



Poland: Weekly Macroeconomic Update

LAST WEEK:

In August nominal **retail sales** fell by 2.6% m/m and increased by 0.4% y/y, much weaker than consensus forecast. In August real retail sales rose by 0.5% y/y. The strongest rise in real retail sales was reported in consumer durables (up 10.2% y/y) that was the only sector to increase sales in the period of January-August (up 5.0% y/y). Weak data on retail sales stemmed mainly from a 5% y/y decline in retail sales of automobiles, a 2.2% y/y decline in retail sales of fuels and 3.3% y/y drop in food prices (in constant prices).

In August **construction output** fell by 3.5% m/m and declined by 12.1% y/y. In August the sharpest decline occurred in infrastructure investments (down 16.9% y/y) and buildings construction (down 9.5% y/y).

In August **money supply M3** increased by 0.2% m/m and rose by 16.2% y/y after an increase of 16.8% y/y in July. In August cash in circulation rose by 31.2% y/y to PLN287.5bn, demand deposits of households increased by 28.2% y/y to PLN731.3bn, demand deposits of companies rose by 52.7% y/y to PLN302.1bn while term deposits of households fell by 25.7% y/y to PLN209.7bn and term deposits of companies fell by 27.4% y/y to PLN64.2bn. In August loans to households increased by 2.6% to PLN780.6bn while loans to companies fell by 3.7% y/y to PLN357.3bn.

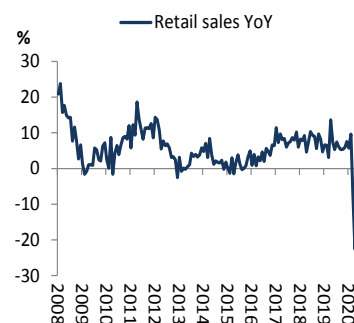
In the period of January-August **budget deficit** amounted to -PLN13.3bn. In the period of January-August 2020 budget revenues rose by 2.3% y/y to PLN268.9bn while budget expenditures increased by 6.6% y/y to PLN282.2bn.

In August registered **unemployment rate** remained unchanged at 6.1% and was in line with market consensus view.

In September **business cycle indicator** in industry improved to -6.2 from -6.6 in August. Business conditions in construction improved to -15.0 in September from -15.4 in August. In September business conditions in wholesale trade improved only marginally to -4.5 from -4.6 in August while business conditions in retail trade improved to -6.5 in September from -9.8 in August. Business conditions in transport and logistics improved to -8.7 in September from -12.7 in August. In information and telecommunication business conditions improved to 9.5 in September and in finances and insurance improved to 5.6 in September from respectively 5.4 and 2.7 in August. Business conditions in hotels and restaurants deteriorated to -21.2 in September from -19.3 in August.

Fitch Ratings confirmed Poland's rating at A- with stable outlook.

Figure 1. Retail sales (y/y growth)



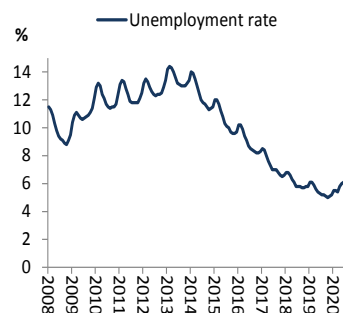
Source: GUS

Figure 2: Money supply M3 (y/y growth)



Source: NBP

Figure 3: Unemployment rate



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Oct-1	7:00	PMI manufacturing (Sep)	51.7		52.5
Oct-1	8:00	Inflation (Sep, P)	0.1% (3.0%)		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)										
Sep-20	4.552	3.907	4.215	5.040	1.165	0.22	0.28	-0.49	0.22	3.0	1.31
Oct-20	4.480	3.829	4.156	4.978	1.170	0.22	0.28	-0.48	0.23	2.9	1.35
Nov-20	4.455	3.791	4.144	4.967	1.175	0.22	0.28	-0.48	0.24	2.9	1.40
Dec-20	4.430	3.754	4.140	4.956	1.180	0.22	0.28	-0.47	0.25	2.5	1.45
Jan-21	4.431	3.747	4.151	4.955	1.183	0.22	0.28	-0.45	0.25	1.9	1.50
Feb-21	4.432	3.740	4.161	4.955	1.185	0.22	0.28	-0.45	0.25	1.4	1.50
Mar-21	4.433	3.733	4.172	4.955	1.188	0.22	0.28	-0.45	0.25	1.5	1.55
Apr-21	4.433	3.725	4.182	4.955	1.190	0.22	0.28	-0.45	0.25	2.1	1.57
May-21	4.434	3.718	4.193	4.955	1.193	0.22	0.28	-0.45	0.25	2.4	1.60
Jun-21	4.435	3.711	4.204	4.955	1.195	0.22	0.28	-0.45	0.25	2.2	1.60
Jul-21	4.436	3.704	4.215	4.954	1.198	0.22	0.28	-0.45	0.25	2.2	1.60
Aug-21	4.437	3.697	4.225	4.954	1.200	0.22	0.28	-0.45	0.25	2.3	1.65

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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