



Poland: Weekly Macroeconomic Update

LAST WEEK:

Inflation in February amounted to 1.2% m/m and 18.4% y/y. In February the main inflationary factors were rising food prices (that contributed 0.49 pp. to monthly CPI), alcohol and tobacco (contributed 0.14pp.), recreation and culture (added 0.14pp.), communication (added 0.13pp.) and housing and energy (added 0.10pp.). Falling prices of footwear and clothing subtracted 0.04pp. from monthly CPI. Statistics Poland revised weights in CPI basket what resulted in downward revision of CPI for January to 16.6% from 17.2% y/y and shifted down expected path of inflation for the whole 2023.

In February **core CPI** amounted to 1.3% m/m and 12.0% y/y. In February monthly core CPI was higher than monthly broad consumer inflation but it doesn't mean that demand pressure increases. This was a result of relatively robust rise in communication prices and prices of recreation and slowly but consistently increasing prices of other services. Thus it is a mixture of seasonal effects (holiday season) and effects of pass-through of inflationary impulse from energy prices and wages. Most indicators suggest that consumer inflation has peaked in February but return to single digit levels will be rather slow.

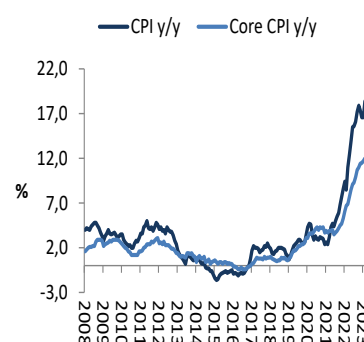
In January 2023 there was EUR1429m surplus in the **current account** what stemmed from EUR1225m trade surplus. The trade surplus resulted from a strong decline in growth in imports (from 12.3% y/y in December 2022 to 3.1% in January 2023) and from much slower decline in growth in exports (from 11.5% y/y in December to 10.8% y/y in January). At the same time a surplus in trade in services rose to EUR3367m in January from EUR2721m in December what also stemmed from slower growth in imports in services. The current account data point to a strong decline in domestic demand what correlates with stagnation in real retail sales in January.

THIS WEEK:

In February 2023 **industrial output** rose by 0.4% m/m and fell by 1.2% y/y. In February y/y decline was reported in production of consumer durables (down 9.9% y/y), energy related goods (down 7.9% y/y) and intermediate goods (down 5.8% y/y). A growth was reported in production of investment goods (up 11.0% y/y) and non-durable consumer goods (up 3.8% y/y). In February **PPI** fell by 0.4% m/m and rose by 18.4% y/y.

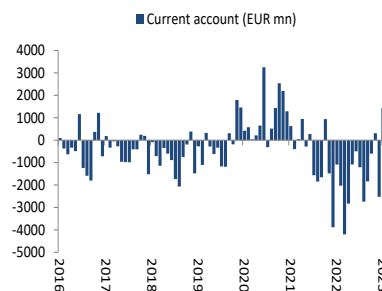
Average employment in enterprises' sector fell by 0.1% m/m and was 0.8% up y/y. In February. Data on employment show that economy slowed down in Q1 due to both decline in households' demand and decline in demand for intermediate industrial inputs. **Average wage** in enterprises' sector rose by 2.6% m/m and increased by 13.6% y/y in February.

Figure 1. CPI and core CPI



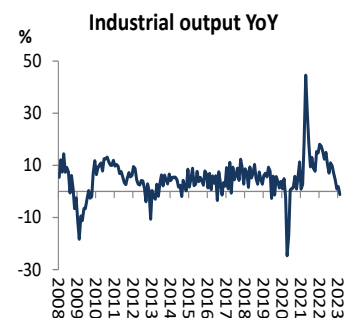
Source: Statistics Poland, NBP

Figure 2. The current account (EURm)



Source: NBP

Figure 3. Industrial output (y/y growth)



Source: Statistics Poland



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Mar-20	9:00	PPI (Feb)	0.7% (18.0%)	-0.4% (18.4%)	0.4% (17.7%)
Mar-20	9:00	Industrial output (Feb)	2.8% (2.0%)	0.4% (-1.2%)	0.9% (0.8%)
Mar-20	9:00	Average wage (Feb)	1.8% (12.6%)	2.6% (13.6%)	1.1% (11.9%)
Mar-20	9:00	Average employment (Feb)	0.0% (0.9%)	-0.1% (0.8%)	0.0% (1.0%)
Mar-21	9:00	Construction output (Feb)	(1.5%)		(1.3%)
Mar-21	9:00	Real retail sales (Feb)	(-0.5%)		0.8% (-1.5%)
Mar-21	9:00	Nominal retail sales (Feb)	(14.2%)		(13.9%)
Mar-22	9:00	Consumer confidence (Mar)	-35.0		-34.6
Mar-22	13:00	Mony supply M3 (Feb)	(6.3%)		0.9% (6.5%)
Mar-23	9:00	Unemployment rate (Feb)	5.5%		5.5%

Source: Deutsche Bank Estimates., Reuters and Bloomberg Finance LP

FX and interest rate forecasts

	EUR/PLN	USD/PLN	CHF/PLN	GBP/PLN	EUR/USD	Reference rate	WIBOR 3M*	WIBOR 6M*	EURIBOR 3M	LIBOR USD 3M*	CPI (Poland)	Yield on 10Y POLGB
	(end of period)											
Mar-23	4,705	4,401	4,753	5,370	1,069	6,75	6,95	7,00	3,10	5,00	15,5	6,00
Apr-23	4,698	4,355	4,729	5,358	1,079	6,75	6,95	7,00	3,10	5,00	13,8	6,00
May-23	4,692	4,310	4,706	5,347	1,089	6,75	6,95	7,00	3,60	4,90	12,6	5,80
Jun-23	4,685	4,259	4,639	5,324	1,100	6,75	6,95	7,00	3,90	4,75	11,6	5,75
Jul-23	4,679	4,221	4,640	5,298	1,108	6,75	6,95	6,98	4,00	4,55	11,3	5,70
Aug-23	4,672	4,184	4,641	5,272	1,117	6,75	6,91	6,75	4,00	4,55	10,6	5,60
Sep-23	4,665	4,147	4,642	5,246	1,125	6,75	6,85	6,50	4,00	4,55	9,8	5,40
Oct-23	4,659	4,111	4,643	5,221	1,133	6,50	6,60	6,25	4,00	4,55	8,3	5,30
Nov-23	4,652	4,075	4,644	5,196	1,142	6,25	6,35	6,50	4,00	4,55	7,7	5,20
Dec-23	4,650	4,043	4,650	5,176	1,150	6,00	6,10	6,20	4,00	4,55	8,0	5,20
Jan-24	4,645	4,039	4,636	5,178	1,150	6,00	6,35	6,20	4,00	4,55	8,0	5,10
Feb-24	4,640	4,035	4,631	5,173	1,150	6,00	6,10	6,20	4,00	4,55	7,2	5,10

*- According to road map published by the PFSA WIBOR cessation will occur in 2025.

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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