



Poland: Weekly Macroeconomic Update

LAST WEEK:

In May **industrial output** was 29.8% up y/y and fell by 0.8% m/m. Data for May suggests that in Q2 industrial output returned to pre-covid trend and usual seasonal pattern. Output of investment goods rose by 51.3% y/y (vs 38.4% y/y decline in May 2020), production of consumer durables rose by 49.4% y/y (versus 13.6% y/y decline in May 2020), production of intermediate goods rose by 34.2% y/y (versus 13.4% y/y decline in May 2020), output of non-durable consumer goods was 12.0% up y/y (versus 8.6% y/y decline in May 2020) and production of energy-related goods was 8.8% up y/y (versus 9.9% y/y decline in May 2020). In May 2021 the strongest growth in output was reported in production of automobiles (up 103.9% y/y), computers, electronic and optical devices (up 70.2% y/y), electric machinery (up 46.1% y/y), furniture (up 41.8% y/y) and products of rubber and plastics (up 41.2% y/y).

In May **PPI** amounted to 0.8% m/m and 6.5% y/y. On a monthly basis prices rose the most in section mining and quarrying (up 3.5% m/m), including 5.9% m/m growth in prices in metal mining and 1.8% m/m growth in prices in coal mining. In manufacturing producer prices rose the most in oil refining (up 3.1% m/m), production of metals (up 2.3% m/m), products of wood (up 1.3% m/m) and plastics (up 1.3% m/m).

In May **retail sales** rose by 8.4% m/m and increased by 19.1% y/y. Real retail sales rose by 8.2% m/m and were 13.9% up y/y. The strongest growth in real retail sales was reported in section automobiles and parts (up 51.2% y/y) and footwear and clothing (up 46.1% y/y) what was a result of opening of the economy after lock-down.

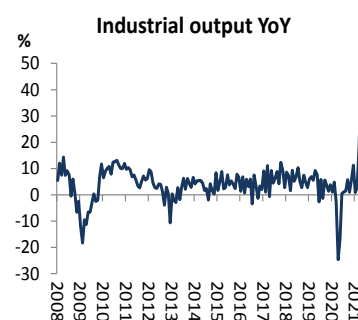
In May **construction output** rose by 4.7% y/y.

After a 30bps hike in policy rate by the NBH and a 25bps hike in policy rate by the CNB and as both central banks have assumed hawkish stance in monetary policy, a pressure on the NBP to hike interest rates increased. If inflation remains elevated (what is highly likely), economic growth fully recovers in 2H2021 (what is likely) and if rate hikes and expected further rate hikes in Czech Republic and Hungary fail to trigger substantial firming of CZK and HUF then the NBP will have less and less arguments to keep interest rates unchanged until the end of the term of the current MPC. A "signaling" rate hike of 15bps in Q4 2021 in Poland is becoming increasingly likely.

In May **registered unemployment** rate fell to 6.1% from 6.3% in April. In May number of registered unemployed amounted to 1026.7k persons.

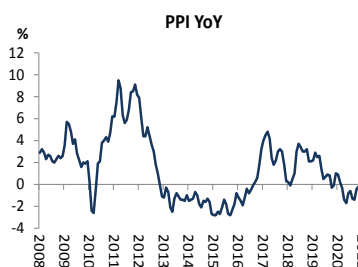
According to **labour force survey** in Q1 2021 unemployment rate rose to 4.0% from 3.1% in Q4 2020. According to the survey in Q1 2021 there were 687k unemployed. Worth noting is strong increase in unemployment rate in group of 15-24 year old to 14.0% in Q1 2021 from 12.8% in Q4 2020 and compared to 7.9% before pandemics. In Q1 2021 Statistics Poland changed methodology of labour force survey and therefore Q1 data are not fully comparable with historical time series.

Figure 1: Industrial output (y/y growth)



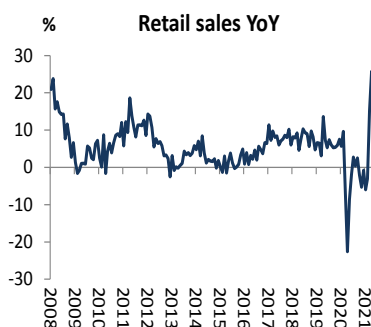
Source: Statistics Poland

Figure 2: PPI (y/y)



Source: Statistics Poland

Figure 3. Retail sales (y/y growth)



Source: Statistics Poland.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jun-30	8:00	Inflation (Jun, flash)	0.4% (4.5%)		0.3% (4.6%)
Jul-01	7:00	PMI manufacturing (Jun)	56.9		57.2

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	3.790	4.115	5.249	1.190	0.21	0.25	-0.54	0.14	4.5	1.80
Jul-21	4.492	3.769	4.088	5.242	1.192	0.21	0.25	-0.54	0.15	4.4	1.85
Aug-21	4.473	3.749	4.060	5.236	1.193	0.21	0.25	-0.52	0.16	4.4	1.90
Sep-21	4.455	3.728	4.033	5.229	1.195	0.21	0.25	-0.52	0.18	4.4	1.95
Oct-21	4.437	3.708	4.006	5.221	1.197	0.21	0.25	-0.51	0.20	4.5	2.00
Nov-21	4.418	3.687	3.979	5.214	1.198	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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