



Poland: Weekly Macroeconomic Update

LAST TWO WEEKS:

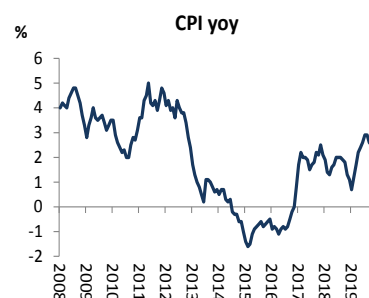
In November a surplus in the **current account** widened to EUR1457mn from a surplus of EUR573mn in October and trade surplus widened to EUR820mn in November from EUR427mn in October. In November a surplus in the services account increased to EUR2332mn from EUR2038mn in October while a deficit in the primary income account narrowed to -EUR1755mn. An increase in trade surplus in November stemmed from a 4.6% y/y decline in imports to EUR19.4bn with 1.0% y/y decline in exports to EUR20.2bn.

In the period of January-November 2019, according to GUS data, **exports** rose by 4.8% y/y to EUR217.3bn while **imports** increased by 2.3% y/y to 215.4bn resulting in EUR1.9bn trade surplus. In the period of January-November 2019 in the trade with the EU Poland had EUR49.2bn surplus and in trade with euro-zone Poland reported EUR26.0bn surplus.

In December 2019 **inflation** was confirmed at 0.8% m/m and 3.4% y/y after 2.6% y/y in November 2019. In December food prices rose by 1.2% m/m, transport prices increased by 3,8% m/m. In December services' prices rose as well: communication prices were 0.4% up m/m, recreation and culture prices were 0.5% up m/m, healthcare prices and hotels and restaurants' prices were 0.2% up m/m. Inflation in December was generated mainly by transport (contributed 0.25 p.p. to m/m inflation), meat (+0.18 p.p.), fuels (+0.11 p.p.), vegetables (+0.11 p.p.) and insurance (+.09 p.p.). Inflation still is fuelled by supply-side factors (food and fuels) but higher wages started to translate on higher prices of services.

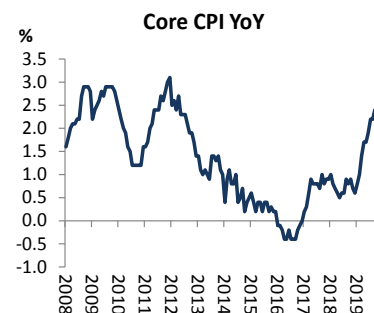
In December 2019 **core inflation** (ex food and energy) amounted to 0.6% m/m and rose to 3.1% y/y from 2.6% y/y in November. An increase in core inflation stemmed mainly from a rise in prices of services that rose due to increasing wages. An increase in core inflation will be a factor supporting hawkish wing in the Monetary Policy Council. The NBP considers current rise in inflation and core inflation as transitory and a change of the current neutral stance of the MPC is unlikely in the coming months. Necessary condition for a change in central bank's stance will be persistency of high inflation in the second half of this year.

Figure 1: Inflation (y/y)



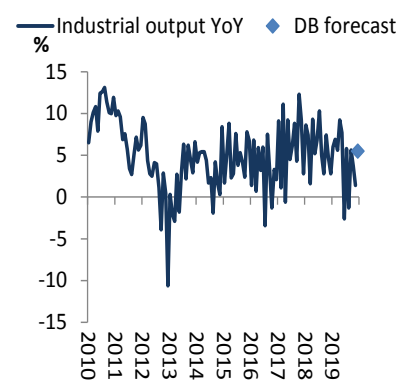
Source: GUS

Figure 2: Core inflation (y/y)



Source: NBP

Figure 3: Industrial output (y/y)



Source: GUS, Deutsche Bank Polska S.A.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jan-21	9:00	Average wage (Dec)	(5.8%)		6.8% (6.1%)
Jan-21	9:00	Average employment (Dec)	0.0% (2.6%)		0.0% (2.6%)
Jan-21	9:00	Construction output (Dec)	(1.5%)		(1.0%)
Jan-22	9:00	Industrial output (Dec)	(5.5%)		-7.0% (6.4%)
Jan-22	9:00	PPI (Dec)	0.0% (0.9%)		0.0% (0.9%)
Jan-23	9:00	Retail sales (Dec)	(7.0%)		14.4% (7.3%)
Jan-24	13:00	Money supply M3 (Dec)	(9.2%)		2.3% (9.1%)

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)										
Jan-20	4.240	3.813	3.926	5.063	1.112	1.71	1.79	-0.40	1.85	4.0	2.25
Feb-20	4.245	3.791	3.931	5.045	1.120	1.71	1.79	-0.40	1.80	4.0	2.30
Mar-20	4.251	3.769	3.918	5.026	1.128	1.71	1.79	-0.40	1.80	3.8	2.30
Apr-20	4.256	3.747	3.905	5.008	1.136	1.71	1.79	-0.40	1.80	3.4	2.25
May-20	4.262	3.725	3.892	4.990	1.144	1.71	1.79	-0.40	1.80	3.4	2.25
Jun-20	4.267	3.704	3.897	4.973	1.152	1.71	1.79	-0.40	1.80	3.1	2.25
Jul-20	4.273	3.683	3.902	4.956	1.160	1.71	1.79	-0.40	1.80	3.0	2.25
Aug-20	4.278	3.663	3.889	4.939	1.168	1.71	1.79	-0.40	1.80	3.0	2.30
Sep-20	4.284	3.643	3.894	4.922	1.176	1.71	1.79	-0.40	1.80	3.3	2.30
Oct-20	4.289	3.623	3.899	4.906	1.184	1.71	1.79	-0.40	1.80	3.5	2.30
Nov-20	4.295	3.603	3.904	4.889	1.192	1.71	1.79	-0.40	1.80	3.6	2.30
Dec-20	4.300	3.583	3.909	4.873	1.200	1.71	1.79	-0.40	1.80	3.2	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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Additional information available upon request

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