



Poland: Weekly Macroeconomic Update

LAST WEEK:

In April **current account** surplus amounted to EUR1740mn and **trade surplus** widened to EUR1289mn. In April exports rose by 69.2% y/y to EUR23.4bn while imports increased by 59.8% y/y to EUR22.1bn. Very strong growth in exports and imports stemmed partially from low base (in April 2020 exports and imports declined respectively by 29.6% y/y and 28.9% y/y) and partially from strong revival in foreign trade in Europe.

Final **inflation** for May proved to be higher than initial estimate of Statistics Poland and amounted to 0.3% m/m and 4.7% y/y. Monthly inflation was moderate and an increase in annual inflation stems mainly from base effect that will start stabilizing inflation in coming months. In May food prices rose by 0.6% m/m and added 0.16 perc. point to monthly CPI, housing and energy prices increased by 0.5% m/m and added 0.07 p.p. to monthly CPI while prices in hotels and restaurants were 0.9% up m/m adding 0.04 p.p. to monthly CPI. In May transport and communication prices fell respectively by 0.4% m/m and 0.9% m/m subtracting respectively 0.04 p.p. and 0.05 p.p. from monthly CPI.

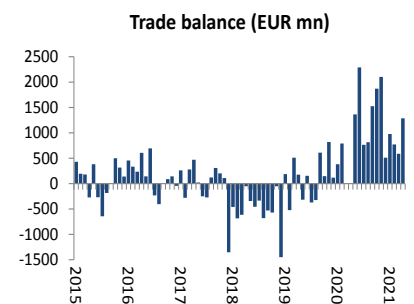
In the period of January-April 2021 Poland's **exports** rose by 19.0% y/y to EUR90.0bn while **imports** rose by 15.6% y/y to EUR86.5bn what results in trade surplus of EUR3.5bn. A share of Germany in Poland's exports rose to 28.8% from 28.1% in the same period last year. France also increased its share in Poland's exports to 6.0% from 5.6% as well as Italy (to 4.9% from 4.1%). In contrast, after Brexit, the share of UK in Poland's exports fell to 4.9% from 6.0%. In imports, the share of Germany rose to 21.8% from 21.5% and the share of China rose to 14.3% from 12.6% in the same period last year.

Core inflation for May amounted to 0.3% m/m and 4.0% y/y versus 3.9% y/y in April. Relatively robust increase in monthly core inflation stemmed from hikes in prices of services. Fuel prices that are excluded from core CPI, in May reduced monthly headline inflation and this effect was absent in core CPI. A rise in services' prices in May was particularly visible in hotels and restaurants, that were experiencing rising operating costs due to higher wages. Pent-up demand also had some influence on services' prices.

In May **average employment** in enterprises' sector rose by 0.3% m/m and was 2.7% up y/y after 0.9% y/y increase in April and compared to 3.2% y/y decline in May 2020. Despite accelerating employment growth in enterprises' sector, number of employed is still 108k or 1.7% below pre-covid level. We expect economy within next two months to generate jobs that were liquidated during lock-downs .

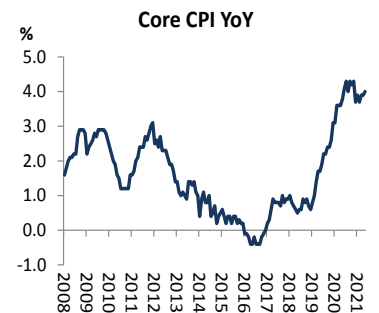
In May **average wage** in enterprises' sector fell by 2,9% m/m and was 10.1% up y/y versus 9.9% y/y growth in April. In May real wage growth was 5.1% y/y, remaining above long-term average of 3.8%. Persistently high inflation and rise in food prices in particular will be reducing consumers' purchasing power in the coming months.

Figure 1: Trade balance



Source: NBP

Figure 2: Inflation



Source: Statistics Poland

Figure 3. Average employment (y/y growth)



Source: Statistics Poland.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jun-21	8:00	PPI (May)	1.0% (6.7%)	0.8% (6.5%)	0.5% (5.9%)
Jun-21	8:00	Industrial production (May)	-1.0% (29.5%)	-0.8% (29.8%)	-1.5% (30.4%)
Jun-22	8:00	Construction output (May)	(4.9%)		(1.6%)
Jun-22	8:00	Retail sales (May)	8.8% (18.5%)		(15.7%)
Jun-24	8:00	Unemployment rate (May)	6.1%		6.1%
Jun-24	12:00	Money supply M3 (May)	0.5% (8.8%)		0.6% (9.2%)

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)										
Jun-21	4.510	3.822	4.138	5.274	1.180	0.21	0.25	-0.52	0.14	4.3	1.80
Jul-21	4.492	3.796	4.110	5.263	1.183	0.21	0.25	-0.54	0.15	4.4	1.85
Aug-21	4.473	3.770	4.083	5.252	1.187	0.21	0.25	-0.52	0.16	4.4	1.90
Sep-21	4.455	3.744	4.055	5.241	1.190	0.21	0.25	-0.52	0.18	4.4	1.95
Oct-21	4.437	3.718	4.028	5.230	1.193	0.21	0.25	-0.51	0.20	4.5	2.00
Nov-21	4.418	3.692	4.001	5.218	1.197	0.21	0.25	-0.50	0.20	4.6	2.05
Dec-21	4.400	3.667	3.929	5.207	1.200	0.21	0.25	-0.50	0.20	4.8	2.10
Jan-22	4.400	3.654	3.936	5.200	1.204	0.21	0.25	-0.50	0.20	4.4	2.15
Feb-22	4.400	3.641	3.943	5.193	1.208	0.22	0.25	-0.50	0.20	4.5	2.20
Mar-22	4.400	3.629	3.946	5.182	1.213	0.22	0.25	-0.50	0.20	4.0	2.25
Apr-22	4.400	3.616	3.950	5.172	1.217	0.22	0.25	-0.50	0.20	3.8	2.30
May-22	4.400	3.604	3.953	5.154	1.221	0.22	0.25	-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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Additional information available upon request

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