



Poland: Weekly Macroeconomic Update

LAST WEEK:

In January 2020 **manufacturing PMI** fell to 47.4pts from 48.0pts in December 2019 what means an accelerated deterioration in business conditions. In January employment and new orders indicators fell and production indicator remained below neutral level of 50.0pts. Weakening in inflow of new orders prompted producers to reduction in employment and purchasing activity. In January cost pressure was still weak and production costs were rising at the slowest pace in three years. There was an improvement in expected production in the 12 month horizon.

The **Monetary Policy Council** at policy meeting last week kept interest rates unchanged. The MPC underlined that GDP growth in Poland decelerated in Q4 2019 but consumption growth, albeit slower, still supports economic growth. The MPC said that an increase in inflation in December to 3.4% y/y stemmed from a rise in food and fuel prices while higher prices of services boosted core inflation than, according to the Council, is still moderate. The MPC expects that a rise in inflation due to supply side factors and hike in regulated prices will be transitory. NBP president Glapiński expressed a view that interest rates would remain unchanged until the end of the present MPC or within next two years. He also added that in the said period rate cut was more likely than rate hike.

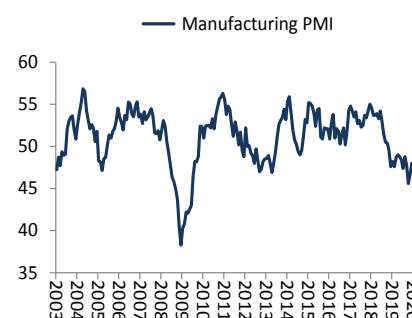
THIS WEEK:

On Thursday the NBP will publish **balance of payments** for December. We expect trade deficit of EUR425mn and the current account deficit of EUR350mn.

On Friday the GUS will release preliminary data on **GDP growth** for Q4 2019. We expect 2.9% y/y.

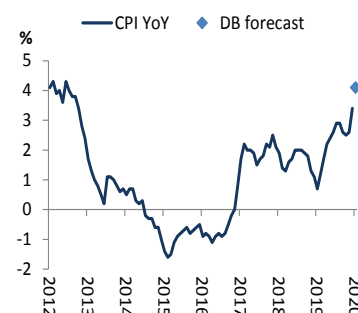
Inflation for January (to be released on Friday) should amount to 0.5% m/m and 4.1% y/y.

Figure 1: PMI manufacturing



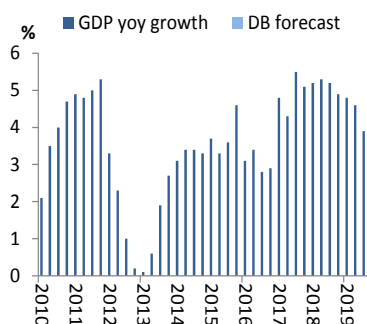
Source: Markit

Figure 2: Inflation (y/y growth)



Source: GUS, Deutsche Bank Polska S.A.

Figure 3: GDP (real y/y growth)



Source: GUS, Deutsche Bank Polska S.A.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Feb-13	13:00	Current account (Dec)	-EUR350mn		-EUR484mn
Feb-13	13:00	Trade balance (Dec)	-EUR425mn		-EUR730mn
Feb-14	9:00	GDP (Q4)	-0.6% (2.9%)		-0.5% (3.0%)
Feb-14	9:00	Inflation (Jan)	0.5% (4.1%)		0.6% (4.1%)

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)										
Feb-20	4.271	3.848	3.973	5.023	1.110	1.71	1.79	-0.40	1.75	4.1	2.15
Mar-20	4.274	3.823	3.957	5.011	1.118	1.71	1.79	-0.40	1.75	3.9	2.20
Apr-20	4.277	3.798	3.941	5.000	1.126	1.71	1.79	-0.40	1.75	3.5	2.25
May-20	4.279	3.774	3.926	4.989	1.134	1.71	1.79	-0.40	1.75	3.5	2.25
Jun-20	4.282	3.750	3.929	4.977	1.142	1.71	1.79	-0.40	1.75	3.2	2.25
Jul-20	4.285	3.727	3.931	4.966	1.150	1.71	1.79	-0.40	1.75	3.1	2.25
Aug-20	4.288	3.703	3.898	4.956	1.158	1.71	1.79	-0.40	1.75	3.1	2.30
Sep-20	4.291	3.680	3.901	4.945	1.166	1.71	1.79	-0.40	1.75	3.4	2.30
Oct-20	4.294	3.658	3.904	4.935	1.174	1.71	1.79	-0.40	1.75	3.6	2.30
Nov-20	4.297	3.635	3.906	4.924	1.182	1.71	1.79	-0.40	1.75	3.7	2.30
Dec-20	4.300	3.613	3.909	4.914	1.190	1.71	1.79	-0.40	1.75	3.3	2.30
Jan-21	4.304	3.609	3.913	4.921	1.193	1.71	1.79	-0.40	1.75	3.0	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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Additional information available upon request

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