



Poland: Weekly Macroeconomic Update

LAST WEEK:

In July the **current account** turned negative (to -EUR1.827bn), for the first time in two years. The current account deficit in July was mainly a result of decline in exports' growth to 13.7% y/y (from 23.9% y/y in June) and relatively slower decline in imports' growth to 22,1% (from 36.3% y/y in June) what resulted in trade gap of -EUR714mn. In July growth in exports of services was only 0.4% y/y while growth in imports of services accelerated to 13.2% y/y what resulted in diminishing of services surplus to EUR1.464bn in July from EUR2.036bn in June.

In August **consumer prices** rose by 0.3% m/m and increased by 5.5%, what surprised market participants as actual inflation was above flash estimate of 5.4%. The main factors hiking consumer prices in August were (i) increase in energy prices that added 0.13 perc. point to monthly CPI and (ii) increase in fuel prices that added 0.11 p.p. to monthly CPI. In August impact of prices of services on inflation was moderate, but decline in food prices reduced monthly inflation. We estimate that inflation will increase to 5.6% y/y in December this year and average inflation will amount to 4.3% in 2021 and 4.1% in 2022. Thus, market participants will be focusing on new NBP inflation projection to be released in the beginning of November. Increase in inflation, albeit primary caused by supply-side shocks, will continue to exert pressure on the MPC to hike interest rates earlier.

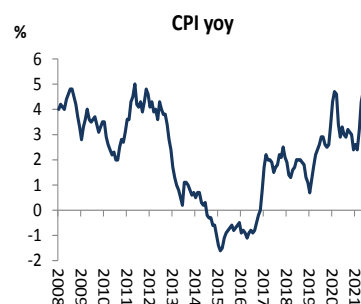
Core inflation (ex food and energy), in line with market consensus view, amounted to 0.2% m/m and 3.9% y/y in August, rising from 3.7% y/y in July. Inflation surprise, as for now, pertains mainly to headline inflation, and is mainly related to higher than expected energy and fuel prices. An increase in headline inflation in 2021 stemmed mainly from rising fuel and food prices. Core inflation is likely to react to this supply-side shock with some lag, as higher fuel and energy prices, as well as robust wage growth will be translating on higher prices of services.

In August **average wage** in enterprises' sector fell by 0.1% m/m and rose by 9.5% y/y while **average employment** in enterprises' sector fell by 0.2% m/m and rose by 0.9% y/y. High growth in wages will boost inflationary pressure (mainly through services' prices). Worth noting is decline in employment in August – incoming data will show whether it is related to correction in seasonal employment or it is beginning of declining trend.

THIS WEEK:

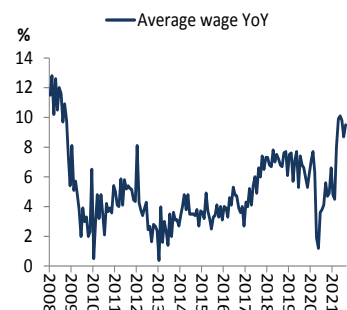
In August **producer prices** rose by 0.6% m/m and were 9.5% up y/y and **industrial output** fell by 2.5% m/m and rose by 13.2% y/y. Data on **construction output** (our forecast is 5.9% y/y) and **retail sales** (we expect nominal growth of 10.0% y/y) are due on Tuesday. On Wednesday the NBP will release **money supply M3** for August (we expect 8.7% y/y growth). Registered **unemployment rate** for August (to be released on Thursday) should remain unchanged at 5.8%. On a foreign side event of the week will be FOMC policy meeting on Wednesday.

Figure 1: Inflation (y/y)



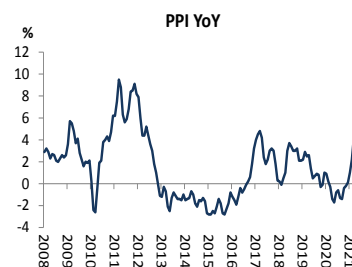
Source: Statistics Poland,

Figure 2. Average wage (y/y growth)



Source: Statistics Poland

Figure 3. Producer prices (y/y growth)



Source: Statistics Poland



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Sep-20	8:00	PPI (Aug)	0.5% (9.4%)	0.6% (9.5%)	0.7% (9.3%)
Sep-20	8:00	Industrial output (Aug)	(13.8%)	-2.5% (13.2%)	-1.1% (14.6%)
Sep-21	8:00	Construction output (Aug)	(5.9%)		(8.0%)
Sep-21	8:00	Retail sales (Aug)	-1.6% (10.0%)		(10.5%)
Sep-22	8:00	Consumer confidence (Sep)	-13.0		-15.0
Sep-22	12:00	Money supply M3 (Aug)	0.1% (8.7%)		0.3% (9.2%)
Sep-23	8:00	Unemployment rate (Aug)	5.8%		5.8%

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	4.560	3.878	4.195	5.367	1.176	0.24	0.29	-0.54	0.15	5.2	1.98
Oct-21	4.540	3.834	4.173	5.302	1.184	0.24	0.29	-0.52	0.20	5.4	2.00
Nov-21	4.520	3.792	4.151	5.238	1.192	0.24	0.30	-0.51	0.20	5.4	2.05
Dec-21	4.500	3.750	4.128	5.175	1.200	0.24	0.32	-0.50	0.20	5.6	2.05
Jan-22	4.503	3.740	4.128	5.176	1.204	0.24	0.32	-0.50	0.20	5.0	2.05
Feb-22	4.506	3.729	4.128	5.177	1.208	0.25	0.33	-0.50	0.20	5.0	2.10
Mar-22	4.510	3.720	4.128	5.180	1.213	0.25	0.35	-0.50	0.20	4.4	2.10
Apr-22	4.512	3.708	4.127	5.180	1.217	0.25	0.35	-0.50	0.20	4.1	2.15
May-22	4.512	3.696	4.124	5.177	1.221	0.28	0.37	-0.50	0.20	3.9	2.20
Jun-22	4.510	3.682	4.119	5.173	1.225	0.32	0.40	-0.50	0.20	4.2	2.20
Jul-22	4.505	3.665	4.111	5.165	1.229	0.35	0.45	-0.50	0.20	3.9	2.25
Aug-22	4.500	3.649	4.103	5.157	1.233	0.42	0.55	-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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