



Poland: Weekly Macroeconomic Update

LAST WEEK:

In May **retail sales** in the current prices rose by 14.5% m/m after a decline of 13.1% m/m in April and a 3.2% m/m decline in March. On an annual basis, nominal retail sales fell by 8.6%. In May retail sales in the current prices was 3.7% below than in February what means that households' demand has almost recovered. May was the first month of opening up the economy and postponed demand was realized in particular in consumer durables' sector. Next months will be crucial for finding out how much propensity to consume declined. We expect households to rebuilt or increase their savings in the coming months. We also expect a change in consumption patterns in the form of lower consumption of fast moving consumer goods and increase of the share of necessities in consumption basket. In May real retail sales rose by 14.9% m/m and fell by 7.7% y/y.

In May **construction output** fell by 5.1% y/y and was significantly below consensus forecasts.

In May **unemployment rate** rose to 6.0% from 5.8% in April and 5.4% in March. In May number of unemployed increased by 45.9 thousands to 1011.7 thousands persons after an increase of 56.4 thousands in April. A rise in the number of unemployed is moderate but occurs in the environment of employment stabilizing government's programs. Crucial months for the labour market will be September and October that are key months for setting business conditions in a given year.

MPC member Jerzy Kropiwnicki said that the central bank should gradually normalize level of interest rates in Poland. In his view interest rate cuts are not effective in boosting economic growth while interest rate hikes are much more effective in controlling inflation. In his view the MPC should start hiking interest rates in 2021.

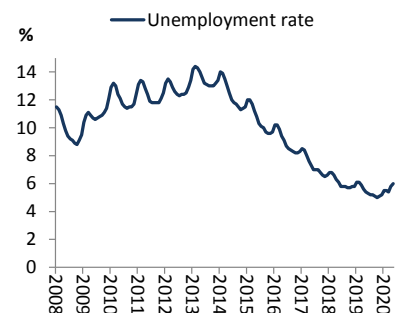
According to preliminary results (from 99.97% of polling stations) in the first round of **presidential elections** Andrzej Duda got 43.67% of vote, followed by Rafał Trzaskowski (30.34%), Szymon Hołownia (13.85%), Krzysztof Bosak (6.75%), Władysław Kosiniak-Kamysz (2.37%) and Robert Biedroń (2.21%). Other candidates got total below 1% of vote. Turnout was very high at 63.97%. In the second round of elections on July 12 incumbent President Andrzej Duda will compete with Warsaw mayor Rafał Trzaskowski. The outcome of the second round will depend on turnout (low turnout would favour candidate with more consolidated voters) and potential voters flow from other candidates (voters' flow analysis suggests fairly close call).

Figure 1. Retail sales (y/y)



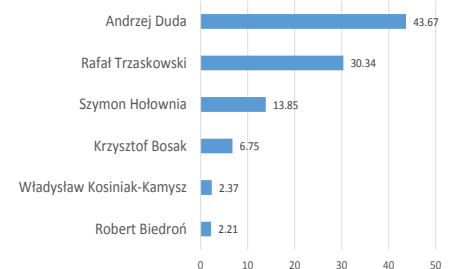
Source: GUS

Figure 2: Unemployment rate



Source: GUS

Figure 3: Results of first round of presidential elections 2020



Source: PKW



DIARY (this week)

| Date | GMT | Release/Event | DB Expected | Actual | Consensus |
|--------|------|-------------------------|-------------|--------|-------------|
| Jun-30 | 8:00 | Inflation (Jun, prel.) | 0.0% (2.6%) | | 0.3% (2.8%) |
| Jul-01 | 7:00 | Manufacturing PMI (Jun) | 46.2 | | 46.1 |

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) | | | | | | | | | | |
| Jun-20 | 4.450 | 3.973 | 4.178 | 4.887 | 1.120 | 0.28 | 0.29 | -0.40 | 0.30 | 2.6 | 1.40 |
| Jul-20 | 4.415 | 3.900 | 4.159 | 4.838 | 1.132 | 0.28 | 0.29 | -0.35 | 0.35 | 2.3 | 1.40 |
| Aug-20 | 4.410 | 3.854 | 4.169 | 4.822 | 1.144 | 0.29 | 0.30 | -0.30 | 0.40 | 2.3 | 1.45 |
| Sep-20 | 4.407 | 3.811 | 4.180 | 4.808 | 1.156 | 0.30 | 0.32 | -0.30 | 0.45 | 2.7 | 1.50 |
| Oct-20 | 4.405 | 3.770 | 4.192 | 4.796 | 1.169 | 0.50 | 0.60 | -0.30 | 0.50 | 2.6 | 1.55 |
| Nov-20 | 4.402 | 3.728 | 4.204 | 4.783 | 1.181 | 0.50 | 0.60 | -0.30 | 0.50 | 2.6 | 1.60 |
| Dec-20 | 4.400 | 3.729 | 4.231 | 4.922 | 1.180 | 0.55 | 0.65 | -0.30 | 0.50 | 2.8 | 1.65 |
| Jan-21 | 4.388 | 3.700 | 4.219 | 4.893 | 1.186 | 0.70 | 0.80 | -0.30 | 0.50 | 2.6 | 1.70 |
| Feb-21 | 4.375 | 3.671 | 4.207 | 4.865 | 1.192 | 0.70 | 0.80 | -0.30 | 0.50 | 2.4 | 1.75 |
| Mar-21 | 4.363 | 3.643 | 4.195 | 4.836 | 1.198 | 0.70 | 0.80 | -0.30 | 0.50 | 2.5 | 1.80 |
| Apr-21 | 4.350 | 3.615 | 4.183 | 4.808 | 1.203 | 0.70 | 0.80 | -0.30 | 0.50 | 3.0 | 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

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