



Poland: Weekly Macroeconomic Update

LAST WEEK:

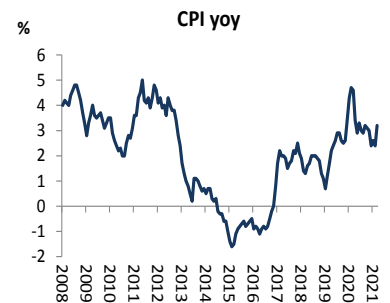
Preliminary **inflation** for March was much above market consensus forecast and amounted to 1.0% m/m and 3,2% y/y. An increase in consumer prices in March stemmed mainly from 6.6% m/m and 7.6% y/y increase in fuel prices and from 0.7% m/m and 0.5% y/y increase in food prices. In March energy prices rose by 0.1% m/m and were 4.2% up y/y. In March fuel prices contributed 0.4 p.p. to monthly CPI while food prices contributed 0.2% p.p. to monthly CPI. It was very likely that services prices rose in March as well. Data on inflation for March significantly increase inflation path for 2021.

In March **manufacturing PMI** rose to 54.3pts from 53.4pts in February. An increase in PMI index stemmed from increase in delivery time, increase in new orders (mainly export ones), increase in output and increase in employment. In March new orders increased for a fourth month in a row, in particular increased new export orders from Germany. Disturbed supply chains of raw materials, higher transport costs and PLN weakening resulted in increase in costs of production that rose to the highest levels since the beginning of the survey, i.e. since June 1998. An increase in prices of final goods was the highest since January 2003. Accelerating growth in new orders and hopes that vaccinations will result in removal of sanitary restrictions supported business optimism within a horizon of 12 months. In March business optimism was somewhat lower than in February, however, due to concerns with rising covid infections in Europe.

According to preliminary data, **general government deficit** widened to -6.9% of GDP in 2020 from a deficit of -0.7% of GDP in 2019. **General government debt** increased to 57.5% of GDP in 2020 from 46.5% of GDP in 2019.

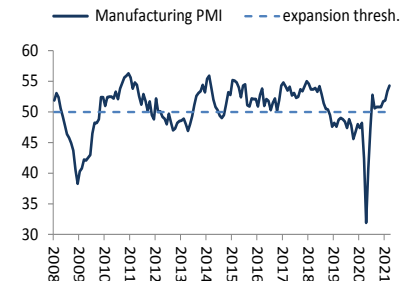
S&P confirmed Poland's long term credit rating in foreign currency at A minus with stable outlook. S&P revised down Poland GDP growth forecast for 2021 to 3.4% from 3.8% and revised up GDP growth forecast for 2022 to 4.4% from 4.2%. S&P forecasts average inflation in Poland in 2021 at 2.9%.

Figure 1: Inflation (y/y)



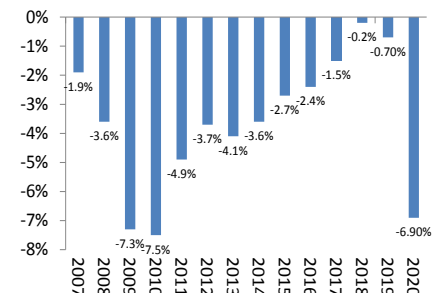
Source: Statistics Poland

Figure 2: PMI manufacturing



Source: Markit

Figure 3. General government balance (% of GDP)



Source: Finance Ministry



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Apr-07		MPC decision	0.10%		0.10%
Apr-09	13:00	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)										
Apr-21	4.580	3.852	4.130	5.335	1.189	0.21	0.25	-0.54	0.20	3.8	1.60
May-21	4.565	3.805	4.111	5.277	1.200	0.22	0.25	-0.53	0.20	4.2	1.65
Jun-21	4.550	3.759	4.093	5.220	1.211	0.22	0.25	-0.52	0.20	3.9	1.70
Jul-21	4.535	3.713	4.074	5.164	1.221	0.22	0.25	-0.51	0.20	4.0	1.73
Aug-21	4.520	3.669	4.056	5.109	1.232	0.22	0.25	-0.50	0.20	4.0	1.75
Sep-21	4.505	3.625	4.037	5.055	1.243	0.22	0.25	-0.50	0.20	4.0	1.80
Oct-21	4.490	3.582	4.019	5.001	1.254	0.22	0.25	-0.50	0.20	4.1	1.85
Nov-21	4.475	3.540	4.000	4.949	1.264	0.22	0.25	-0.50	0.20	4.2	1.87
Dec-21	4.460	3.498	3.982	4.897	1.275	0.22	0.25	-0.50	0.20	4.4	1.90
Jan-22	4.455	3.488	3.985	4.901	1.277	0.22	0.25	-0.50	0.20	4.0	1.95
Feb-22	4.450	3.479	3.987	4.905	1.279	0.22	0.25	-0.50	0.20	4.0	1.97
Mar-22	4.445	3.469	3.987	4.909	1.281	0.22	0.25	-0.50	0.20	3.6	2.00

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

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