



Poland: Weekly Macroeconomic Update

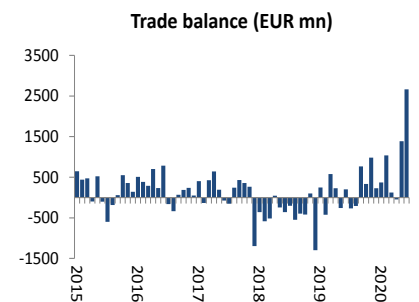
LAST WEEK:

In June **the current account** surplus widened to EUR2.8bn what stemmed primarily from big **trade surplus** of EUR2.7bn. Higher than expected trade surplus in June was a result of 3.0% y/y rise in exports coupled with 10.7% y/y decline in imports. Trade data show that demand for Poland's exports is recovering fast while domestic demand is still weak. In June services account was positive at EUR1.4bn while deficit in primary income account widened to -EUR1.2bn that suggests that foreign investors started to repatriate profits that were retained during the crisis.

In July **inflation** amounted to -0.2% m/m and 3.0% y/y. The main factor behind decline of inflation was 1.4% m/m decline in prices of food that reduced monthly inflation by 0.37 perc. points. The decline in food prices was seasonal character and stemmed from a fall in prices of vegetables and fruits. Seasonal decline was also reported in prices of footwear and clothing (down 2.3% m/m). In July prices of fuels rose what resulted in 1.1% m/m increase in transport prices. An increase in prices was also reported in telecommunication (up 0.6% m/m) and hotels and restaurants (up 0.5% m/m).

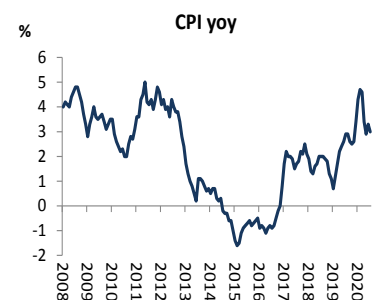
In Q2 2020 **real GDP** declined by 8.9% q/q and fell by 8.2% y/y, above market consensus view of 9.0% y/y fall and above our forecast of 8.7% y/y decline. Better than expected data on Q2 GDP resulted from faster recovery in exports than imports and recovery in services' sector after lifting-off covid-related restrictions. Fast return of activity indicators to only moderately lower than pre-covid levels points to (1) flexibility of companies and ability to accommodate short-term shocks and to (2) recovery in personal demand supported by help programmes and moderate decline in employment. Q3 2020 will be crucial for economy, since companies are likely to operate in environment characterized by lower demand, lowered or exhausted liquidity reserves, higher operating costs, risk of local sanitary restrictions and higher uncertainty on general economic conditions. Stabilising factors in Q3 will be moderate appreciation of the zloty and sustained demand from households stemming from moderate decline in employment and limited decline in disposable income.

Figure 1. Trade balance (EURmn)



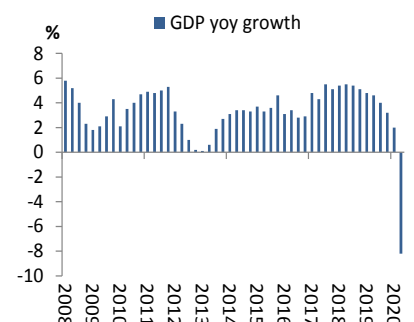
Source: NBP

Figure 2: Inflation (y/y)



Source: GUS

Figure 3: Real GDP y/y growth



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Aug-17	12:00	Core inflation (Jul)	0.2% (4.2%)	0.2% (4.3%)	0.2% (4.2%)
Aug-19	8:00	Average wage (Jul)	1.2% (3.2%)		0.9% (2.9%)
Aug-19	8:00	Average employment (Jul)	0.2% (-3.5%)		0.3% (-3.0%)
Aug-20	8:00	Industrial output (Jul)	3.2% (0.8%)		1.1% (1.2%)
Aug-20	8:00	PPI (Jul)	0.3% (-0.6%)		0.3% (-0.6%)
Aug-21	8:00	Construction output (Jul)	(-3.0%)		(-4.8%)
Aug-21	8:00	Retail sales (Jul)	4.0% (0.4%)		3.0% (-0.4%)
Aug-21	8:00	Real retail sales (Jul)	(0.4%)		-0.7%

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)										
Aug-20	4.400	3.761	4.074	4.851	1.170	0.23	0.28	-0.48	0.25	3.1	1.35
Sep-20	4.392	3.738	4.105	4.861	1.175	0.23	0.28	-0.45	0.25	3.5	1.38
Oct-20	4.387	3.724	4.139	4.883	1.178	0.23	0.28	-0.45	0.25	3.4	1.40
Nov-20	4.380	3.712	4.171	4.906	1.180	0.23	0.28	-0.45	0.25	3.4	1.45
Dec-20	4.370	3.703	4.202	4.888	1.180	0.23	0.28	-0.45	0.25	3.5	1.48
Jan-21	4.360	3.677	4.192	4.862	1.186	0.23	0.28	-0.45	0.25	3.4	1.50
Feb-21	4.350	3.650	4.183	4.837	1.192	0.23	0.28	-0.45	0.25	3.1	1.55
Mar-21	4.340	3.624	4.173	4.811	1.198	0.23	0.28	-0.45	0.25	3.2	1.60
Apr-21	4.330	3.598	4.163	4.786	1.203	0.23	0.28	-0.45	0.25	3.8	1.65
May-21	4.320	3.573	4.154	4.761	1.209	0.23	0.28	-0.45	0.25	4.2	1.65
Jun-21	4.310	3.547	4.144	4.736	1.215	0.23	0.28	-0.45	0.25	3.9	1.70
Jul-21	4.300	3.522	4.135	4.711	1.221	0.23	0.28	-0.45	0.25	3.9	1.75

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

Deutsche Bank Polska S.A. represents that the data contained in this publication are of information nature only, and the content presented herein does not constitute an offer within the meaning of Art. 66 of the Civil Code of 23 April 1964, an invitation to offer or a recommendation to enter into any transaction. This publication may not be treated as advice and does not perform any function of advice. All information used in this publication has been obtained from generally accessible sources which are generally recognized as reliable. Deutsche Bank Polska S.A. has exercised due diligence to verify the above information and bring it up to date, but it disclaims any and all liability for its accuracy or completeness, or for any damage that the Client or third parties may incur as a result of decisions made in reliance on the information contained in this publication.

The transactions or products listed herein may not be appropriate for all investors. Before making a decision on entering into a transaction or acquiring a product the Client should, without relying only on the information provided in this publication, make an independent assessment of the economic risk of such transaction and his ability to incur it, its tax and legal nature, the legal consequences of the transaction and potential benefits and losses associated with it, as well as assess the market characteristics.

The assumptions, simulations and opinions contained in this publication constitute the sole judgment of Deutsche Bank Polska S.A.'s / persons preparing it as at the date of publication of this document which is subject to change without a requirement to publish it. Any and all projections are based on assumptions pertaining to market conditions and there is no guarantee that any projected results will be achieved. Past performance is not a guarantee of future results.

Deutsche Bank Polska S.A. represents that the information presented above should not be in any case treated by the Client as Deutsche Bank Polska S.A.'s recommendation or advice. This publication may not be duplicated or distributed in any way, in particular through mass media, without the prior written consent of Deutsche Bank Polska S.A., al. Armii Ludowej 26, 00-609 Warsaw, NIP no. 676-01-07-416, District Court for the capital city of Warsaw, 12th Corporate Division of the National Court Register, file number KRS 0000022493, share capital PLN 1,744,449,384 paid up in full.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Arkadiusz Krześniak