



Poland: Weekly Macroeconomic Update

LAST TWO WEEKS:

Unemployment rate in November increased to 5.1% from 5.0% in October.

Construction output fell by 4.7% y/y in November.

Money supply M3 for November increased by 9.4% y/y and was 1.2% up m/m, and was stronger than market consensus view.

In the period of January-November 2019 **budget deficit** narrowed to –PLN1.8bn from –PLN3.2bn in the period of January-October 2019.

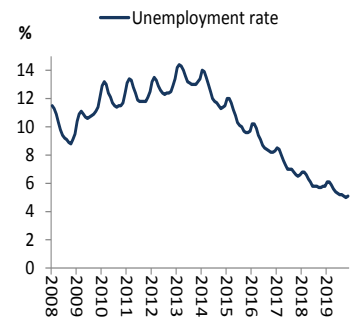
In December **manufacturing PMI** rose to 48.0pts from 46.7pts in November, sixteenth time in a row remaining in a contraction region. In December the pace of contraction in manufacturing slowed down, mainly due improvement in new orders and output indicators that signalled slower pace of decline. In December new export orders declined again that led companies to cuts in employment and lower purchasing activity. In December inflationary pressure was still weak. Cost inflation reached the highest level in three months but was well below long-term average. In December some improvement was noted in expected production in 12 months horizon but expectations were weak due to fears of slowdown and Brexit.

THIS WEEK:

In December **flash inflation** was 0.8% m/m and 3.4% y/y, much above expected by analysts 2.8% y/y. In December food and non-alcohol beverage prices rose by 1.2% y/y and fuel prices were up 2.1% m/m. An increase in inflation in December 2019 was caused by supply-side factors but services prices likely rose as well, due to higher wages.

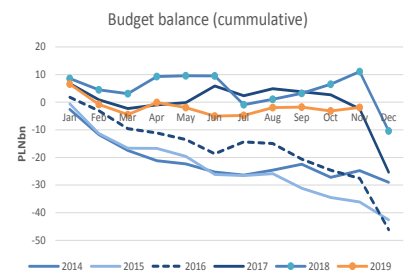
At today's meeting of the **Monetary Policy Council** we expect interest rates to be kept on hold. The MPC should comment on a strong rise in inflation in December and it is likely that hawkish camp will gains some supporters. However, due to the fact that inflation hike stemmed mainly from rising food and fuel prices, and as firming the zloty has stabilising effect on inflation, the MPC is likely to reiterate their guidance for steady interest rates in the coming months. The MPC will be, however, under the pressure to hike interest rates in medium term.

Figure 1: Unemployment rate



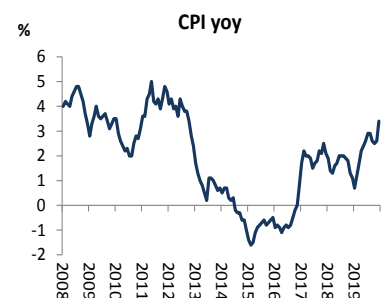
Source: GUS

Figure 2: Budget balance



Source: Finance Ministry

Figure 3: Inflation (y/y)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jan-07	9:00	Unemployment rate (Nov)	0,4% (2,8%)	0,8% (3,4%)	0,3% (2,8%)
Jan-08		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-20	4.240	3.813	3.926	5.063	1.112	1.71	1.79	-0.40	1.85	4.0	2.25
Feb-20	4.245	3.791	3.931	5.045	1.120	1.71	1.79	-0.40	1.80	4.0	2.30
Mar-20	4.251	3.769	3.918	5.026	1.128	1.71	1.79	-0.40	1.80	3.8	2.30
Apr-20	4.256	3.747	3.905	5.008	1.136	1.71	1.79	-0.40	1.80	3.4	2.25
May-20	4.262	3.725	3.892	4.990	1.144	1.71	1.79	-0.40	1.80	3.4	2.25
Jun-20	4.267	3.704	3.897	4.973	1.152	1.71	1.79	-0.40	1.80	3.1	2.25
Jul-20	4.273	3.683	3.902	4.956	1.160	1.71	1.79	-0.40	1.80	3.0	2.25
Aug-20	4.278	3.663	3.889	4.939	1.168	1.71	1.79	-0.40	1.80	3.0	2.30
Sep-20	4.284	3.643	3.894	4.922	1.176	1.71	1.79	-0.40	1.80	3.3	2.30
Oct-20	4.289	3.623	3.899	4.906	1.184	1.71	1.79	-0.40	1.80	3.5	2.30
Nov-20	4.295	3.603	3.904	4.889	1.192	1.71	1.79	-0.40	1.80	3.6	2.30
Dec-20	4.300	3.583	3.909	4.873	1.200	1.71	1.79	-0.40	1.80	3.2	2.30

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.

Source: Deutsche Bank Polska S.A.



Appendix 1

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