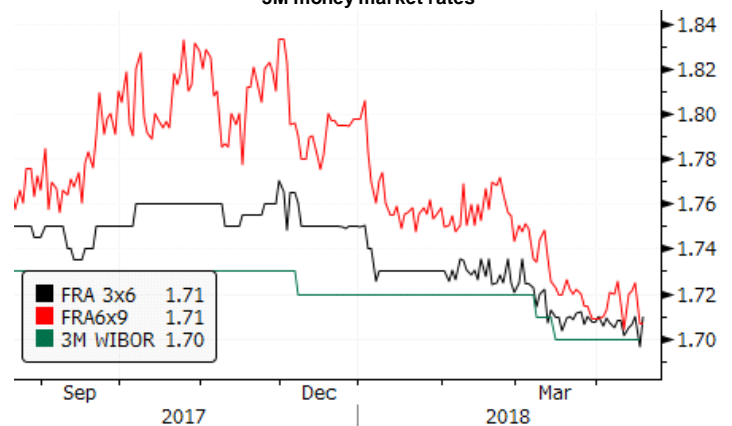
## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

TIME		INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE	
CET				MARKET	BZWBK			
FRIDAY (13 April)								
08:00	DE	HICP	Mar	% y/y	1.5		1.5	1.5
10:00	PL	CPI	Mar	% y/y	1.3	1.3	1.3	1.4
14:00	PL	Current Account Balance	Feb	€mn	-355.0	-544	-1017	2005
14:00	PL	Trade Balance	Feb	€mn	-515.0	-310	-573	-204
14:00	PL	Exports	Feb	€mn	16700.0	16792.0	16271	16853
14:00	PL	Imports	Feb	€mn	17241.0	17102.0	16844	17057
16:00	US	Michigan index	Apr	pts	100.5		97.8	101.4
MONDAY (16 April)								
14:00	PL	CPI Core	Mar	% y/y	0.9	0.7	0.7	0.8
14:30	US	Retail Sales Advance	Mar	% m/m	0.4	-	0.6	-0.1
TUESDAY (17 April)								
11:00	DE	ZEW Survey Current Situation	Apr	pts	88.0	-	87.9	90.7
14:30	US	Housing Starts	Mar	% m/m	2.5	-	1.9	-7.0
15:15	US	Industrial Production	Mar	% m/m	0.3	-	0.5	1.0
WEDNESDAY (18 April)								
10:00	PL	Employment	Mar	% y/y	3.7	3.7		3.7
10:00	PL	Average Gross Wages	Mar	% y/y	6.5	7.0		6.8
11:00	EZ	HICP	Mar	% y/y	1.4	-		1.4
20:00	US	Beige Book						
THURSDAY (19 April)								
10:00	PL	Sold Industrial Output	Mar	% y/y	2.9	4.5		7.4
10:00	PL	Construction Output	Mar	% y/y	17.8	16.1		31.4
10:00	PL	PPI	Mar	% y/y	0.0	0.1		-0.2
14:30	US	Initial Jobless Claims	Apr-18	k	230.0	-		233.0
FRIDAY (20 April)								
No important events								

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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Additional information is available on request. Please contact Bank Zachodni WBK S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@bzwbk.pl, http://www.bzwbk.pl.