



Poland: Weekly Macroeconomic Update

LAST WEEK:

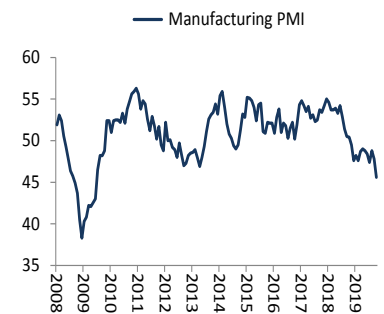
In October **manufacturing PMI** index fell to 45.6pts from 47.8pts in September and was at the lowest level since mid-2009. PMI index has been below threshold of 50pts for twelfth month in a row, signalling further deterioration of business conditions in manufacturing. The decline of PMI in October 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-month horizon were the weakest since the introduction of this indicator in 2012.

As expected the **MPC** kept interest rates unchanged. NBP President Adam Glapinski maintained the guidance for no change in interest rates in the coming two years. The Monetary Policy Council underlined risks for Poland's economy stemming from economic slowdown in Europe but added that a strong domestic demand and still improving financial conditions of households in Poland would be stabilising domestic Polish business conditions. The MPC published inflation and GDP projections from November's Inflation Report. In line with the November projection based on the NECMOD model, there is a 50-percent probability that the annual price growth will be in the range of 2.2-2.4% in 2019 (against 1.7-2.3% in the July 2019 projection), 2.1-3.6% in 2020 (compared to 1.9-3.7%) and 1.6-3.6% in 2021 (compared to 1.3-3.5%). At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 3.9-4.7% in 2019 (against 3.9-5.1% in the July 2019 projection), 2.7-4.4% in 2020 (compared to 3.0- 4.8%) and 2.3-4.2% in 2021 (compared to 2.4-4.3%).

According to autumn forecasts of the **European Commission**, real GDP growth in Poland is envisaged at 4.1% in 2019, 3.3% in 2020 and 3.3% in 2021, real growth in consumption is envisaged at 4.0% in 2019, 3.8% in 2020 and 3.4% in 2021, real growth in investments is forecast at 8.0% in 2019, 3.3% in 2020 and 3.5% in 2021. According to the EC forecasts HIPC in Poland will amount to 2.2% in 2019, 2.6% in 2020 and 2.5% in 2021, general government deficit will be equal to -1,0% of GDP in 2019, -0.2% of GDP in 2020 and -0.9% of GDP in 2021 while general government debt will likely amount to 47.4% of GDP in 2019, 45.5% of GDP in 2020 and 44.3% of GDP in 2021.

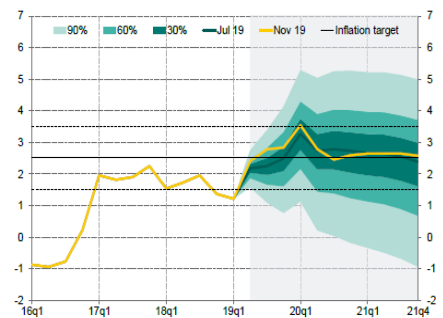
Official reserve assets in October increased to USD121.9bn from USD120.9bn in September.

Figure 1: Manufacturing PMI



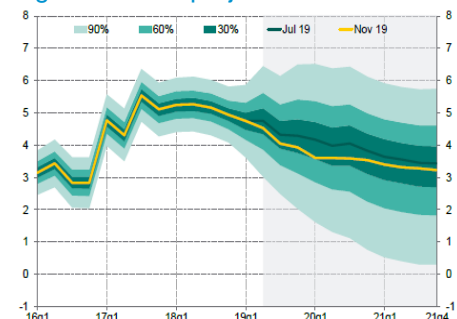
Source: Markit

Figure 2: Inflation projection



Source: NBP

Figure 3: GDP projection



Source: NBP



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Nov-13	13:00	Current account (Sep)	-EUR350mn		-EUR220mn
Nov-13	13:00	Trade balance (Sep)	-EUR100mn		-EUR55mn
Nov-14	9:00	GDP (Q3, P)	1.0% (3.9%)		1.1% (4.0%)
Nov-14	9:00	Inflation (Oct)	0.2% (2.5%)		0.2% (2.5%)
Nov-15	13:00	Core inflation (Oct)	0.3% (2.4%)		0.3% (2.4%)

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

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