



Poland: Weekly Macroeconomic Update

LAST WEEK:

In June the **current account** deficit amounted to –EUR240mn while trade gap was –EUR413mn comparing to EUR169mn current account surplus and EUR119mn trade surplus in May. In June exports increased by 9.0% yoy to EUR18.071bn while imports were 10.2% up yoy to EUR18.484bn. In June exports and imports growth accelerated significantly comparing to 2.7% yoy growth and 1.5% yoy growth respectively in May, what was partially a result of weaker the zloty. In June significantly increased exports of plastics and products of plastics, trucks, clothing and tobacco. On an import side, growth was reported in oil and products of oil refining, passenger cars and passenger aircraft. In June there was EUR1.684bn surplus in services' account what balanced EUR1.579bn gap in primary income account and a small surplus of EUR68mn in the secondary income account.

According to preliminary estimate Q2 **GDP growth** was 0.9% qoq and 5.1% yoy after 5.2% yoy growth in Q1 2018.

In July **inflation** amounted to -0.2% mom and 2.0% yoy. Monthly inflation was marginally below than flash estimate of -0.1%. In July food prices fell by 0.7% mom (reducing monthly inflation by 0.16 percentage points), footwear and clothing prices were 3.5% down mom (subtracting 0.18 p.p. from monthly inflation) while prices of other goods and services declined by 0.6% mom (subtracting 0.03 p.p. from mom inflation). The main factor increasing CPI were prices of recreation and culture that rose by 1.3% mom adding 0.12 p.p. to monthly inflation.

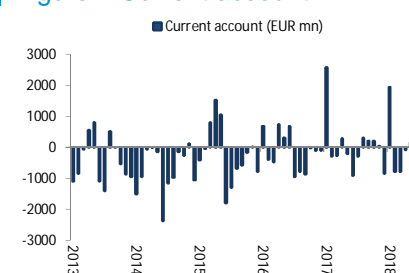
Core inflation (ex food and energy), in line with forecasts, was -0.1% mom and 0.6% yoy in July stabilising versus 0.6% yoy in June. Inflation and core inflation data should be neutral for the MPC.

In July **average wage** in enterprises' sector was 7.2% up yoy and decreased by 0.5% mom. In June **average employment** in enterprises' sector rose by 3.5% yoy and increased by 0.1% mom. Wage and employment growth for July was strong but somewhat weaker than market consensus view.

In July **industrial output** fell by 5.4% mom and increased by 10.3% yoy. Seasonally adjusted industrial production rose by 7.8% yoy. On an annual basis the strongest growth was reported in production of machinery and equipment (up 25.0% yoy), ships (up 20.6% yoy), products of metal (up 18.0% yoy), electrical machinery (up 17.5% yoy), supply and production of electricity, natural gas, steam, and hot water (up 15.9% yoy), coke and oil refining (up 13.1% yoy). In July output rose in branches producing investments goods and goods for exports. A decline was reported in production of leather and products thereof (down 4.7% yoy), pharmaceuticals (down 3.3% yoy), and computers, electronics and optical equipment (down 2.6% yoy). In July **PPI** was 0.1% mom and 3.4% yoy.

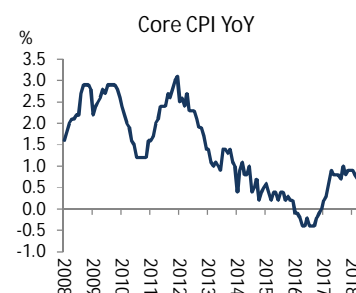
In July **construction output** increased by 18.7% yoy and fell by 1.5% mom. Strong growth was reported in construction of specialized structures (up 21.9% yoy) and infrastructure investments (up 20.6% yoy).

Figure 1: Current account



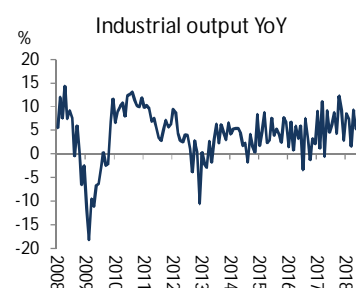
Source: NBP

Figure 2: Core inflation



Source: NBP

Figure 3. Industrial output (yoy growth)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Aug-20	8:00	Industrial output (Jul)	(10.1%)	-5.4% (10.3%)	-5.7% (10.0%)
Aug-20	8:00	Construction output (Jul)	(20.0%)	(18.7%)	(22.3%)
Aug-20	8:00	PPI (Jul)	(3.6%)	0.1% (3.4%)	0.1% (3.5%)
Aug-22	8:00	Retail sales (Jul)	(9.3%)		-0.2% (9.5%)
Aug-23	12:00	Podaż pieniądza M3 (Jul)	0.5% (7.3%)		0.6% (7.4%)
Aug-23	12:00	Minutes from MPC meeting in July			
Aug-24	8:00	Unemployment rate (Jul)	5.9%		5.9%
Aug-24	8:00	Unemployment rate LFS (Q2)	4.0%		4.0%

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	EURIBOR 3M	LIBOR USD 3M	CPI (Poland)
	(end of period)								
Aug-18	4.300	3.772	3.772	4.790	1.140	1.70	-0.32	2.35	2.1
Sep-18	4.280	3.690	3.690	4.723	1.160	1.70	-0.32	2.38	2.1
Oct-18	4.260	3.651	3.631	4.698	1.167	1.70	-0.31	2.41	1.8
Nov-18	4.240	3.614	3.573	4.674	1.173	1.70	-0.30	2.44	1.8
Dec-18	4.220	3.576	3.517	4.649	1.180	1.70	-0.30	2.47	1.6
Jan-19	4.214	3.554	3.500	4.650	1.186	1.70	-0.28	2.50	1.7
Feb-19	4.208	3.531	3.483	4.650	1.192	1.70	-0.25	2.53	1.6
Mar-19	4.203	3.509	3.466	4.650	1.198	1.70	-0.25	2.56	1.9
Apr-19	4.197	3.488	3.449	4.650	1.203	1.70	-0.20	2.59	2.1
May-19	4.191	3.466	3.433	4.650	1.209	1.70	-0.15	2.62	2.1
Jun-19	4.185	3.444	3.416	4.650	1.215	1.70	-0.15	2.65	2.1
Jul-19	4.179	3.423	3.400	4.650	1.221	1.70	-0.15	2.68	2.1

Source: Deutsche Bank Polska S.A.



Appendix 1

Important Disclosures

Additional information available upon request

Deutsche Bank Polska S.A. represents that the data contained in this publication are of information nature only, and the content presented herein does not constitute an offer within the meaning of Art. 66 of the Civil Code of 23 April 1964, an invitation to offer or a recommendation to enter into any transaction. This publication may not be treated as advice and does not perform any function of advice. All information used in this publication has been obtained from generally accessible sources which are generally recognized as reliable. Deutsche Bank Polska S.A. has exercised due diligence to verify the above information and bring it up to date, but it disclaims any and all liability for its accuracy or completeness, or for any damage that the Client or third parties may incur as a result of decisions made in reliance on the information contained in this publication.

The transactions or products listed herein may not be appropriate for all investors. Before making a decision on entering into a transaction or acquiring a product the Client should, without relying only on the information provided in this publication, make an independent assessment of the economic risk of such transaction and his ability to incur it, its tax and legal nature, the legal consequences of the transaction and potential benefits and losses associated with it, as well as assess the market characteristics.

The assumptions, simulations and opinions contained in this publication constitute the sole judgment of Deutsche Bank Polska S.A.'s / persons preparing it as at the date of publication of this document which is subject to change without a requirement to publish it. Any and all projections are based on assumptions pertaining to market conditions and there is no guarantee that any projected results will be achieved. Past performance is not a guarantee of future results.

Deutsche Bank Polska S.A. represents that the information presented above should not be in any case treated by the Client as Deutsche Bank Polska S.A.'s recommendation or advice. This publication may not be duplicated or distributed in any way, in particular through mass media, without the prior written consent of Deutsche Bank Polska S.A., ul. Lecha Kaczynskiego 26, 00-609 Warsaw, NIP no. 676-01-07-416, District Court for the capital city of Warsaw, 12th Corporate Division of the National Court Register, file number KRS 0000022493, share capital PLN 2,651,449,384 paid up in full.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Arkadiusz Krześniak