

Fixed Income & Economics Daily

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ECONOMICS RESEARCH

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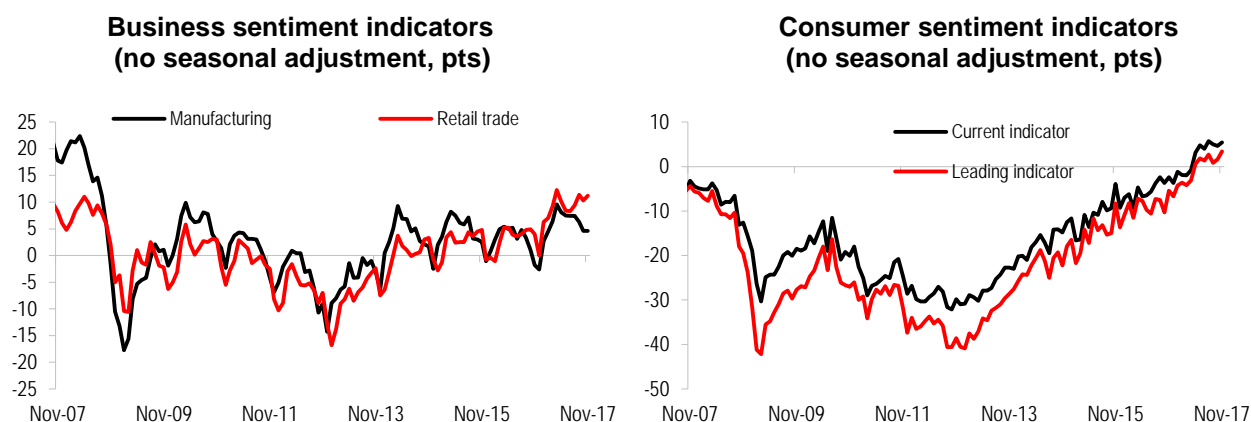
CEE ECONOMICS

POLAND: Optimism Remains Abundant

The first soft activity indicators for November from the stats office show that the historically high level of business optimism has been maintained. Usually there is a pullback of optimism, but this time this seasonal pattern was broken for industry (4.6 pts, no change vs. October) and the retail sector (11.2 pts vs. 10.3 pts previously). The seasonal adjustment we performed on this data revealed that the industrial employment index has reached levels that were previously seen only during the 2006-2007 peak of the business cycle; assessment of current production is the highest since 1H08, but the indicators for expected levels and prices of production, as well as current and expected new orders, has corrected lower. The adjusted indices for the retail sector regarding current and expected sales have, with this reading, exceeded the peak from 2007.

Polish consumer sentiment seems even more upbeat than businesses sentiment. November saw new records in categories such as *expected financial situation of households* and the *leading indicator of consumer confidence* (rising at the fastest pace in half a year). The index of expected economic situation also improved in November (from 3.4 pts to 3.8 pts) and is now approaching the record high from Nov-07 (4 pts, after it was reached, the index embarked on a downward trend for the next 1.5 years). Details from consumer confidence surveys continue to suggest that, faced with a significant improvement in budgets, **Poles are leaning toward higher spending rather than higher savings.** The index of propensity to buy big-ticket items has risen year-to-date at triple the pace of the indices of savings and of the current financial situation. MPC hawks may fear that in the low-rates environment, households could be tempted to preserve the high pace of consumption growth at the cost of the savings rate. We see a strong likelihood that there will be a motion by the MPC minority to raise interest rates in 1Q. One of the hawks, Kamil Zubelewicz, told Bloomberg that the Council is in a 'wait-and-sleep' mode, disregarding several disequilibria in the economy.

Taken altogether, the business and consumer sentiment indicators from the stats office point to 4Q as another quarter of high economic growth in Poland, based to a large extent on private consumption.



Source: Stats office, BZ WBK.

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