



Poland: Weekly Macroeconomic Update

LAST WEEK:

In July **net inflation** (ex food and energy) amounted to 0.2% m/m and 4.3% y/y, marginally above market consensus view of 4.2% y/y. Net inflation is on the rise due to increases in prices of services.

In July **average employment** in enterprises' sector fell by 2.3% y/y and increased by 1.1% m/m after a 3.3% y/y decline in June. The monthly increase and smaller fall in employment in July is very good signal showing on one hand, increase in seasonal jobs and on the other suggesting that economic activity gradually normalises. Data on employment also suggest that firms are cautious about cuts in jobs.

In July **average wage** in enterprise sector increased by 1.8% m/m and rose by 3.8% y/y versus 3.6% y/y growth in June. Wages growth is about half that of pre-covid level, but shows that there is no big shock to labour market.

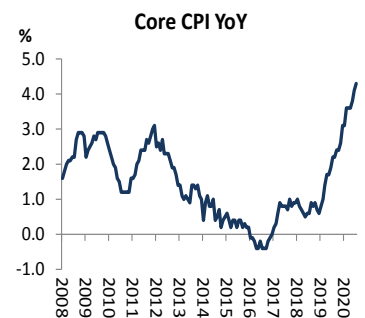
Revised budget for 2020 assumes deficit of PLN109.3bn (-4.9% of GDP). Budget expenditures are envisaged at PLN508bn (up 17%) while revenues are envisaged at PLN398.7bn (down 7%). Finance Ministry assumes 4.6% decline of GDP in 2020 and 4.0% growth in 2021. Cap on expenditures is suspended in 2020 and 2021. Due to ample budget liquidity (PLN125bn liquidity cushion) and above 90% of net borrowing needs covered, Poland doesn't plan to issue Eurobonds at present.

In July **industrial production** in constant prices rose by 3.4% m/m and increased by 1.1% y/y. In July the highest annual growth was reported in production of furniture (up 24.2% y/y), computers, electronic and optical devices (up 15.3% y/y), electrical devices (up 7.1% y/y), plastics (up 4.5% y/y), chemical products (up 4.1% y/y). The deepest annual decline occurred in coal mining (down 18.4% y/y), coke and oil refining (down 15.0% y/y), machinery and equipment (down 13.3% y/y), metals (down 9.7% y/y), products of other non-metal raw materials (down 2.8% y/y) and metals (down 2.0% y/y). In July production of consumer durables increased by 22.9% y/y, production of consumer non-durables rose by 1.6% y/y and production of intermediate goods increased by 0.9% y/y. Declined were reported in production of energy goods (down 7.0% y/y) and investment goods (down 3.3% y/y). In July **producer prices** rose by 0.3% m/m and fell by 0.6% y/y.

In July **retail sales** in the current prices rose by 6.4% and increased by 2.7% y/y and increased by 3.0% y/y in the current prices. An increase in retail sales in July stemmed mainly from strong growth in retail sales of consumer durables (up 15.8% y/y in real terms) and 5.3% real growth in retail sales of footwear and clothing.

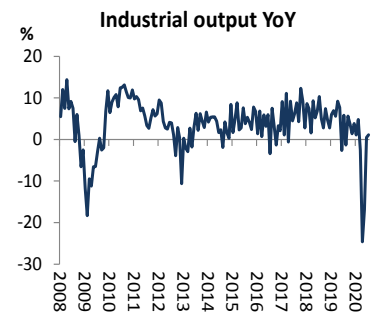
In July **construction output** fell by 10.9% y/y what was caused by 7.6% y/y decline in buildings construction and 16.9% y/y fall in infrastructure construction.

Figure 1. Core inflation (y/y)



Source: NBP

Figure 2: Industrial output (y/y growth)



Source: GUS

Figure 3: Retail sales (nominal y/y growth)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Aug-24	12:00	Money supply M3 (Jul)	1.2% (18.5%)	-0.3% (16.8%)	1.1% (18.5%)
Aug-25	8:00	Unemployment rate (Jul)	6.1%		6.1%
Aug-25	8:00	Unemployment rate (Q2)	3.2%		3.4%
Aug-27	12:00	Minutes from MPC meeting			

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

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