



Poland: Weekly Macroeconomic Update

LAST WEEK:

In October **flash inflation** amounted to 0.2% m/m and 2.5% y/y versus 0.0% m/m and 2.6% in September. In October food prices rose by 0.3% m/m and increased by 6.1% y/y, energy prices rose by 0.2% m/m and fell by 1.7% y/y and fuel prices were down 0.9% m/m and fell by 4.7% y/y. In October inflation has been stabilising due to decline in fuel prices.

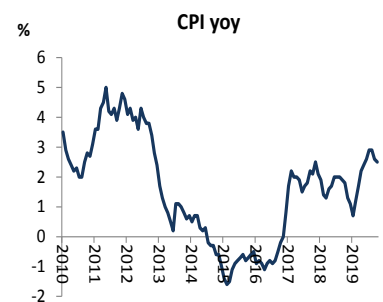
In the period of January-September 2019 State **budget gap** was –PLN1.789bn (6.3% of plan for 2019). In the period of January-September 2019 budget revenues were PLN296.0bn (76.3% of plan for 2019), of which VAT revenues were equal to 72.4% of annual plan, CIT revenues 87,5% of plan and PIT revenues were 74.5% of annual plan. In the period of January-September 2019 budget expenditures amounted to PLN297.8bn (71,5% of annual plan). In this period debt servicing costs were PLN21.8bn (74.7% of plan), subsidy to state pension fund FUS was PLN34.9bn (70.6% of annual plan) and subsidies to local governments were PLN50.1bn (81.2% of annual plan).

THIS WEEK:

In October **manufacturing PMI** index fell to 45.6pts from 47.8pts in September and was at the lowest level since mid-2009. PMI index has been below threshold of 50pts for twelfth month in a row, signalling further deterioration of business conditions in manufacturing. The decline of PMI in October was the strongest in more than three and half a year. The decline in PMI in October was a result of declines in new orders, output and employment sub-indices. In the opinion of entrepreneurs a decline in new orders stemmed mainly from competition from China and weaker demand in Europe. Growth in producer prices was the least in three years due to a fall in prices of metals. Forecasts of output over 12-monmth horizon were the weakest since the introduction of this indicator in 2012.

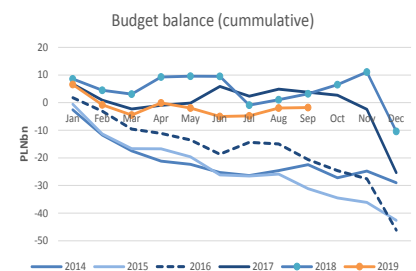
On Wednesday the **MPC** ends its two-day long monetary policy meeting. We expect the MPC to keep interest rates unchanged and to maintain its guidance for no change in interest rates in the near future.

Figure 1: Inflation



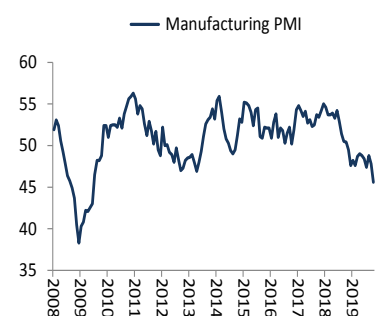
Source: GUS

Figure 2: Budget balance



Source: Finance Ministry

Figure 3: Manufacturing PMI



Source: Markit



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Nov-04	8:00	PMI manufacturing (Oct)	47.5	45.6	48.1
Nov-06		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)										
Nov-19	4.280	3.811	3.856	4.905	1.123	1.72	1.79	-0.40	1.85	2.8	2.08
Dec-19	4.300	3.805	3.874	4.833	1.130	1.72	1.79	-0.40	1.80	2.9	2.10
Jan-20	4.300	3.800	3.871	4.829	1.132	1.72	1.79	-0.40	1.80	3.3	2.10
Feb-20	4.300	3.794	3.868	4.825	1.133	1.72	1.79	-0.40	1.80	3.1	2.10
Mar-20	4.300	3.789	3.865	4.821	1.135	1.72	1.79	-0.40	1.80	2.9	2.10
Apr-20	4.300	3.783	3.862	4.817	1.137	1.72	1.79	-0.40	1.80	2.5	2.10
May-20	4.300	3.777	3.859	4.813	1.138	1.72	1.79	-0.40	1.80	2.4	2.15
Jun-20	4.300	3.772	3.857	4.809	1.140	1.72	1.79	-0.40	1.80	2.2	2.20
Jul-20	4.300	3.766	3.854	4.805	1.142	1.72	1.79	-0.40	1.80	2.1	2.20
Aug-20	4.300	3.761	3.851	4.801	1.143	1.72	1.79	-0.40	1.80	2.1	2.20
Sep-20	4.300	3.755	3.848	4.798	1.145	1.72	1.79	-0.40	1.80	2.4	2.20
Oct-20	4.300	3.750	3.845	4.794	1.147	1.72	1.79	-0.40	1.80	2.5	2.20

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

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., al. Armii Ludowej 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 1,744,449,384 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 Krzeńskiak