

# Macro Monitor

## Poland

- We present an updated outlook on the Polish economy taking into account the latest economic releases for July and August.
- The outlook for the Polish economy continues to look bright. Taking into account the data on Q2 GDP growth, we have revised our growth forecasts up for this year and next on the back of a more promising outlook for investments and exports. We now expect the Polish economy to grow 3.1% y/y in 2010 and 4.6% y/y in 2011.
- Polish external balances have improved markedly. However, there does not seem to be much further improvement in sight. Our models indicate that the Polish trade balance and current account balance should remain at current levels going forward. However, we regard the current deficit levels as sustainable.
- We are now more optimistic on the outlook for the Polish labour market. Polish economic growth should return to trend growth around Q4 this year and the rise in unemployment should therefore be close to the peak. We now expect Polish unemployment to decline through 2011 and 2012.

### Macro forecasts

Year	Gdp <sup>1</sup>	Private. cons <sup>1</sup>	Fixed Inv <sup>1</sup>	Export <sup>1</sup>	Import <sup>1</sup>
2009	1.8	2.2	-1.0	-9.4	-13.4
2010	3.1	3.5	-1.6	14.1	13.2
2011	4.6	3.7	13.2	13.8	11.9
2012	4.1	3.5	7.6	13.7	11.6

1) Average %/y 2) % of GDP 3) % of total work force 4) Export and import prices, EUR

Source: Reuters Ecowin and Danske Markets

### Macro forecasts

Year	Trade Balance <sup>2,4</sup>	Current acc. <sup>2,4</sup>	Industrial prod. <sup>1</sup>	Unemployment <sup>3</sup>	Wages <sup>1</sup>	Inflation <sup>1</sup>
2009	-1.0	-1.6	-3.6	11.9	4.2	3.5
2010	-0.9	-1.9	12.1	12.0	3.1	2.6
2011	-1.2	-2.1	7.9	10.8	3.0	2.6
2012	-1.3	-2.2	6.8	10.5	5.3	2.6

1) Average %/y 2) % of GDP 3) % of total work force 4) Export and import prices, EUR

Source: Reuters Ecowin and Danske Markets

#### Chief Analyst

Lars Christensen  
+45 4512 8530  
larch@danskebank.dk

#### Assistant Analyst

Jens Nærvig Pedersen  
+45 4512 8548  
jenpe@danskebank.dk

# Economic growth

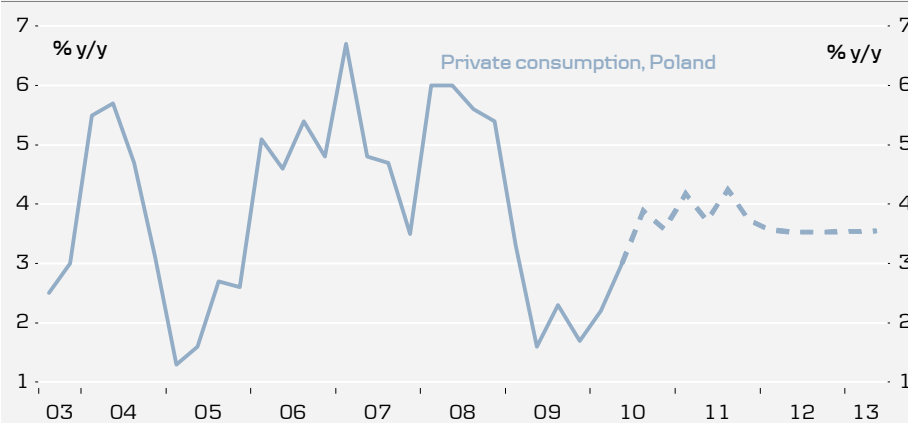
## Gross domestic product



Source: Reuters Ecowin and Danske Markets

- The Polish economy grew 1.7% y/y in 2009, avoiding the recession that hit neighbouring countries.
- We expect Polish economic growth to continue to increase. This year we forecast Polish economic growth at 3.1% y/y and next year we expect the economy to grow 4.6% y/y.

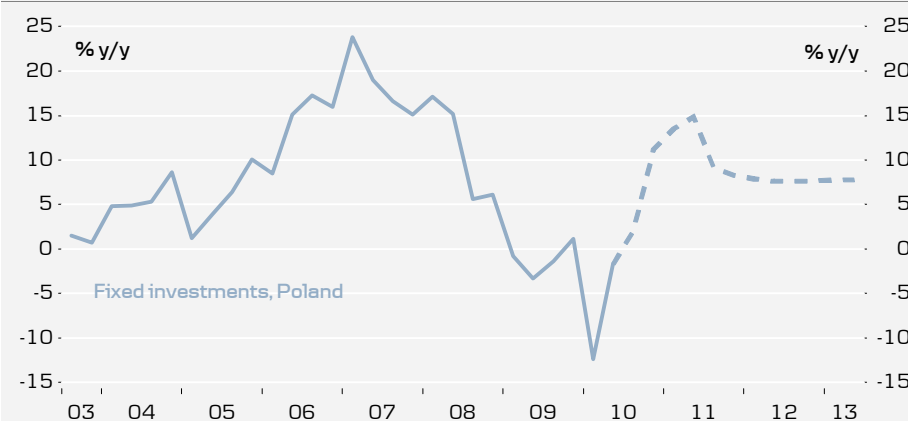
## Private consumption



Source: Reuters Ecowin and Danske Markets

- Polish private consumption has been quite resilient throughout 2009 compared with the massive drops in domestic demand experienced in the rest of Central and Eastern Europe.
- We expect private consumption to pick up in 2010, growing on average 3.5% y/y and around the same pace in 2011, growing on average 3.7% y/y.

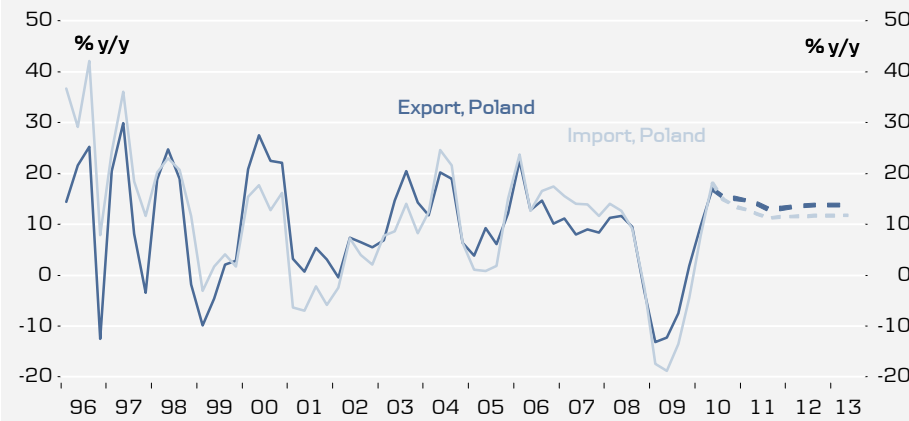
## Investments



Source: Reuters Ecowin and Danske Markets

- Investments dropped sharply in Q1 10. This was primarily due to a very bad winter which hurt Polish construction activity significantly. However, this was only a temporary effect and investments recovered in Q2 10. We now expect investments to drop on average -1.6% y/y in 2010 and grow 13.2% y/y in 2011.

### Exports and imports



Source: Reuters Ecowin and Danske Markets

- Polish exports have recovered rapidly over the past quarters as PMIs in the euro area have begun to recover.
- Imports have followed the same trend and have begun to recover. Domestic demand has started to move upwards.
- We expect export and import growth to remain at the current level.

## External balances

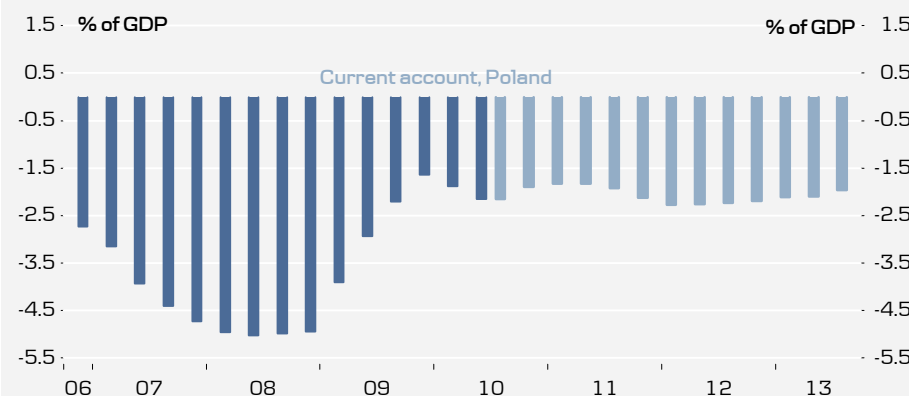
### Trade balance



Source: Reuters Ecowin and Danske Markets

- The trade balance improved significantly throughout 2009 reflecting improved Polish competitiveness and at the same time a decline in domestic demand.
- We expect the Polish trade balance to stabilise around the current level going forward.

### Current account

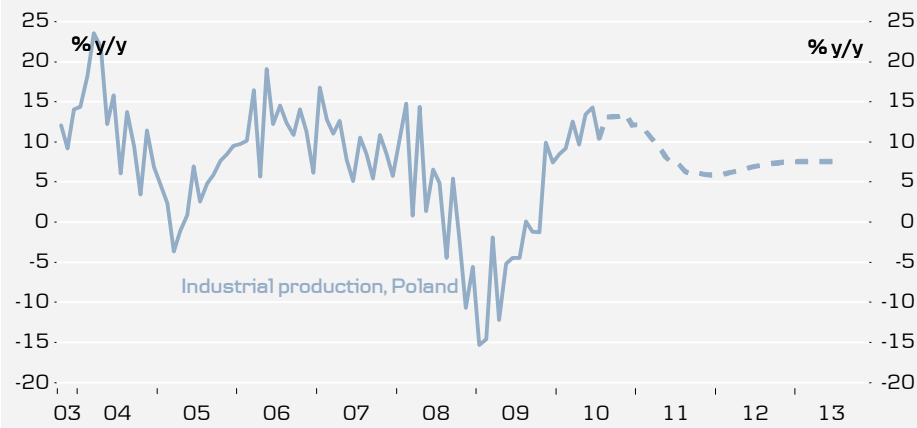


Source: Reuters Ecowin and Danske Markets

- The current account balance improved significantly in 2009 helped especially by the large improvement in the trade balance.
- The current account balance should stabilise around the current level. We expect the current account balance to be around -2% of GDP in 2010 and 2011.

# Production and labour market

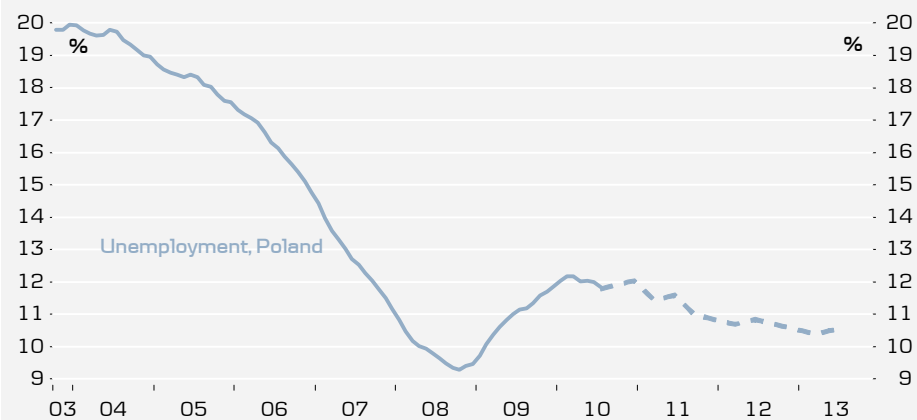
## Industrial production



Source: Reuters Ecowin and Danske Markets

- Overall, the Polish industrial sector is doing well. Polish industrial production is growing rapidly and Polish PMIs have reached the highest level in almost three years.
- Overall, we expect a stabilisation in Polish industrial production at the current level. We forecast growth of 12.0% y/y in 2010 and 10.8% y/y in 2011.

## Unemployment

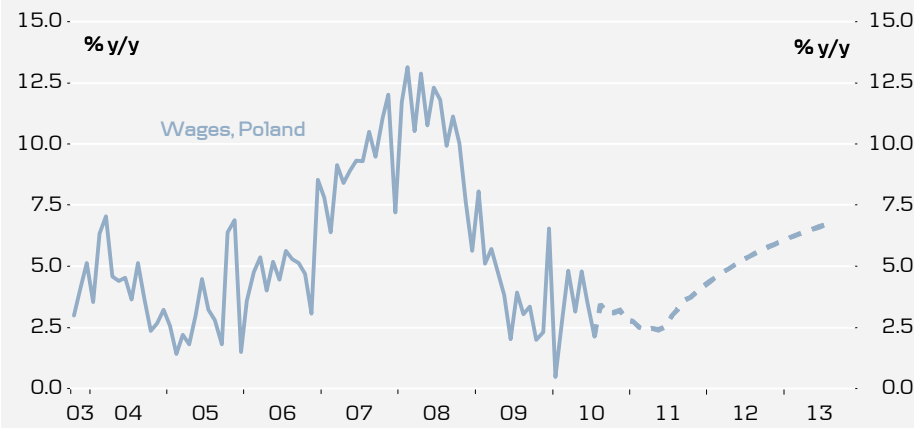


Source: Reuters Ecowin and Danske Markets

- The rise in unemployment should peak around Q4 10 and Q1 11 where we expect economic growth to return to trend growth.
- We expect unemployment to peak around 12% at year-end 2010 and then drop below 11% during 2011.

# Wages and prices

## Wages



Source: Reuters Ecowin and Danske Markets

- Polish wage growth is moving up steadily as economic activity is increasing and unemployment is peaking.
- According to our models, wage growth will not begin to increase significantly before H2 11.
- We forecast wage growth at 3.1% y/y in 2010 and 3.0% y/y in 2011.

## Inflation



Source: Reuters Ecowin and Danske Markets

- Polish inflation has ticked down in recent months and is now within the Polish central bank's inflation target of 2.5% y/y +/-1pp. However, as unemployment reaches the top and wage growth begins to speed up we should see pressure beginning to impact Polish prices. We forecast inflation at 2.6% y/y this year and 2.6% y/y next year.

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## Emerging Markets Contacts

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### Emerging Markets Research

Lars Christensen	+45 45 12 85 30	larch@danskebank.dk
Flemming Jegbjærg Nielsen	+45 45 12 85 35	flemm@danskebank.dk
Violeta Klyviene	+370 5 2156992	vkly@danskebank.com
Stanislava Pravdova	+45 45 12 80 71	spra@danskebank.dk
Jens Nærvig Pedersen	+45 45 12 84 98	jenpe@danskebank.dk
Sanna Elina Kurronen	+358 10 546 7573	kurr@danskebank.com

### Emerging Markets Sales, Danske Markets

Erik Rasmussen	+45 45 14 32 47	eras@danskebank.dk
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### Global Retail SME, FX

Stig Hansen	+45 45 14 60 86	sh@danskebank.dk
Flemming Winther	+45 45 14 68 24	flw@danskebank.dk

### Trading FX, Fixed Income, Danske Markets

Frank Sandbæk Vig	+45 45 14 67 96	fsv@danskebank.dk
Thomas Manthorpe	+45 45 14 69 68	tman@danskebank.dk
Markku Anttila	+358 10 513 8705	markku.anttila@sampopankki.fi
Perttu Tuomi	+358 10 513 8738	perttu.tuomi@sampopankki.fi

### Danske Bank Poland, Warsaw

Maciej Semeniuk	+48 22 33 77 114	msem@pl.danskebank.com
Bartłomiej Dzieńciecki	+48 22 33 77 112	bdz@pl.danskebank.com

### Danske Markets Baltics

Howard Wilkinson	+358 50 374 559	howard.wilkinson@danskebank.com
Martins Strazds	+371 6707 2245	martins.strazds@danskebanka.lv
Giedre Geciauskiene	+370 5215 6180	giedre.geciauskiene@danskebankas.lt
Lauri Palmaru	+372 675 2464	lauri.palmaru@sampopank.ee

### ZAO Danske Bank Russia, Saint-Petersburg Treasury Department

Mikko Pitkanen	+7 812 332 73 06	mikko.pitkanen@danskebank.ru
Vladimir Biserov	+7 812 332 73 04	vladimir.biserov@danskebank.ru
Darja Kounina	+7 812 332 73 04	darja.kounina@danskebank.ru

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All EM research is available on Bloomberg DDEM

## Disclosure

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