



Poland: Weekly Macroeconomic Update

LAST WEEK:

In December 2021 **current account gap** widened to -EUR3.957bn from -EUR628mn in November 2021. Sharp widening of the current account stemmed from widening of trade gap to -EUR2.535bn what was a result of 35.9% y/y increase in imports (to EUR26.6bn) versus 19.4% y/y increase in exports (to EUR24.1bn). Strong growth in imports was a result of tripled value of imported fuels while growth in exports was hampered by falling exports of automobiles and parts, including batteries.

According to flash estimate, **CPI** amounted to 1.9% m/m and 9.2% y/y in January. The main factors driving inflation up were food prices (up 2.6% m/m) and housing prices (up 4.4% m/m) including 8.0% m/m rise in energy prices.

Preliminary **real GDP** growth for Q4 amounted to 7.3% y/y and 1.7% q/q.

In January **average wage** in enterprises' sector fell by 8.7% m/m and increased by 9.5% y/y. In January real wages grew by 0.3% y/y only, after 2.4% y/y growth in December what suggests that employees' bargaining power diminishes at higher levels of inflation. This can be explained by weaker bargaining power of employees in small and medium enterprises that are subject to higher taxes under Polish Deal and due to anti-inflation shield and whose costs were up due to higher energy prices.

In January **average employment** in enterprises' sector rose by 1.5% m/m and increased by 2.3% y/y. Strong growth in employment in January stemmed from much smaller than in December number of employees in quarantine and as demand for labour from manufacturing was robust. Employment growth should be much weaker in February due to spike in number of quarantined employees in the current wave of covid-19.

In January **industrial output** fell by 3.0% m/m and was 19.2% up y/y. Seasonally adjusted industrial output rose by 4.2% m/m and was 16.3% up y/y. In January the strongest growth was reported in production of energy-related goods (up 39.2% y/y), intermediate goods (up 19% y/y) and durable consumer goods (up 15.9% y/y). In contrast production of investment goods was 11.5% up y/y and production of consumer non-durable goods was 10.4% up y/y. Very robust growth in industrial output is a result of higher demand for energy and industrial recover in Europe and to the lesser extent a result of pent-up household demand.

In January **PPI** was 1.3% up m/m and rose by 14.8% y/y. The strongest growth in prices occurred in sections mining and quarrying (up 24.4% y/y) and section generation and distribution of electrical energy, gas, steam and hot water (up 19.7% y/y). In manufacturing the strongest growth in prices was reported in production of coke and oil refining (up 59.5% y/y), metals (up 37.7% y/y), chemical industry (up 26.1% y/y), wood (up 19.6% y/y), paper (up 17.1% y/y) and food products (up 14.0% y/y). Now, producer prices, besides energy and food prices are the main factors fueling consumer inflation.

THIS WEEK:

In January real **retail sales** fell by 22.8% m/m and rose by 10.6% y/y, and nominal retail sales were 20,0% up y/y, in line with market consensus expectations.

In January **construction output** rose by 20.8% y/y, much stronger than expected.

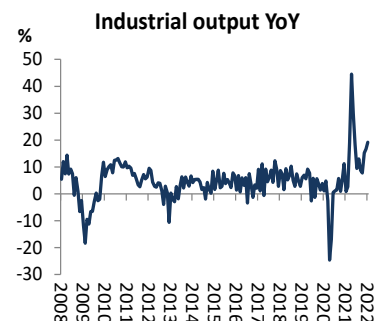
Economic releases this week consist of **money supply** for January (due on Tuesday) and **consumer confidence** for February and **unemployment rate** for January and Q4 (due on Wednesday).

Figure 1: Real wage growth



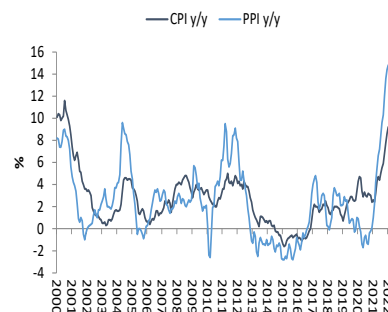
Source: Statistics Poland

Figure 2: Industrial output (y/y growth)



Source: Statistics Poland

Figure 3: PPI and CPI (y/y growth)



Source: Statistics Poland



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Feb-21	9:00	Real retail sales (Jan)		-22.8% (10.6%)	-22.6% (10.5%)
Feb-21	9:00	Construction output (Jan)		(20.8%)	(4.3%)
Feb-22	13:00	Money supply M3 (Jan)	-0.6% (8.4%)		-0.4% (8.4%)
Feb-23	9:00	Consumer confidence (Feb)	-30.7		-29.9
Feb-23	9:00	Unemployment rate (Jan)	5.6%		5.6%
Feb-23	9:00	Unemployment rate (Q4)	3.0%		3.0%

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	WIBOR 6M	EURIBOR 3M	LIBOR USD 3M	CPI (Poland)	Yield on 10Y POLGB
	(end of period)										
Feb-22	4,510	3,991	4,295	5,404	1,130	3,45	3,88	-0,54	0,46	9,2	4,05
Mar-22	4,501	3,994	4,303	5,382	1,127	3,60	4,22	-0,53	0,50	9,6	4,10
Apr-22	4,492	3,996	4,311	5,360	1,124	4,10	4,37	-0,50	0,55	9,2	4,15
May-22	4,483	3,999	4,319	5,338	1,121	4,25	4,45	-0,50	0,65	8,9	4,20
Jun-22	4,474	4,002	4,327	5,316	1,118	4,30	4,45	-0,50	0,75	9,0	4,25
Jul-22	4,465	4,004	4,335	5,294	1,115	4,30	4,50	-0,50	0,80	9,3	4,25
Aug-22	4,456	4,007	4,343	5,272	1,112	4,35	4,50	-0,48	0,90	9,1	4,25
Sep-22	4,447	4,010	4,351	5,250	1,109	4,35	4,50	-0,45	1,00	9,0	4,25
Oct-22	4,438	4,013	4,360	5,228	1,106	4,35	4,50	-0,40	1,10	8,7	4,25
Nov-22	4,429	4,015	4,368	5,206	1,103	4,35	4,50	-0,35	1,20	8,2	4,25
Dec-22	4,420	4,018	4,376	5,183	1,100	4,35	4,50	-0,30	1,25	7,5	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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