



Poland: Weekly Macroeconomic Update

LAST WEEK:

Inflation for June was confirmed at 0.3% m/m and 2.6% y/y. In June services prices visibly increased what was caused by strong rising trend in wages. Inflation structure shows that food and fuels had major impact on inflation, together with seasonal increase in recreation prices. However, higher wages started to translate on services prices and this factor was quite widespread.

In May there was EUR1.0bn surplus on the **current account** and a small EUR96mn trade surplus. In May exports rose by 13.3% y/y to EUR19.7bn while import increased by 11.2% y/y to EUR19.6bn. Services account was positive at EUR2.1bn versus -EUR1.3bn deficit in the primary income account.

Core inflation for June was 0.4% m/m and 1.9% y/y.

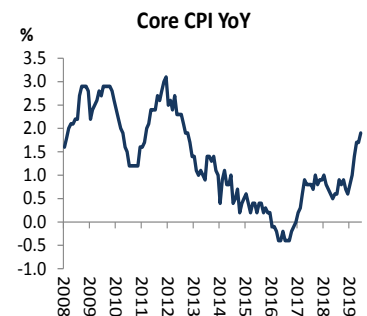
In June **average wage** in enterprises' sector rose by 0.9% m/m and increased by 5.3% y/y, much below market consensus view. **Average employment** in enterprises sector rose by 0.2% m/m and increased by 2.8% y/y in June. Weaker than expected growth in wages coupled with stronger growth in employment suggests that in June number of low-paid seasonal jobs increased (what is more likely) or may point to growing mismatch between job skills of newly employed and skills demanded by employers (this problem is likely to be more important in the long term).

In June **industrial output** fell by 5.9% m/m and decreased by 2.7% y/y, coming well below market consensus view. A decline in industrial output in June stems partially from less working days in June but the main reason is weaker performance of exporting and investment sector: production of metals declined by 11.1% y/y, coal and lignite mining dropped by 10.7% y/y, production of automobiles declined by 8.5% y/y, production of furniture fell by 6.2% y/y. Very sharp drop occurred in production of clothing (down 13.5% y/y). An increase in production was reported in ships production (up 11.1% y/y), beverages (up 6.6% y/y), computers, electronic and optical devices (up 3.5% y/y) and electrical equipment (up 2.7% y/y).

In June **producer prices** fell by 0.4% m/m and rose by 0.6% y/y.

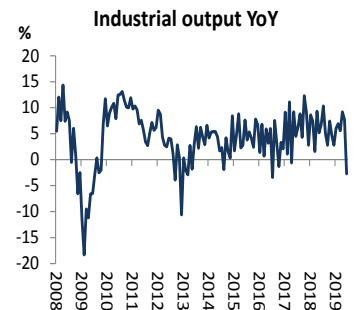
Retail sales for June increased by 1.5% m/m and rose by 5.3% y/y, coming somewhat weaker than market consensus view. Real retail sales grew by 3.7% y/y in June.

Figure 1: Core inflation y/y



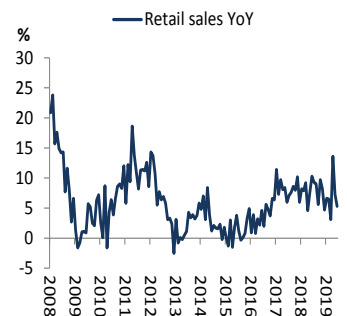
Source: NBP

Figure 2: Industrial output y/y growth



Source: GUS

Figure 3: Retail sales y/y growth



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jul-22	12:00	Money supply M3 (Jun)	(9.9%)	-0.2% (9.3%)	0.4% (9.9%)
Jul-23	8:00	Unemployment rate (Jun)	5.3%	5.3%	5.3%
Jul-23	8:00	Construction output (Jun)	(5.5%)	(-0.7%)	(3.5%)

Source: Deutsche Bank Estimates, Reuters and Bloomberg Finance LP

FX and interest rate forecasts

	EUR/PLN	USD/PLN	CHF/PLN	GBP/PLN	EUR/USD	WIBOR 3M	WIBOR 6M	EURIBOR 3M	LIBOR USD 3M	CPI (Poland)	Yield on 10Y POLGB
	(end of period)										
Jul-19	4.245	3.800	3.863	4.826	1.117	1.72	1.80	-0.31	2.25	2.5	2.10
Aug-19	4.246	3.789	3.842	4.850	1.121	1.72	1.80	-0.30	2.15	2.5	2.12
Sep-19	4.247	3.778	3.821	4.854	1.124	1.72	1.80	-0.30	2.05	2.6	2.15
Oct-19	4.248	3.767	3.801	4.859	1.128	1.72	1.80	-0.30	2.00	2.7	2.15
Nov-19	4.249	3.756	3.781	4.863	1.131	1.72	1.80	-0.30	1.90	3.0	2.20
Dec-19	4.250	3.744	3.761	4.868	1.135	1.72	1.80	-0.30	1.85	3.1	2.22
Jan-20	4.244	3.727	3.750	4.876	1.139	1.72	1.80	-0.30	1.80	3.5	2.25
Feb-20	4.238	3.710	3.740	4.884	1.143	1.72	1.80	-0.30	1.80	3.3	2.25
Mar-20	4.233	3.692	3.729	4.893	1.146	1.72	1.80	-0.30	1.80	3.1	2.28
Apr-20	4.227	3.675	3.718	4.900	1.150	1.72	1.80	-0.30	1.80	2.7	2.30
May-20	4.221	3.658	3.708	4.908	1.154	1.72	1.80	-0.30	1.80	2.6	2.30
Jun-20	4.215	3.641	3.697	4.916	1.158	1.72	1.80	-0.30	1.80	2.6	2.30

Note: Due to Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 the way of calculation of WIBOR rates and their values may be subject to change.

Source: Deutsche Bank Polska S.A.



Appendix 1

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