



Poland: Weekly Macroeconomic Update

LAST WEEK:

According to flash estimate, **inflation** in September rose to 3.2% y/y from 2.9% y/y in August. In September consumer prices rose by 0.2% m/m including 1.6% m/m increase in fuel prices and 0.1% m/m increase in energy prices. In September food prices fell by 0.4% m/m due to seasonal factors. The increase in inflation in September stems from increase in fuel prices and (most likely) services prices.

In September **PMI manufacturing** index rose to 50.8pts from 50.6pts in August what means slow improvement in business conditions in manufacturing. In September increase was reported in employment, new orders and purchases while delivery time and output indices deteriorated. Output has been increasing for a third month in a row. New orders increased somewhat faster than in August including moderate rise in export orders. New orders have been increasing for two months, albeit at a weak pace. Declining but long-lasting inflationary pressure, partially due to PLN weakening resulted in a marginal increase in prices of output. Companies are more optimistic on level of output in a 12-month horizon.

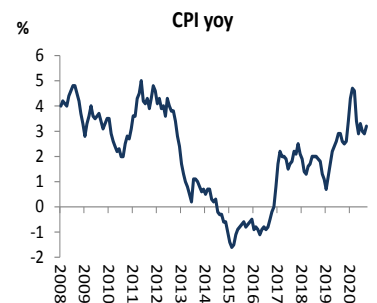
S&P confirmed Poland's long-term foreign currency rating at A- with stable outlook. S&P forecasts that real GDP growth will contract by 3.4% in 2020, but GDP decline will be the smallest in the EU due to diversified economy and competitive exporting sectors. S&P forecasts real GDP growth of 4.5% and 3.6% respectively in 2021 and 2022. S&P estimates general government deficit at 9.3% of GDP in 2020. General government debt is estimated to grow to 68.7% of GDP in the end of 2021 and to stabilise thereafter.

THIS WEEK:

The GUS revised up real **GDP** growth for 2019 to 4.5% from earlier 4.1%. Upward revision was a result of upgrade of real growth in public consumption (to 6.2% from 4.9%) and personal consumption (to 4.0% from 3.9%). Real growth of investments in fixed assets was intact at 7.2%. Exports growth was revised up to 5.1% from 4.7% and imports growth was revised up to 3.3% from 2.7%).

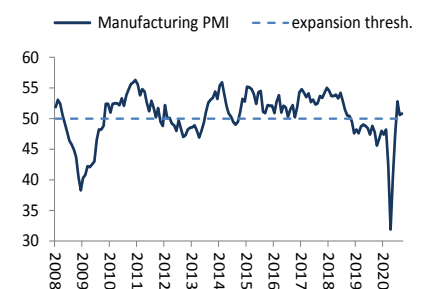
On Wednesday at regular policy meeting the **MPC** is expected to keep monetary policy settings unchanged.

Figure 1. Inflation (y/y)



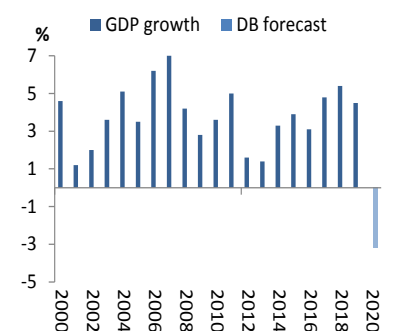
Source: GUS

Figure 2: PMI manufacturing



Source: Markit

Figure 3: Real GDP growth (y/y)



Source: GUS, Deutsche Bank Polska S.A.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Oct-7		MPC decision	0.10%		0.10%
Oct-7	12:00	Official reserve assets (Sep)			
Oct-9	12:00	Minutes from MPC meeting			

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)											
Oct-20	4.480	3.829	4.156	4.978	1.170	0.22	0.28	-0.48	0.23	3.1	1.35
Nov-20	4.445	3.791	4.135	4.928	1.173	0.22	0.28	-0.48	0.23	3.1	1.40
Dec-20	4.410	3.753	4.121	4.879	1.175	0.22	0.28	-0.47	0.23	2.7	1.45
Jan-21	4.409	3.748	4.121	4.875	1.176	0.22	0.28	-0.45	0.23	2.1	1.50
Feb-21	4.408	3.744	4.120	4.871	1.178	0.22	0.28	-0.45	0.23	1.6	1.50
Mar-21	4.408	3.739	4.119	4.867	1.179	0.22	0.28	-0.45	0.23	1.7	1.55
Apr-21	4.407	3.734	4.118	4.864	1.180	0.22	0.28	-0.45	0.23	2.3	1.57
May-21	4.406	3.730	4.118	4.860	1.181	0.22	0.28	-0.45	0.23	2.6	1.60
Jun-21	4.405	3.725	4.117	4.856	1.183	0.22	0.28	-0.45	0.23	2.4	1.60
Jul-21	4.404	3.721	4.116	4.852	1.184	0.22	0.28	-0.45	0.23	2.4	1.60
Aug-21	4.403	3.716	4.115	4.848	1.185	0.22	0.28	-0.45	0.23	2.5	1.65
Sep-21	4.403	3.711	4.114	4.844	1.186	0.22	0.28	-0.45	0.23	2.4	1.65

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.

Note 2: Due to increased market variability and changes in monetary and fiscal policies, forecasts are subject to higher than usual uncertainty.

Source: Deutsche Bank Polska S.A.



Appendix 1

Important Disclosures

Additional information available upon request

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