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Economy

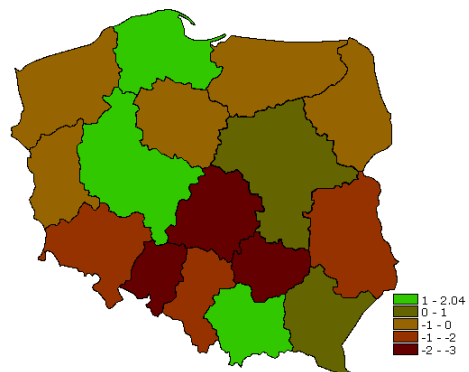
- The Port of Gdynia can build a new intermodal terminal with a handling capacity of 2-3 million tons.** The construction cost is estimated at PLN 123 million, and its start is planned for the second quarter of 2019.
- ZUS: There are still a lot of junk contracts.** They are much cheaper than work contracts. ZUS contributions are not paid from the entire contract, only from the minimum wage.
- Apples at PLN 3.5-4.5 per kg. It is twice as many as last year.** The price is affected by difficulties with harvesting, quality and storage.
- PLN 7.8 billion surplus in foreign trade for the period to the end of November 2017.** Poles trade mostly with Germany. According to the Central Statistical Office, exports rose by 9% compared to the previous year, and imports by 10.4%.
- Standard & Poor's: GDP growth dynamics in Poland in 2018 will exceed 4 percent.** According to the agency, however, it slows down work efficiency.
- Better forecast of the World Bank for the Polish economy.** Recently, economists predicted 3.6% growth. annually, currently it is over 4 percent.
- Proceeds from cigarette production and consumption to the state budget amounted to PLN 24.4 billion in 2016.** It is 8.9 percent of tax revenues. It is estimated that 80 percent of cigarette prices are taxes.
- Eurostat: the lowest unemployment in the history of research.** The rate calculated with the BAEL methodology fell to only 4.5 percent. It is one of the lowest levels in the entire European Union. There are currently around 781 thousand unemployed people in Poland. It's about 186,000 less than a year ago.

Financial institutions

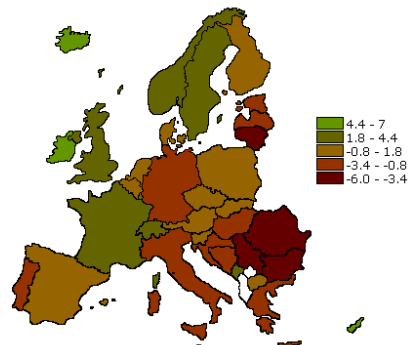
- Fewer jobs in Polish banking for the first time since 2009.** The number of employees in the sector has fallen below 165 thousand. The current liquidation of jobs is the effect of the development of remote access channels for banking services.
- From August 8, 2018, banks and Associations of Credit Unions will be required to offer basic accounts.** As part of this type of service it will be possible, among other things, to open a free account and use the card free of charge.
- Cooperation between Alior Bank and BGK.** Alior Bank will have the possibility to confirm export letters of credit, and BGK will take over the foreign bank's risk.

Economic maps

Natural increase per 1000 population in 2016



Natural increase per 1000 population in 2016



Financial Markets

- Large investments of PGNIG.** PGNIG, Polska Grupa Górnicza, Tauron and JSW signed a letter of intent establishing the "Geo-methane" program. It is to increase natural gas production and reduce coal mining costs through the earlier detection and exploitation of methane from coal sources. At the moment, test drilling is underway in the Miedzina commune. PGNIG will allocate PLN 300 million for this project in 2018.
- Boryszew will change the owner?** Roman Karkosik - CEO of Boryszew - expressed his willingness to sell Boryszew and Impexmetal to Advent for PLN 3.5bn. The main reason for the sale of these companies is the growing technological competition on the automotive components market that requires increasing financial expenditures. Boryszew is the largest company producing automotive components in Central Europe.
- The new PZU strategy.** The PZU Group presented a new company strategy until 2020. The company's plans

include maintaining a 38% share in the Polish insurance market as well as the PZU-Życie customer level of 12 million and increasing the bank pillar assets to PLN 300 million.

- **New Investments CI Games.** CI Games plans to issue three new projects by 2020 with a total value of PLN 100 million. For this purpose, the company signed a revolving loan with mBank and a current account of PLN 35 million. As part of maintaining the financial liquidity, the company also intends to release the multiplayer expansion of its previous project, "Lords of the Fallen", on January 26th.

- **This week will bring an increase in gold quotes.** More stringent levels since September coincide. Oil prices on the New York Stock Exchange are 3.5 percent. Stocks of

this raw material in the USA. Copper is picking up another session at the London metal exchange. This increase means that the reaction to the forecast is anonymous. The risk to connect is with tightened policy.

- **Strengthening the euro, stable zloty, the dollar is losing value.** For the first time since December 2014, the euro exchange rate against the dollar exceeded USD 1.21. The strengthening of the euro was supported by reports on the finalization of coalition talks in Germany and information from the ECB. Good mood is also accompanied by the Polish currency. It remains under the influence of global factors. The dollar exchange rate is weakening despite the December FOMC announcement about three interest rate hikes (75 bp in total) for 2018.

Company of the week

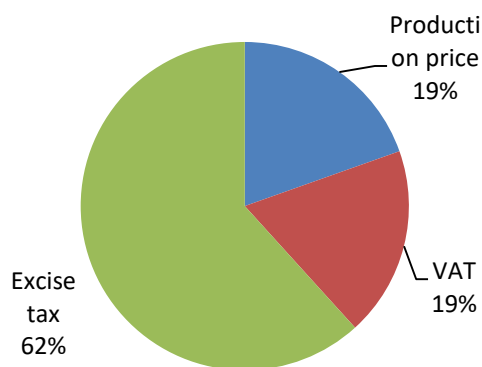
Gorenje - the Slovenian enterprise producing household goods. The company was founded in 1950 in a small village of Gorenje and initially produced agricultural machinery and building materials, and from 1958 coal cookers. The company's development has been marked since the transfer of production to the Velenje mine halls. From that moment, the company began to expand its offer with refrigerators, freezers and other household appliances. In 2015, the company had around 11,000 employees and production plants in Serbia, the Czech Republic, Slovenia

and the Netherlands. Gorenje appeared on the Warsaw Stock Exchange in 2013. Currently (Jan. 12, 2018) the main shareholders of the company are: Kapitalska druzba d.d., Panasonic Corporation and IFC, and the share price is PLN 22.50. In 2016, the company generated PLN 706mn of revenue from sales and PLN 3.6mn of gross profit. Financial ratios for 2016 are: ROA 0.8%, ROE 2.38%, price/earnings (P/E) 17.48, price/book value (P/BV) 0.38, price/sales (P/S) 0.11.

Share of the price components of the cigarette pack

In 2017, the tax burden on one cigarette pack, costing PLN 13.63, is PLN 10.97. The encumbrances include excise duty in the amount of PLN 8.41 and VAT tax of PLN 2.59. The excise tax rates in the last year have not changed and the prices of cigarettes have increased.

The share of taxes in the retail price of cigarettes has decreased to 80.4% (as compared to 81.2% in 2016). In accordance with the European Union directive, the excise duty on tobacco products will be gradually increased and from January 1, 2018, the excise tax in a packet of cigarettes is to amount to not less than 60%.



Source: TOBACCO PRODUCT MARKET state and perspectives.

Statistical data

Macroeconomic indicators			Rates (%)			Markets (points)		
		Date			1W Δ bps			1W Δ %
GDP y/y	4,9%	Q3 2017	WIBOR 3M	1,72	0,00	WIG	65 385	0,01
CPI	2,0%	2017.12	EURIBOR 3M	-0,329	0,00	WIG 20	2 539	0,19
Unemployment rate	6,6%	2017.10	LIBOR CHF 3M	-0,7356	0,00	DAX	13 219	0,11
Salary av. enterprises	4 574 zł	2017.10	EUR/PLN	4,17	-0,12	FTSE	7 785	0,31
Industrial production	9,10%	2017.11	USD/PLN	3,43	-0,82	DJI	25 758	0,72
NBP reference rate	1,5%	Since 2015.03	CHF/PLN	3,53	-0,36	SP500	2 779	0,43
			EUR/USD	1,21	0,85			