

POLAND

Economic Snapshot

Fourth Quarter | 2015



Overview

Poland's economy remains one of the strongest performers in the EU, with third quarter GDP growth rising 0.9% q/q and 3.7% y/y. Recent leading economic data suggests that this healthy momentum continued in Q4, with retail sales rising strongly in November, while exports have also expanded at a healthy pace. Business confidence did wane towards the end of 2015, but private investment remains strong and is estimated to have expanded by 6.5% in 2015.

Domestic economy underpinning growth

Household consumption is estimated to have risen by 3.1% in 2015, up from 2.6% in 2014. Labour market conditions have improved in 2015, with real earnings growing by 3.5% and the unemployment rate dropping to 9.8% in December, down from 11.9% at the start of 2015. Further growth in earnings and employment is expected in 2016 as the labour market tightens. Public investment is expected to drop sharply in 2016, due to the end of the current EU funding programme, but some of this decline will be offset by healthy levels of private investment, with firms continuing to take advantage of historically low interest rates and favourable credit conditions. Fixed investment is forecast to expand by 3.5% in 2016, and average 5.4% in 2017-19.

Limited inflationary pressures

Headline inflation was -0.5% in December, marking the 19th consecutive month that inflation has been negative, mainly due to low oil prices. Price pressures are expected to gradually build, with inflation forecast to average 1.3% in 2016, well below the central bank's target of 2.5%, which is unlikely to be reached until 2017 at the earliest. Consequently, further monetary easing is on the cards, with interest rates expected to be cut by 25-30bps in H1 2016.

Outlook

Poland's economy is forecast to expand by 3.7% in 2016 and average growth of 3.3% over the medium term, with the domestic economy remaining a key driver of this growth. Net trade is also expected to provide a greater contribution to growth in 2016. Investors have raised concerns over the actions of the new conservative PiS government, which has pursued an increasingly interventionist agenda in recent months. This has the potential to undermine confidence and growth in the economy over the longer term.

MARKET INDICATORS

Market Outlook

GDP:	Current strong rate of GDP growth expected to be maintained over the medium term.	▼
Inflation:	Few inflationary pressures in the short term, with prices only gradually rising throughout 2016.	▼
Interest rate:	Forecasted cut in interest rates in 2016, with the new MPC members expected to be dovish.	▲
Employment:	Strong job creation in 2015, but a more moderate pace of growth is anticipated over the medium term.	▼

Economic Summary

ECONOMIC INDICATORS	2012	2013	2014	2015 ^E	2016 ^F
GDP Growth	1.7	1.3	3.4	3.5	3.7
Consumer Spending	0.8	0.3	2.6	3.1	3.1
Industrial Production	1.5	2.4	3.2	4.4	5.7
Investment	-1.8	-1.1	9.8	6.1	3.5
Unemployment rate (ILO%)	10.1	10.3	9.0	7.4	6.7
Inflation	3.7	1.2	0.2	-0.8	1.3
PLN/EUR (average)	4.19	4.20	4.18	4.18	4.29
PLN/USD (average)	3.26	3.16	3.15	3.77	4.02
Interest Rates: 3-month (%)	3.9	2.5	1.9	1.5	1.3
Interest Rates: 10-year (%)	3.7	4.3	2.5	2.9	3.0

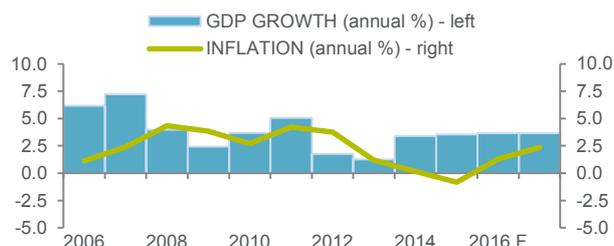
NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast

Source: Oxford Economics Ltd. and Consensus Economics Inc

Economic & Political Breakdown

Population	38.0 million (2015)
GDP	US\$ 473.5 billion (2015)
Public Sector Balance	-3.2% of GDP (2015)
Public Sector Debt	52.1% of GDP (2015)
Current Account Balance	0.0% of GDP (2014)
Parliament	Law and Justice expected to form a government after gaining a parliamentary majority in the October election
President	Andrzej Duda
Prime Minister	Beata Szydlo (expected)
Election Dates	2019 (Parliamentary); Mid-2020 (Presidential)

Economic Activity



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