



Poland: Weekly Macroeconomic Update

LAST WEEK:

In June there was a small surplus of EUR21mn in the **current account**. Trade deficit was – EUR77mn as exports fell by 1.6% y/y to EUR18.07bn and imports declined by 3.1% y/y to EUR18.15bn. A decline in trade flows in June correlated with weaker activity in manufacturing and declines in manufacturing PMIs in Poland and euro-zone. In June services account was strongly positive at EUR2.1bn (services' exports increased by 3.2% y/y to EUR5.1bn while services' imports rose by 1.2% y/y to EUR3.0bn). Primary income account was strongly negative (-EUR1.9bn) and secondary income account was –EUR99mn in June.

According to preliminary GUS data, **GDP growth** in Q2 amounted to 0.8% q/q (seasonally adjusted) and 4,4% y/y (not adjusted seasonally). Q2 GDP growth was slightly below market consensus view but still is robust – real GDP growth in 1H2019 was about 4.5%. We estimate that GDP growth in 2019 will amount to 4.1%-4.2% due to weaker trade flows and softer investment cycle.

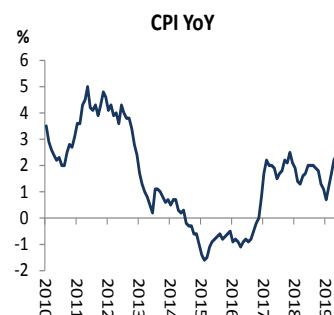
The GUS confirmed **inflation** for July at 0.0% m/m and 2.9% y/y. In July the main factor rising inflation were food prices (up 6.8% y/y) and seasonal increase in prices of recreation and culture (up 3.0% y/y) that increased monthly inflation by 0.08 percentage points each (0.16 p.p. in total). Significant inflationary factors were rise in costs of housing and energy (up 2.0% y/y), rise in prices of healthcare (up 3.7% y/y) and hotels and restaurants (up 4.4% y/y) that contributed respectively 0.07 p.p. , 0.03 p.p. and 0.03 p.p. to monthly inflation. The main factors reducing inflation were fall in prices of shoes and clothing (down 1.5% y/y) and modest rise in transport prices (up 0.3% y/y) what reduced monthly CPI by 0.17 p.p. and 0.11 p.p. respectively.

Core inflation for July amounted to 0.1% m/m and 2.2% y/y rising from 1.9% y/y in June.

THIS WEEK:

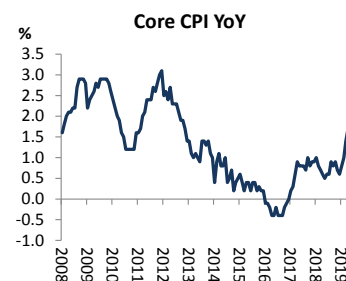
Average wage in enterprises' sector for July (due on Tuesday) should rise by 6.8% y/y. **Average employment** in enterprises' sector for July should amount to 2.7% y/y. **Industrial output** for July (to be released on Wednesday) likely increased by 5.2% y/y and **producer prices** for July likely rose by mere 0.5% y/y. **Retail sales** for July (due on Thursday) should increase by 6.3% y/y. **Money supply M3** for July (due on Friday) should increase by 9.2% y/y.

Figure 1: Inflation (y/y)



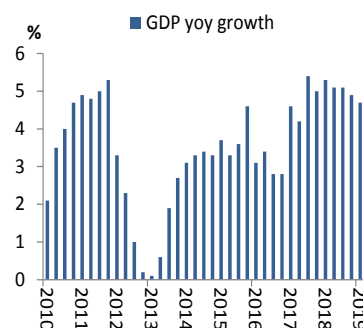
Source: GUS

Figure 2: Core inflation (y/y)



Source: NBP

Figure 3: GDP growth (y/y)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Aug-20	10:00	Average wage (Jul)	(6.8%)		1.2% (7.2%)
Aug-20	10:00	Average employment (Jul)	(2.7%)		0.1% (2.7%)
Aug-21	10:00	Industrial production (Jul)	(5.2%)		3.4% (5.4%)
Aug-21	10:00	Construction output (Jul)	(4.2%)		(5.4%)
Aug-22	10:00	Retail sales (Jul)	(6.3%)		2.4% (7.8%)
Aug-22	14:00	Minutes from MPC meeting			
Aug-23	14:00	Money supply M3 (Jul)	(9.2%)		7.5% (9.5%)

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)										
Aug-19	4.350	3.919	3.996	4.732	1.110	1.72	1.79	-0.40	2.15	2.9	1.90
Sep-19	4.333	3.881	3.979	4.704	1.116	1.72	1.79	-0.40	2.05	3.0	1.95
Oct-19	4.315	3.844	3.961	4.675	1.123	1.72	1.79	-0.40	2.00	3.0	2.00
Nov-19	4.298	3.807	3.944	4.647	1.129	1.72	1.79	-0.40	1.90	3.4	2.05
Dec-19	4.280	3.771	3.927	4.619	1.135	1.72	1.79	-0.40	1.85	3.5	2.05
Jan-20	4.278	3.756	3.915	4.619	1.139	1.72	1.79	-0.40	1.80	3.8	2.10
Feb-20	4.275	3.742	3.904	4.618	1.143	1.72	1.79	-0.40	1.80	3.7	2.10
Mar-20	4.273	3.727	3.893	4.617	1.146	1.72	1.79	-0.40	1.80	3.4	2.10
Apr-20	4.270	3.713	3.882	4.617	1.150	1.72	1.79	-0.40	1.80	3.0	2.10
May-20	4.268	3.699	3.871	4.616	1.154	1.72	1.79	-0.40	1.80	3.0	2.15
Jun-20	4.265	3.685	3.860	4.615	1.158	1.72	1.79	-0.40	1.80	2.8	2.20
Jul-20	4.263	3.671	3.849	4.614	1.161	1.72	1.79	-0.40	1.80	2.7	2.20

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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