



## Poland: Weekly Macroeconomic Update

### LAST WEEK:

In April **core inflation** amounted to 0.8% m/m and 3.6% y/y. In February core inflation has been steady at 3.6% y/y what suggests that inflation peaked in Q1 2020. In April there were no signs of deflationary pressure of lock-down but it is likely that in the medium term consumers will change their consumption behavior that will result in decrease in demand in particular in luxury goods consumption.

In March total **debt of State Treasury** amounted to PLN1036.4bn (up PLN39.0bn or 3.9% m/m). State Treasury debt held by domestic banking sectors rose by PLN40.4bn (up 12.2% m/m) to PLN372.5bn, debt held by domestic non-banking sectors fell by PLN6.8bn (down 2.6% m/m) to PLN256.8bn while State Treasury debt held by non-residents increased by PLN5.4bn (up 1.4% m/m) to PLN407.1bn. An increase of State Treasury debt held by non-residents in March stemmed mainly from PLN depreciation. According to flash estimate by the Finance Ministry, in April State Treasury debt increased by PLN35.4bn (up 3.4% m/m) to PLN1071.9bn.

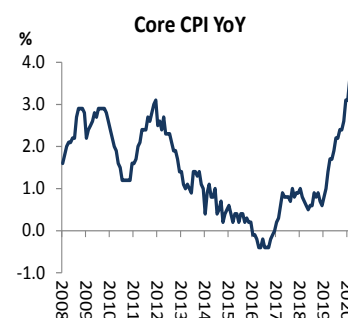
**Average employment** in April declined by 2.4% m/m and fell by 2.1% y/y while **average wage** in enterprises' sector declined by 3.7% m/m and grew by 1.9% y/y. Data on employment and wages were much below market consensus view and suggest that part of firms (most likely in manufacturing) reacted by cutting wages. In April, except from likely deeper decline in employment in services sector, average employment was negatively impacted by taking by employees care allowances, sickness benefits and unpaid leaves.

In April 2020 **industrial output** fell by 25.5% m/m and fell by 24.6% y/y after a decline of 2.3% y/y in March 2020. The decline of output in April was much deeper and more abrupt than during financial crisis of 2008/2009 and had a form of sharp halt of activity. In March slightly more than half of output was generated in sectors that expanded output y/y but in April only one sector expanded y/y, namely production of pharmaceuticals (up 14.8% y/y, 1% of industrial output). The sharpest decline was reported in automobile manufacturing (down 78.9% y/y), leather industry (down 69.4% y/y), furniture production (down 50.4% y/y) and textile production (down 39.9% y/y). In May due to easing of lock-down restrictions one should see gradual improvement in industrial output and an increase of employment versus April, in particular in labour-intensive sectors.

In April 2020 **retail sales** were down 13.1% m/m and declined by 22.6% y/y. Real retail sales fell by 22.9% y/y in April. The decline of retail sales in April was the sharpest in two decades and had a form of a rapid and very strong shock to demand. Recovery in retail sales will likely be more gradual than recovery in industrial output as it is likely that consumer behaviour will be impacted (more savings and less consumption of selected goods). Retail sales of automobiles and parts fell by 54.4% y/y, retail sales of fuels declined by 32.9% y/y, retail sales of food fell by 14.9% y/y, retail sales of pharmaceuticals declined by 16.0% y/y, retail sales of footwear and clothing were down 63.4% y/y and retail sales of white goods and electronics declined by 16.9% y/y in April. A decline was moderated by increasing share of retail sales via Internet that rose from 5.6% in February to 8.1% in March and 11.9% in April.

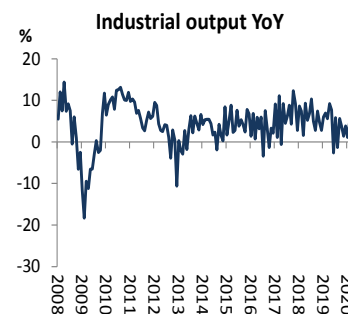
In April 2020 **construction output** decreased by 0.9% y/y.

Figure 1. Core inflation



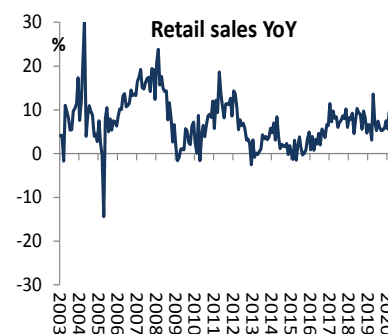
Source: NBP

Figure 2: Industrial output (y/y growth)



Source: GUS

Figure 3: Retail sales, current prices (y/y growth)



Source: GUS



## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
May-25	12:00	Money supply M3 (Apr)	1.0% (12.1%)		1.9% (12.7%)
May-26	8:00	Unemployment rate (Apr)	5.7%		5.7%
May-26	8:00	Unemployment rate (Q1)	3.1%		3.1%
May-28		MPC decision	0.50%		0.50%
May-29	8:00	GDP (Q1, F)	-0.5% (1.9%)		-0.5% (1.9%)
May-29	8:00	Inflation (May, P)	-0.3% (2.9%)		-0.1% (3.0%)

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)										
<b>May-20</b>	4.510	4.138	4.275	5.089	1.090	0.68	0.69	-0.25	0.40	2.9	1.50
<b>Jun-20</b>	4.500	4.080	4.297	5.062	1.103	0.70	0.72	-0.30	0.45	2.2	1.50
<b>Jul-20</b>	4.490	4.024	4.320	5.035	1.116	0.70	0.74	-0.30	0.50	2.0	1.55
<b>Aug-20</b>	4.480	3.970	4.343	5.008	1.129	0.70	0.75	-0.30	0.50	2.0	1.57
<b>Sep-20</b>	4.475	3.921	4.372	4.988	1.141	0.70	0.75	-0.30	0.50	2.4	1.60
<b>Oct-20</b>	4.470	3.873	4.401	4.968	1.154	0.70	0.75	-0.30	0.50	2.3	1.68
<b>Nov-20</b>	4.460	3.821	4.425	4.942	1.167	0.70	0.75	-0.30	0.50	2.3	1.73
<b>Dec-20</b>	4.450	3.771	4.450	4.978	1.180	0.70	0.78	-0.30	0.50	2.4	1.80
<b>Jan-21</b>	4.433	3.739	4.419	4.944	1.186	0.70	0.80	-0.30	0.50	2.3	1.82
<b>Feb-21</b>	4.417	3.706	4.387	4.911	1.192	0.70	0.80	-0.30	0.50	2.0	1.85
<b>Mar-21</b>	4.400	3.674	4.356	4.878	1.198	0.70	0.80	-0.30	0.50	2.1	1.85
<b>Apr-21</b>	4.383	3.643	4.326	4.845	1.203	0.70	0.80	-0.30	0.50	2.6	1.85

*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.*

*Note 2: Due to increased market variability and changes in monetary and fiscal policies, forecasts are subject to higher than usual uncertainty.*

Source: Deutsche Bank Polska S.A.



# Appendix 1

## Important Disclosures

### Additional information available upon request

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