



Poland: Weekly Macroeconomic Update

LAST WEEK:

In August **producer prices** rose by 0.6% m/m and were 9.5% up y/y. In manufacturing the strongest growth in prices was reported in production of metals (up 4.4% m/m) while 0.6% m/m decline in prices was reported in oil refining.

In August **industrial output** fell by 2.5% m/m and rose by 13.2% y/y. Seasonally adjusted industrial output fell by 0.3% m/m and rose by 10.7% y/y in August. Structure of industrial output still points to robust recovery, in particular in manufacturing of metal products, chemicals, machinery and equipment and metals. In August output in automobile industry fell by 12.9% y/y due to shortages of components.

In the end of July 2021 **central budget debt** amounted to PLN1135bn and was PLN1.44bn (0.1%) up m/m and increased by PLN37.6bn (up 3.4%) versus the end of 2020. In July 2020 a share of non-residents in central government debt was 33.6% (0.6 p.p. up m/m and 0.4 p.p. down versus end of 2020).

In August nominal **retail sales** fell by 0.9% m/m and rose by 10.7% y/y. Real retail sales fell by 1.0% m/m and rose by 5.4% y/y in August. In August the highest growth in real retail sales was reported in footwear and clothing (up 28.6% y/y), other sales – including retail sales via Internet (up 12.5% y/y), in specialized shops (up 7.9% y/y), pharmaceuticals and cosmetics (up 7.5% y/y) and automobiles (up 5.7% y/y). Real retail sales of fuels and food declined respectively by 2.3% y/y and 1.3% y/y while real retail sales of furniture, consumer electronics and white good were practically unchanged (up 0.1% y/y). In August real retail sales growth was close to pre-Covid levels.

In August real **construction output** rose by 3.2% m/m and increased by 10.2% y/y. Strong growth in construction output was mainly a result of robust growth in specialized works that grew by 29.7% y/y. In August investments in infrastructure rose by 6.8% y/y in contrast to 0.4% y/y growth in construction of buildings.

In August **money supply (M3)** rose by 0.4% m/m and increased by 9.1% y/y. In August loans to households increased by 4.3% y/y including 7.0% y/y growth in mortgages while loans to companies fell by 1.7% y/y including 2.2% y/y decline in investment loans.

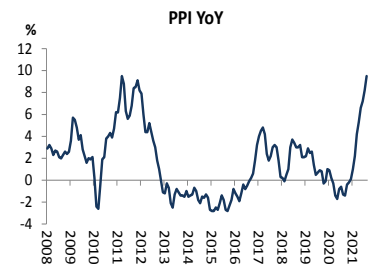
Business climate indicators in manufacturing, construction and hotels and restaurants moderately deteriorated in September. Good business climate prevails in wholesale trade, logistics, information and telecommunication and banking and insurance. Business climate is neutral in retail trade. Logistics is the only branch of economy in which business climate improved above pre-covid level.

Consumer confidence rose to -13.0pts in September from -14.6pts in August. The improvement stems mainly from improvement in significant current purchases indicator.

Registered unemployment rate amounted to 5.8% and was unchanged versus July. Labour market conditions are still very good, due to demand for labour from manufacturing and seasonal demand for labour from services' sector.

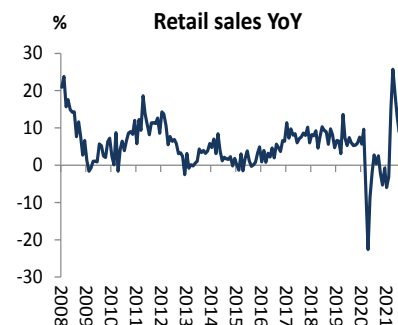
In the period of January-August 2021 **budget surplus** rose to PLN43.4bn from PLN35.3bn in January-July 2021. Budget revenues were strong at PLN320.1bn (79.1% of plan for 2021) while budget expenditures were PLN276.7bn (56.8% of plan). In the period of January-August VAT revenues were robust at PLN142bn (77.3% of plan) and revenues from excise tax were PLN48.1bn (67.7% of annual plan).

Figure 1: Producer prices (y/y growth)



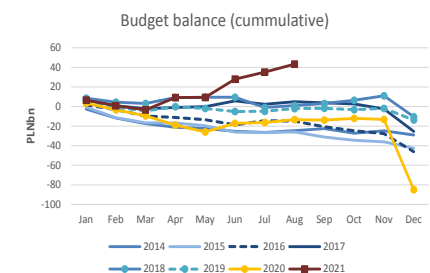
Source: Statistics Poland

Figure 2: Retail sales (y/y growth)



Source: Statistics Poland

Figure 3: Central budget balance (PLNbn)



Source: Ministry of Finance



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Oct-01	7:00	Manufacturing PMI (Sep)	55.0		54.8
Oct-01	8:00	Inflation (flash, Sep)	0.2% (5.4%)		0.3% (5.5%)

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-21	4.590	3.916	4.223	5.365	1.172	0.24	0.29	-0.54	0.14	5.4	2.00
Oct-21	4.560	3.860	4.191	5.301	1.181	0.24	0.29	-0.52	0.18	5.7	2.00
Nov-21	4.530	3.805	4.160	5.238	1.191	0.24	0.30	-0.51	0.20	5.8	2.05
Dec-21	4.500	3.750	4.128	5.175	1.200	0.24	0.32	-0.50	0.20	5.8	2.05
Jan-22	4.503	3.740	4.128	5.176	1.204	0.28	0.37	-0.50	0.20	5.3	2.05
Feb-22	4.506	3.729	4.128	5.177	1.208	0.32	0.40	-0.50	0.20	5.1	2.10
Mar-22	4.510	3.720	4.128	5.180	1.213	0.35	0.45	-0.50	0.20	4.4	2.10
Apr-22	4.512	3.708	4.127	5.180	1.217	0.42	0.55	-0.50	0.20	4.0	2.15
May-22	4.512	3.696	4.124	5.177	1.221	0.45	0.60	-0.50	0.20	3.9	2.20
Jun-22	4.510	3.682	4.119	5.173	1.225	0.45	0.60	-0.50	0.20	4.2	2.20
Jul-22	4.505	3.665	4.111	5.165	1.229	0.50	0.65	-0.50	0.20	3.9	2.25
Aug-22	4.500	3.649	4.103	5.157	1.233	0.55	0.68	-0.50	0.20	3.7	2.30

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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