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Focus Notes: Poland

April's macroeconomic data generally encouraging

- ✓ **Polish current account** figure for March came out quite **close to consensus expectations**; it stood at a deficit of €559mn compared to a small surplus of €155mn recorded in the previous month. Moreover, foreign direct investment (FDI) inflows in March were €1285mn, which was the highest figure since April 2008, reflecting the return of foreign capital to Poland. The **current-account deficit is expected** to gradually increase to **3.0% of GDP in 2010** on the back of the rebound in domestic demand, the lagged effects of previous appreciation of the zloty and improved profitability of foreign-owned companies which increases profits' expatriation.
- ✓ **April's inflation rate reading stood at 2.4% yoy**, slightly below the NBP's target (of 2.5%) for the first since September 2007 i.e. **the lowest level in almost three years**. March's inflation rate was at 2.8% yoy. In the last couple of months, the inflation rate follows a downward trend. Nevertheless, there are some upside risks in the coming months due to the sell-off in the zloty that happened in the last 2-3 weeks. Overall, there are low inflationary pressures in the Polish economy despite the rebound.
- ✓ Monthly data on the Polish labour market in April varied in relation to consensus forecast. **Wage growth came out at 3.2% yoy**, down from 4.8% yoy in March, underperforming expectations of 4.2% yoy. **Employment in the corporate sector improved, registering a flat growth**, up from -0.4% yoy in March, after 14 consecutive months of contraction. What's more, **unemployment rate declined to 12.3%** in April from 12.9% in March and stood below the consensus of 12.6%. However, according to the Polish Ministry of Labour, this drop in unemployment rate is attributed to seasonal effects as Poles took seasonal work in construction, farming, transport, forestry and tourism.

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- ✓ **Polish industrial production surprised on the downside**; it grew by 9.8% yoy in April below the consensus expectations of 10.8% yoy. March industrial production was 12.3% yoy. However, Polish industrial production remains solid and suggests continued recovery in the sector.

Table
April's economic data

| | April 2010 | March 2010 | Earlier Consensus for April |
|--------------------------------------|-------------|------------|-----------------------------|
| CPI (% yoy) | 2.4 | 2.6 | 2.3 |
| Wage growth (% yoy) | 3.2 | 4.8 | 4.2 |
| Employment (%) | 0.0 | -0.4 | -0.2 |
| Unemployment rate (%) | 12.3 | 12.9 | 12.6 |
| Industrial production (% yoy) | 9.8 | 12.3 | 10.8 |

Source: Reuters, Eurobank Research

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