



Poland: Weekly Macroeconomic Update

LAST WEEK:

In December **core CPI** (ex food and energy) amounted to 0.4% m/m and 5.3% y/y after 4.7% y/y in November. Rising core inflation shows impact of high fuel and energy prices on other goods and services. Due to the fact that inflation mainly pertains to necessities, households are unable to accommodate it by changing structure of consumption. It is also a reason why there are no signs of demand-driven inflation.

On a customs basis in the period of January-November 2021 **exports** rose by 18.9% y/y to EUR260.9bn while **imports** rose by 24.2% y/y to EUR259.9bn what resulted in EUR1.0bn trade surplus. In the period of January-November 2021 main trading partners of Poland in exports were Germany (28.7% of total exports), Czechia (5.9%) and France (5.7%) while in imports Germany (20.9% of total imports), China (14.7%) and Russia (5.8%).

In January **consumer confidence** indicator fell to -29.2 pts from -27.3pts in December. In January all components of the indicator worsened, except from ability to make important purchases, that improved slightly. The strongest decline was reported in assessment of future financial situation of households and future economic situation in Poland (respectively by -4.9pts and -4.3pts) what is an evidence of deteriorated expectations. Since Q4 2021 households has been experiencing declining savings combined with worsened expectations on Poland's economic situation in 12-month horizon. We think this change was a result of consumer inflation exceeding 5% threshold.

In December **industrial output** fell by 2.3% m/m and rose by 16.7% y/y in the current prices and rose by 13.7% y/y in constant prices. Strong growth in industrial output in December stemmed from a rise in production of energy-related goods, intermediate goods and, to the lesser extent, investment goods. The strongest growth in output was reported in section production and distribution of electricity, gas, steam and hot water (up 54.2% y/y) and in branches: manufacturing of metals (up 42.7% y/y), chemicals (up 33.8% y/y), repair, maintenance and installing of machinery (up 23.3% y/y), production of beverages (up 22.1% y/y), paper (up 21.7% y/y) and metal products (up 18.5% y/y).

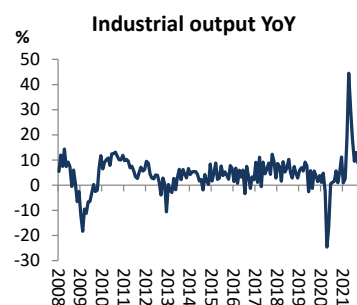
In December **producer prices** rose by 0.8% m/m and increased by 14.3% y/y. Producer prices in section mining and quarrying rose by 22.5% y/y and were 16.2% up y/y in section production and distribution of electricity, gas, steam and hot water. The strongest growth in prices was reported in branches: production of coke and oil refining products (up 65.1% y/y), metals (up 37.8% up y/y), chemicals (up 27.7% y/y), products of wood (up 19.9% y/y), paper (up 16.0% y/y) and food products (up 13.2% y/y).

Average wage in enterprises' sector rose by 10.3% m/m and increased by 11.2% y/y in December. Strong growth in wages combined with fast rising producer prices and very robust industrial output in December may prompt the MPC to increase terminal level of interest rate as well as front-load hikes in this cycle.

In December **average employment** in enterprises' sector was unchanged m/m and was 0.5% up y/y.

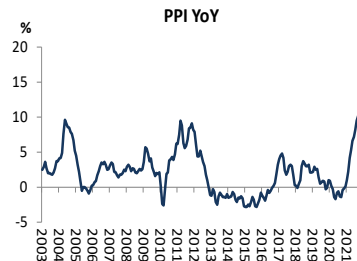
In December **construction output** was 3.1% up y/y.

Figure 1: Industrial production (y/y growth)



Source: Statistics Poland

Figure 2. PPI (y/y growth)



Source: Statistics Poland

Figure 3. Average wage (y/y growth)



Source: Statistics Poland



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jan-24	9:00	Retail sales (Dec)	(17.8%)	15.8% (16.9%)	(18.7%)
Jan-24	9:00	Real retail sales (Dec)	(9.2%)	14.9% (8.0%)	17.6% (9.6%)
Jan-26	9:00	Unemployment rate (Dec)	5.4%		5.4%
Jan-26	13:00	Money supply M3 (Dec)	2.0% (10.4%)		1.5% (9.9%)

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-22	4,540	4,018	4,408	5,440	1,130	2,90	3,28	-0,54	0,27	8,5	4,05
Feb-22	4,536	4,024	4,424	5,425	1,127	3,20	3,55	-0,54	0,35	8,3	4,10
Mar-22	4,533	4,031	4,440	5,411	1,125	3,43	4,05	-0,53	0,40	7,6	4,10
Apr-22	4,529	4,037	4,456	5,396	1,122	3,93	4,30	-0,50	0,50	7,7	4,15
May-22	4,525	4,044	4,473	5,381	1,119	4,18	4,30	-0,50	0,60	8,3	4,20
Jun-22	4,522	4,050	4,489	5,367	1,116	4,18	4,30	-0,50	0,70	8,7	4,25
Jul-22	4,518	4,057	4,506	5,352	1,114	4,18	4,30	-0,50	0,80	8,6	4,25
Aug-22	4,515	4,064	4,523	5,337	1,111	4,18	4,30	-0,50	0,90	8,4	4,25
Sep-22	4,511	4,071	4,540	5,322	1,108	4,18	4,30	-0,50	1,00	8,0	4,25
Oct-22	4,507	4,077	4,557	5,307	1,105	4,18	4,30	-0,50	1,10	7,5	4,25
Nov-22	4,504	4,084	4,574	5,292	1,103	4,18	4,30	-0,50	1,20	6,9	4,25
Dec-22	4,500	4,091	4,592	5,277	1,100	4,18	4,30	-0,50	1,25	6,5	4,30

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

Important Disclosures

Additional information available upon request

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