



Poland: Weekly Macroeconomic Update

LAST WEEK:

According to estimates of Ministry of Development, Labour and Technology in December **unemployment rate** rose to 6.2%, after remaining steady six month in a row at 6.1%.

In November the **current account** gap was EUR1725mn and trade surplus amounted to EUR1756mn. In November exports rose by 9.5% y/y to EUR23.0bn while imports increased by 5.3% y/y to EUR21.2bn. Exports' growth was very robust in November what suggests that demand for Poland's exports rose due to PLN weakening and relatively good situation in industry in Europe. An increase in imports suggests good business conditions in Poland's industrial sector as well.

POL: The **MPC** kept interest rates unchanged, as expected and reiterated the central bank would continue purchases on bonds in the secondary market. The MPC also commented on the current level of PLN exchange rate saying that FX level had not adjusted to rate cuts and economic slowdown. At the same time, the MPC signaled the NBP might intervene to weaken the zloty, depending on market conditions.

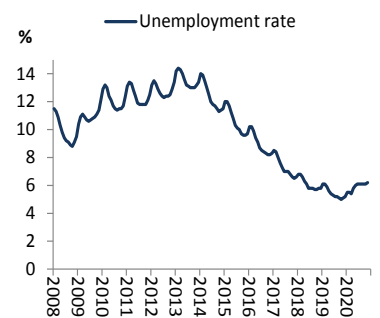
In December **inflation** amounted to 0.1% m/m and 2.4% y/y and was higher than initial estimate of 2.3% y/y. In December food prices rose by 0.8% y/y and were unchanged m/m, costs of housing and energy rose by 7.5% y/y and were 0.2% up m/m while transport prices were 2.1% up m/m and fell by 5.7% y/y. Prices of healthcare services rose by 5.1% y/y, prices of education increased by 5.7% y/y while prices of communication rose by 4.4% y/y.

At press conference NBP President Adam Glapinski said interest rates would likely stay unchanged for the next two years. He didn't exclude rate cut and negative interest rates but added rate cut would be only possible if economic recovery halted. In his opinion deflation risks are much higher than inflation risks and said that FX interventions were intended to curb PLN appreciation rather than to weaken the currency.

THIS WEEK:

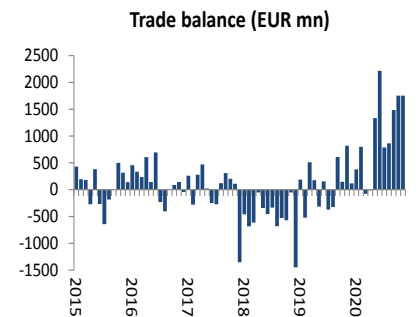
Core inflation for December amounted to 3.7% y/y. **Average wage** for December (due on Thursday) likely rose by 4.2% y/y and **average employment** for December likely declined by 1.4% y/y. We estimate that **construction output** for December (to be released on Friday) declined by 3.0% y/y and **retail sales** for December (Friday) fell by 7.4% y/y.

Figure 1: Unemployment rate



Source: GUS

Figure 2: Trade balance



Source: NBP

Figure 3: Inflation (y/y)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jan-18	13:00	Core inflation (Dec)	0.0% (3.7%)	0.0% (3.7%)	-0.1% (3.7%)
Jan-21	9:00	Average wage (Dec)	6.5% (4.2%)		7.0% (4.8%)
Jan-21	9:00	Average employment (Dec)	-0.1% (-1.4%)		0.0% (-1.2%)
Jan-22	9:00	PPI (Dec)	0.3% (0.1%)		0.2% (0.1%)
Jan-22	9:00	Construction output (Dec)	(-3.0%)		(-1.1%)
Jan-22	9:00	Retail sales (Dec)	12.0 (-7.4%)		18.3% (-1.4%)
Jan-22	9:00	Real retail sales (Dec)	(-7.4%)		(-1.2%)

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)										
Jan-21	4.515	3.738	4.177	5.077	1.208	0.22	0.25	-0.55	0.22	1.6	1.25
Feb-21	4.510	3.725	4.176	5.053	1.211	0.22	0.25	-0.54	0.22	1.2	1.30
Mar-21	4.505	3.712	4.175	5.029	1.214	0.22	0.25	-0.53	0.22	1.3	1.30
Apr-21	4.500	3.699	4.174	5.005	1.217	0.22	0.25	-0.52	0.22	1.9	1.35
May-21	4.495	3.686	4.174	4.982	1.220	0.22	0.25	-0.51	0.22	2.2	1.35
Jun-21	4.490	3.673	4.173	4.958	1.223	0.22	0.25	-0.50	0.22	1.9	1.40
Jul-21	4.485	3.660	4.172	4.935	1.225	0.22	0.25	-0.50	0.22	2.0	1.40
Aug-21	4.480	3.647	4.171	4.912	1.228	0.22	0.25	-0.50	0.22	2.1	1.45
Sep-21	4.475	3.635	4.171	4.888	1.231	0.22	0.25	-0.50	0.22	2.0	1.45
Oct-21	4.470	3.622	4.170	4.865	1.234	0.22	0.25	-0.50	0.22	2.2	1.45
Nov-21	4.465	3.609	4.169	4.842	1.237	0.22	0.25	-0.50	0.22	2.2	1.45
Dec-21	4.460	3.597	4.168	4.820	1.240	0.22	0.25	-0.50	0.00	2.5	1.45

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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