

EYEOPENER

24 April 2018

Retail sales strong despite Sunday trade ban

- **Elevated volatility on FX and FI markets at the start of the week**
- **Strong print of Polish retail sales, major revisions of 2017 GDP data**
- **Zloty and other EM currencies under pressure of the dollar**
- **Polish bond yields temporarily up**
- **Today central bank decision in Hungary, important data from Germany and USA, Poland's M3 money supply**

At the start of the week the markets became more jittery. Bond yields rose on the core markets and euro zone peripheries, and the dollar strengthened. Flash PMIs for Germany and euro zone were better than expected, but April was another month of deterioration in industry – new orders dropped.

According to PAP, a European Commission's regulation to **link EU funds disbursement to compliance with rule of law** is already prepared. Deputy minister of finance Konrad Szymański said the government does not support such changes.

Retail sales accelerated to 8.8% y/y in March from 7.7% y/y in February, in line with our expectations (8.6% y/y) and above the consensus (7.8% y/y). Easter was a crucial supporter of sales, while Sunday trade ban was in our view neutral or slightly negative for growth, but strongly affected its structure. In our view, high growth rate of retail sales will stay in the months to come, underpinning private consumption. **Statistics Poland revised GDP data for 2016-2017.** The most striking change is down revision of 4Q17 investments to 5.4% y/y from 11.3% reported earlier. Also, the peak of the cycle moved from 4Q17 to 3Q17. We wrote more on this in [Economic comment](#).

The Stats Office presented also a **revised estimate of general government debt and deficit for 2017. The deficit was revised to 1.7% of GDP from 1.5% of GDP.** According to the Ministry of Finance, upward revision was the result of including the using state funds to provide capital for entities outside the central and local governments.

Ministry of Finance estimates showed that a budget surplus continued in March. The surplus decreased from PLN4.5bn in February to PLN3.1bn, while we expected a figure closer to cPLN0.5bn. The year-to-date sum of revenues was 5.6% higher and the sum of expenditures was 6.3% lower than the MinFin plan. As a consequence, the fiscal result after the first three months of 2018 was more than PLN10bn better than scheduled (which is c0.5% of expected GDP for this year). VAT revenues in March alone rose 27.3% y/y, vs. +12.6% in February and -16.4% in January (the latter result was explained by the ministry as

additional VAT returns due to realized investments). The ministry clarified that CIT revenues fell in March by 24.5% y/y because the deadline for annual settlements fell on Saturday, March 31, and some payments may have arrived in April. In March, total revenues rose 8.8% y/y and total expenditures rose 1.2% y/y. This was the highest central budget balance recorded for March since at least 1995. It also seems that this year's planned deficit (of PLN41.5bn) will not be fully realized. In our view, the budget surplus may continue at least until the mid-year.

EURUSD fell for the third day in a row nearing the 1.22 support that been preventing the exchange rate from a bigger decline since the beginning of the year. The euro was under pressure of expectations ahead of the Thursday's ECB meeting – the recent European data were not too encouraging and the market assumes the central bank could soften its tone regarding expected economic outlook and pace of withdrawing highly accommodative monetary policy.

EURPLN on Monday recorded the biggest daily increase since September, reaching 4.204 at the end of the day, versus 4.17 at the opening. **USDPLN** rebounded from 3.40 to 3.43. Since Friday's close all main emerging market currencies weakened against the dollar and half of them also depreciated against euro – zloty was the fourth weakest currency in this group. **EURCZK** rebounded above 25.5 reaching the new April's high, and **EURHUF** rose from 310.4 to 312. We think the potential for zloty appreciation is small, but after the sharp spike **EURPLN** may stabilise today, awaiting the ECB meeting.

Today the Hungarian central bank meeting ends. We do not expect any major changes in bank's rhetoric, so the even should be neutral for the forint.

On Monday, the volatility **on the domestic debt market** was quite high. In the morning trading, the bonds were under pressure of the rising core yields. However, until the end of the day, 10Y bonds more than made up for their losses, while the 5Y bond returned to the morning level. Most of the core market bonds did not correct the morning losses. We believe that ECB conference (planned for Thursday) will gradually start to influence the bond market, which may be potentially translated into stabilisation or a slight decline in yields. **PS0418 bonds buyback (PLN11.5bn)** is scheduled for tomorrow.

ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40
 email: ekonomia@bzwbk.pl Web site: skarb.bzwbk.pl
 Piotr Bielski +48 22 534 18 87
 Marcin Luziński +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	4.2018	CZKPLN	0.1653
USDPLN	3.4387	HUFPLN*	1.3455
EURUSD	1.2219	RUBPLN	0.0559
CHFPLN	3.5194	NOKPLN	0.4365
GBPPLN	4.7943	DKKPLN	0.5642
USDCNY	6.3109	SEKPLN	0.4044

*for 100HUF

Last session in the FX market

23/04/2018

	min	max	open	close	fixing
EURPLN	4.168	4.205	4.176	4.204	4.1802
USDPLN	3.388	3.443	3.393	3.441	3.4156
EURUSD	1.221	1.229	1.229	1.222	-

Interest rate market

23/04/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
PS0420 (2L)	1.51	-1	05-Apr-18	OK0720	1.495
PS0123 (5L)	2.39	1	05-Apr-18	PS0123	2.335
WS0428 (10L)	3.08	-2	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	2.54	1	-0.26	0
2L	1.88	2	2.75	1	-0.13	1
3L	2.04	1	2.85	2	0.06	1
4L	2.23	2	2.90	3	0.25	2
5L	2.39	4	2.93	3	0.43	1
8L	2.70	2	2.98	3	0.84	3
10L	2.86	3	3.01	3	1.04	2

WIBOR rates

Term	%	Change (bps)
O/N	1.57	-7
T/N	1.57	-7
SW	1.57	-1
2W	1.60	0
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	1.71	-1
6x9	1.72	-1
9x12	1.74	-1
3x9	1.78	-1
6x12	1.80	2

Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.47	0
France	16	-1	0.21	0
Hungary	116	1	1.91	2
Spain	36	-2	0.68	1
Italy	85	-12	1.17	1
Portugal	64	0	1.06	1
Ireland	25	0	0.40	6
Germany	10	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

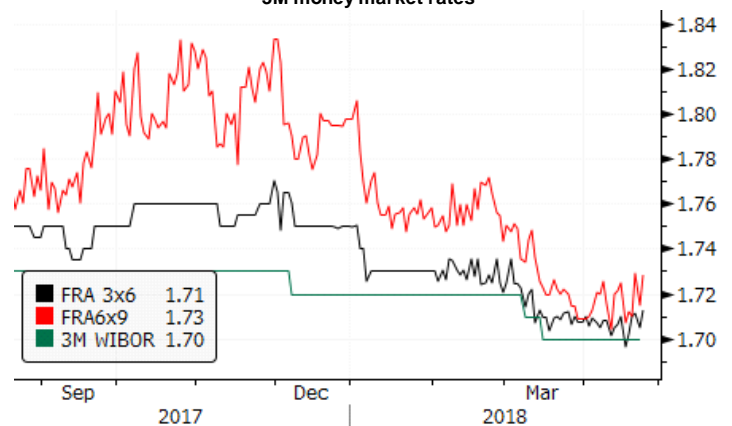
Zloty exchange rate



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 (20 April)								
No important events								
MONDAY (23 April)								
09:30	DE	Germany Manufacturing PMI	Apr	pts	57.5	-	58.1	58.2
09:30	DE	Markit Germany Services PMI	Apr	pts	53.7	-	54.1	53.9
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	56.0	-	56.0	56.6
10:00	EZ	Eurozone Services PMI	Apr	pts	54.6	-	55.0	54.9
10:00	PL	Real Retail Sales	Mar	% y/y	7.9	8.8	8.6	7.7
16:00	US	Existing Home Sales	Mar	% m/m	0.2	-	1.1	3.0
TUESDAY (24 April)								
10:00	DE	IFO Business Climate	Apr	pts	102.8	-		103.2
14:00	HU	Central Bank Rate Decision		%	0.9	-		0.9
14:00	PL	Money Supply M3	Mar	% y/y	5.2	5.6		4.9
16:00	US	Consumer Conference Board	Apr	pts	126.0	-		127.7
16:00	US	New Home Sales	Mar	% m/m	1.9	-		-0.6
WEDNESDAY (25 April)								
	PL	Buyback PS0418 (PLN11.5bn)	Apr					
10:00	PL	Unemployment Rate	Mar	%	6.5	6.6		6.8
THURSDAY (26 April)								
13:45	EZ	ECB Main Refinancing Rate	Apr-18	%	0.0	-		0.0
14:30	US	Durable Goods Orders	Mar	% m/m	1.05	-		3.0
14:30	US	Initial Jobless Claims	week	k	230	-		232
FRIDAY (27 April)								
11:00	EZ	ESI	Apr	pct.	112.0	-		112.6
11:30	PL	Bond Auction			-			
14:30	US	GDP Annualized	1Q	% Q/Q	2.1	-		2.9
16:00	US	Michigan index	Apr	pts	98.0	-		97.8

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.