



Poland: Weekly Macroeconomic Update

LAST WEEK:

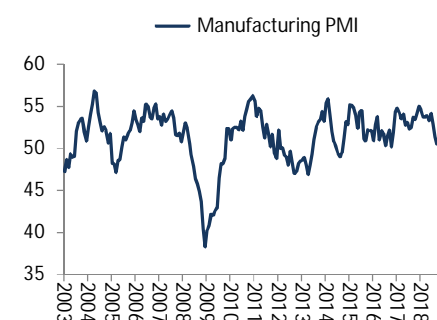
In December 2018 **manufacturing PMI** fell to 47.6pts from 49.5pts in November, signaling accelerating decline in activity in manufacturing. In December main cause of fall in PMI was a decline in sub-indices of new-orders and output. Sub-indices of employment and inventories were at similar levels top November. In December index of new orders declined for a fifth month in a row what resulted from a smaller demand from Europe, and Germany in particular. In December the pace of growth in costs of production was robust albeit somewhat lower than in November, translating to higher prices of finished goods. Companies were slightly more optimistic concerning expected output in a horizon of 12 months – this indicator increased for the first time since August but still was the third lowest in a five and half a year. A strong decline in PMI in December means that (1) GDP growth in 2019 may be lower than the current forecasts, (2) the main engine of growth will remain domestic demand and (3) rate hike expectations shift to the first half of 2020.

According to a flash estimate, **inflation** in December 2018 amounted to 0.0% mom and fell to 1.1% yoy. We forecast inflation to remain below the centre of inflation target what will be tantamount to a further delay in the date of the first hike in interest rates by the MPC.

THIS WEEK:

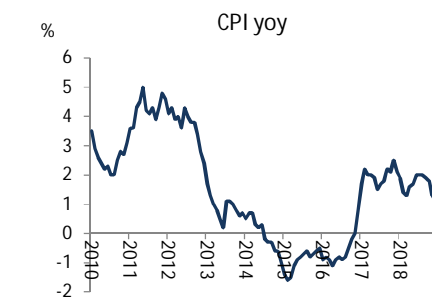
On Wednesday the **Monetary Policy Council** will end two-day policy meeting. After low inflation and a decline in manufacturing PMI for December the Council most likely will keep interest rates unchanged in 2019.

Figure 1: Manufacturing PMI



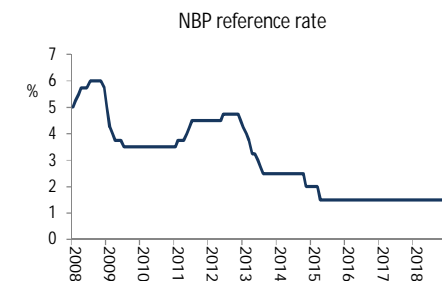
Source: Markit

Figure 2: Inflation



Source: GUS

Figure 3: NBP reference rate



Source: NBP



DIARY (this week)

| Date | GMT | Release/Event | DB Expected | Actual | Consensus |
|--------|-------|-------------------------------|-------------|--------|-----------|
| Jan-07 | 12:00 | Official reserve assets (Dec) | | | |
| Jan-09 | | MPC decision | 1.50% | | 1.50% |

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-19 | 4.293 | 3.734 | 3.797 | 4.776 | 1.150 | 1.72 | 1.79 | -0.31 | 2.83 | 1.0 | 2.80 |
| Feb-19 | 4.287 | 3.719 | 3.782 | 4.798 | 1.153 | 1.72 | 1.80 | -0.30 | 2.87 | 1.3 | 2.85 |
| Mar-19 | 4.280 | 3.705 | 3.768 | 4.820 | 1.155 | 1.72 | 1.81 | -0.30 | 2.90 | 1.5 | 2.90 |
| Apr-19 | 4.273 | 3.690 | 3.753 | 4.842 | 1.158 | 1.72 | 1.82 | -0.20 | 2.98 | 1.5 | 2.95 |
| May-19 | 4.267 | 3.676 | 3.738 | 4.863 | 1.161 | 1.72 | 1.82 | -0.18 | 3.07 | 1.5 | 3.00 |
| Jun-19 | 4.260 | 3.661 | 3.724 | 4.884 | 1.164 | 1.72 | 1.83 | -0.16 | 3.15 | 1.5 | 3.05 |
| Jul-19 | 4.253 | 3.647 | 3.709 | 4.905 | 1.166 | 1.72 | 1.85 | -0.14 | 3.23 | 1.6 | 3.10 |
| Aug-19 | 4.247 | 3.633 | 3.695 | 4.926 | 1.169 | 1.72 | 1.86 | -0.12 | 3.32 | 1.6 | 3.15 |
| Sep-19 | 4.240 | 3.619 | 3.681 | 4.947 | 1.172 | 1.72 | 1.87 | -0.10 | 3.40 | 1.6 | 3.17 |
| Oct-19 | 4.233 | 3.604 | 3.666 | 4.967 | 1.175 | 1.72 | 1.88 | -0.10 | 3.47 | 1.8 | 3.20 |
| Nov-19 | 4.227 | 3.590 | 3.652 | 4.987 | 1.177 | 1.73 | 1.90 | -0.10 | 3.54 | 2.1 | 3.20 |
| Dec-19 | 4.220 | 3.576 | 3.638 | 5.007 | 1.180 | 1.76 | 1.92 | -0.10 | 3.61 | 2.5 | 3.20 |

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.

Source: Deutsche Bank Polska S.A.



Appendix 1

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Additional information available upon request

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