



Poland: Weekly Macroeconomic Update

LAST WEEK:

The **MPC**, as expected, left interest rates unchanged, with the main reference rate at 1,50%. In the communique after the meeting the MPC said that world oil prices declined and inflation remained low in many countries. The MPC underlined that both the ECB and the FOMC entered a phase of easing of monetary policy. The MPC said that Poland's GDP growth, including private consumption and investments were robust, but exports and imports growth decelerated. In the opinion of the MPC recent growth of inflation to 2.8% in August stemmed mainly from a rise in food prices, but energy prices, including fuel prices had stabilizing effect on inflation. The MPC added that uncertainty on the scale and duration of economic slowdown abroad increased. The MPC expects inflation to stabilize around inflation target after temporary increase in Q1 2020. The MPC stated that the current level of interest rates will be conducive for maintain macro-economic stability in Poland.

In the period of January-July **exports** rose by 4.8% y/y to EUR134.8bn while **imports** increased by 3.2% y/y to EUR134.9bn. In this period Poland had trade surplus in trade with the EU of EUR28.5bn and trade deficit of -EUR25.3bn in trade with developing countries. Trade balance was marginally negative at -EUR0.1bn.

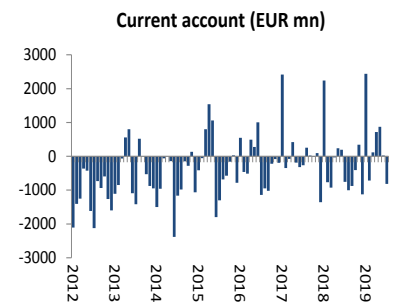
In July the **current account deficit** amounted to -EUR814mn while **trade deficit** widened to -EUR376mn from -EUR77mn in June. In July 2019 exports increased by 8.8% y/y to EUR19.2bn while imports rose by 9.5% y/y to EUR19.6bn. In July in services balance there was a surplus of EUR1.99bn while primary account balance was negative at -EUR2.4bn.

In August **inflation** was flat m/m and amounted to 2.9% y/y. In August food prices rose by 7.2% y/y, footwear and clothing prices were down 1.4% y/y, housing and energy prices were 1.9% up y/y, healthcare prices increased by 3.6% y/y, recreation and culture prices were 2.8% up y/y, prices in hotels and restaurants rose by 4.7% y/y while education prices were 3.1% up y/y. In August prices of transport fell by 0.2% y/y and communication prices were 0.7% down y/y.

THIS WEEK:

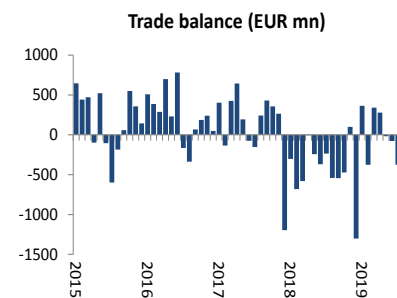
Core inflation for August (due today) should amount to 0.3% m/m and 2.2% y/y. **Average wage** for August (Wednesday) likely rose by 7.1% y/y, **industrial production** for August (to be released on Thursday) should increase by 3.6% y/y. **Retail sales** for August (due on Friday) should rise by 7.5% y/y.

Figure 1: Current account



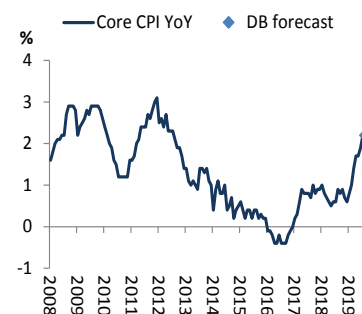
Source: NBP

Figure 2: Trade balance



Source: NBP

Figure 3: Core inflation



Source: NBP, Deutsche Bank Polska S.A.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Sep-16	12:00	Core inflation (Aug)	0.3% (2.2%)		0.2% (2.1%)
Sep-18	8:00	Average wage (Aug)	(7.1%)		-1.2% (6.8%)
Sep-18	8:00	Average employment (Aug)	(2.7%)		0.0% (2.7%)
Sep-19	8:00	Industrial production (Aug)	(3.6%)		-3.8% (1.3%)
Sep-19	8:00	PPI (Aug)	(0.8%)		0.3% (0.8%)
Sep-20	8:00	Retail sales (Aug)	(7.5%)		-0.1% (6.5%)

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)										
Sep-19	4.338	3.903	3.979	4.811	1.111	1.72	1.79	-0.40	2.10	2.9	2.15
Oct-19	4.335	3.879	3.977	4.771	1.118	1.72	1.79	-0.43	2.05	3.0	2.10
Nov-19	4.333	3.855	3.975	4.732	1.124	1.72	1.79	-0.45	1.90	3.3	2.05
Dec-19	4.330	3.832	3.972	4.694	1.130	1.72	1.79	-0.45	1.85	3.4	2.05
Jan-20	4.328	3.824	3.961	4.702	1.132	1.72	1.79	-0.45	1.80	3.8	2.10
Feb-20	4.325	3.816	3.950	4.710	1.133	1.72	1.79	-0.45	1.80	3.6	2.10
Mar-20	4.323	3.808	3.938	4.718	1.135	1.72	1.79	-0.45	1.80	3.4	2.10
Apr-20	4.320	3.801	3.927	4.725	1.137	1.72	1.79	-0.45	1.80	3.0	2.10
May-20	4.318	3.793	3.916	4.733	1.138	1.72	1.79	-0.45	1.80	2.9	2.15
Jun-20	4.315	3.785	3.905	4.741	1.140	1.72	1.79	-0.45	1.80	2.7	2.20
Jul-20	4.313	3.777	3.894	4.748	1.142	1.72	1.79	-0.45	1.80	2.6	2.20
Aug-20	4.310	3.770	3.883	4.756	1.143	1.72	1.79	-0.45	1.80	2.6	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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