



# Poland: Weekly Macroeconomic Update

## LAST WEEK:

The **MPC** kept interest rates unchanged. In the communique the MPC said that incoming data suggest gradual improvement in moods and recovery in economic activity that remains, however, below its pre-covid-19 levels. Employment is declining, albeit at moderate pace and growth in wages in enterprises' sector significantly decelerated. The MPC expects economic recovery to continue due to loose fiscal and monetary policies. Recovery will be limited by weak moods, uncertainty on further developments in covid-19 and lack of visible adjustment of PLN exchange rate to lower foreign demand and substantial cuts in interest rates in Poland. In line with the July projection based on the NECMOD model, there is a 50-percent probability that the annual price growth will be in the range of 2.9–3.6% in 2020 (against 3.1–4.2% in the March 2020 projection), 0.3–2.2% in 2021 (compared to 1.7–3.6%) and 0.6–2.9% in 2022 (compared to 1.3–3.4%). At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of -7.2 – -4.2% in 2020 (against 2.5–3.9% in the March 2020 projection), 2.1–6.6% in 2021 (compared to 2.1–3.9%) and 1.9–6.0% in 2022 (compared to 1.8–3.7%). NBP will continue to purchase government securities and government-guaranteed debt securities on the secondary market as part of the structural open market operations.

In May there was EUR2455mn surplus in the **current account** after EUR1156mn surplus in April. In May there was a big trade surplus of EUR1250mn caused by the fact that decline in exports (-19.8% r/r) was smaller than decline in imports (-27.2% y/y). In May surplus in services was also high at EUR1518mn and primary account balance was only slightly negative at EUR100mn.

In June **inflation** amounted to 0.6% m/m and 3.3% y/y versus 3.3% y/y in May. In June food prices fell by 0.1% m/m, footwear and clothing prices declined by 0.2% m/m, prices of housing and energy rose by 0.2% m/m, similarly, prices of house maintenance rose by 0.2% m/m. In June prices of healthcare rose by 0.4% m/m, transport prices rose by as much as 3.3% m/m while communication prices were 1.7% up m/m. Prices of education rose by 0.9% m/m, prices in hotels and restaurants were 0.4% up m/m and prices of other goods and services were 0.1% up m/m. The main factors driving inflation up in July were hikes in transport prices and communication prices. Constant inflationary pressure is visible in prices of services that partially stems from higher operating costs due to a new sanitary regime and partially follows from deferred demand after period of complete lock-down in these sectors.

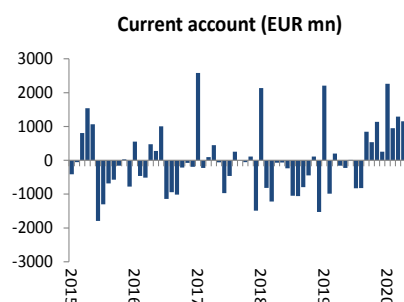
In June number of new registrations of passenger automobiles in Poland fell by 20.5% y/y and declined by 38.1% y/y in the period of January – June 2020.

**Core inflation** amounted to 0.7% m/m and 4.1% y/y in June.

In June **average wage** in enterprises' sector rose by 3.2% m/m and increased by 3.6% y/y.

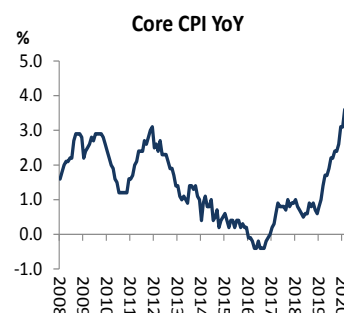
**Average employment** in enterprises' sector rose by 0.2% m/m and declined by 3.3% y/y in June.

Figure 1. Current account



Source: NBP

Figure 2: Core inflation



Source: NBP

Figure 3: Average wage (y/y growth)



Source: GUS.



## DIARY (this week)

| Date   | GMT   | Release/Event             | DB Expected  | Actual       | Consensus    |
|--------|-------|---------------------------|--------------|--------------|--------------|
| Jul-20 | 8:00  | Industrial output (Jun)   | 6.5% (-6.1%) | 13.9% (0.5%) | 6.5% (-6.9%) |
| Jul-20 | 8:00  | PPI (Jun)                 | 0.5% (-0.4%) | 0.4% (-0.8%) | 0.1% (-1.0%) |
| Jul-21 | 8:00  | Retail sales (Jun)        | 6.3% (-3.3%) | 9.0% (-1.9%) | 7.5% (-4.1%) |
| Jul-21 | 8:00  | Real retail sales (Jun)   | (-4.2%)      | (-1.3%)      | (-3.0%)      |
| Jul-21 | 8:00  | Construction output (Jun) | (-8.0%)      | (-2.4%)      | (-1.5%)      |
| Jul-22 | 12:00 | Money supply M3 (Jun)     | (17.2%)      |              | 2.4% (17.3%) |
| Jul-23 | 8:00  | Unemployment rate (Jun)   | 6.2%         |              | 6.2%         |

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>Jul-20</b> | 4.435           | 3.867   | 4.153   | 4.903   | 1.147   | 0.25     | 0.28     | -0.43      | 0.28         | 2.3          | 1.40               |
| <b>Aug-20</b> | 4.430           | 3.852   | 4.140   | 4.925   | 1.150   | 0.26     | 0.28     | -0.35      | 0.30         | 2.3          | 1.45               |
| <b>Sep-20</b> | 4.420           | 3.817   | 4.145   | 4.920   | 1.158   | 0.26     | 0.28     | -0.35      | 0.35         | 2.7          | 1.50               |
| <b>Oct-20</b> | 4.415           | 3.790   | 4.154   | 4.925   | 1.165   | 0.26     | 0.28     | -0.30      | 0.40         | 2.6          | 1.55               |
| <b>Nov-20</b> | 4.410           | 3.760   | 4.163   | 4.926   | 1.173   | 0.26     | 0.28     | -0.30      | 0.45         | 2.6          | 1.60               |
| <b>Dec-20</b> | 4.400           | 3.729   | 4.231   | 4.922   | 1.180   | 0.26     | 0.28     | -0.30      | 0.50         | 2.8          | 1.65               |
| <b>Jan-21</b> | 4.388           | 3.700   | 4.219   | 4.893   | 1.186   | 0.30     | 0.35     | -0.30      | 0.50         | 2.6          | 1.70               |
| <b>Feb-21</b> | 4.375           | 3.671   | 4.207   | 4.865   | 1.192   | 0.35     | 0.40     | -0.30      | 0.50         | 2.4          | 1.75               |
| <b>Mar-21</b> | 4.363           | 3.643   | 4.195   | 4.836   | 1.198   | 0.40     | 0.50     | -0.30      | 0.50         | 2.5          | 1.80               |
| <b>Apr-21</b> | 4.350           | 3.615   | 4.183   | 4.808   | 1.203   | 0.50     | 0.60     | -0.30      | 0.50         | 3.0          | 1.85               |
| <b>May-21</b> | 4.338           | 3.587   | 4.171   | 4.780   | 1.209   | 0.50     | 0.60     | -0.30      | 0.50         | 3.3          | 1.85               |
| <b>Jun-21</b> | 4.325           | 3.560   | 4.159   | 4.752   | 1.215   | 0.50     | 0.60     | -0.30      | 0.50         | 3.5          | 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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### Additional information available upon request

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