



Poland: Weekly Macroeconomic Update

LAST WEEK:

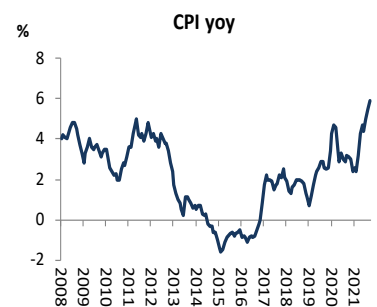
NBP President Adam Glapinski said that rate hike on October 7 was meant to prevent second round effects (or wage-price spiral) that could emerge due to persistently high inflation caused by supply shock. Comments from NBP President suggest that the MPC will assume wait-and-see approach, at least in the near term. We think, however, that the Council will have to hike interest rates by 50 bps by the end of 2021 and by another 50bps in Q1 2022, as new supply-side shocks likely appear.

The IMF revised GDP forecasts for Poland to 5.1% for 2021 (from 4.6% envisaged in July) and to 5.1% for 2022 (from 5.2% in July). The IMF expects average inflation in Poland at 4.3% in 2021 and 3.3% in 2022. In our view, the IMF underestimated inflation in Poland, especially for 2022.

Statistics Poland revised up **inflation** for September to 0.7% m/m and 5.9% y/y (from flash estimate of 0.6% m/m and 5.8% y/y). It means that inflation will rise to at least 6.4% in December 2021 and average inflation will likely rise to 4.5% in 2021 and 4.6% in 2022. The MPC will be still under a pressure to hike interest rates. We envisage intervention rate of 1.00% in December 2021 and 1.50 in March 2022. In September inflation was generated mainly by fuel prices (that added 0.13 pp. to monthly CPI) and energy prices (added 0.09 pp.) but significant contribution was from telecommunication prices (added 0.12 p.p.) and seasonal increase in prices of clothing and footwear (added respectively 0.09 p.p. and 0.03 p.p.). Increasing prices of services suggest that risk of second round effects is mounting.

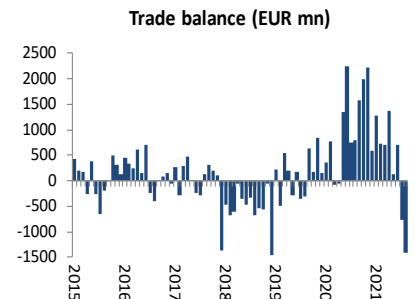
In August the **current account** gap widened to -EUR1.686bn from -EUR1.551bn in July and trade gap widened to -EUR1.413bn in August from -761mn in July. In August exports rose by 19.4% y/y to EUR21.8bn while imports increased by 32.9% y/y to EUR23.2bn. In August services account was positive(EUR1.8bn) while primary income account was negative (-EUR2.2bn) and secondary income account was slightly positive (EUR84mn). Widening of the current account gap in August resulted from strong growth in imports that increased trade gap.

Figure 1: Inflation (y/y)



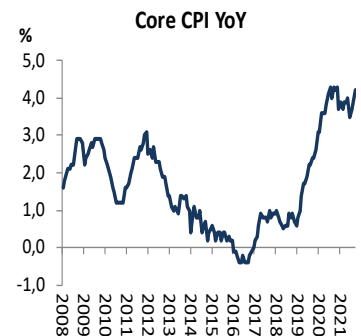
Source: Statistics Poland.

Figure 2: Trade balance (EUR mn)



Source: NBP

Figure 3: Core inflation (y/y)



Source: NBP



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Oct-18	14:00	Core inflation (Sep)	0,5% (4,0%)	0,7% (4,2%)	0,6% (4,1%)
Oct-19	10:00	Average wage (Sep)	0,5% (9,4%)		0,0% (9,0%)
Oct-19	10:00	Average employment (Sep)	0,1% (0,6%)		0,0% (0,7%)
Oct-20	10:00	PPI (Sep)	0,7% (9,9%)		0,1% (10,1%)
Oct-20	10:00	Consumer confidence (Oct)	-15,0		-14,5
Oct-20	10:00	Industrial production (Sep)	(8,6%)		10,2% (8,0%)
Oct-21	10:00	Construction output (Sep)	(7,5%)		(8,0%)
Oct-21	10:00	Retail sales (Sep)	(10,0%)		(10,4%)
Oct-21	10:00	Real retail sales (Sep)	(4,0%)		-2,5% (5,2%)
Oct-22	14:00	Money supply M3 (Sep)	0,6% (8,6%)		0,6% (8,6%)

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-21	4,580	3,959	4,267	5,435	1,157	0,69	0,86	-0,55	0,12	6,2	2,75
Nov-21	4,557	3,933	4,252	5,349	1,159	0,93	1,05	-0,53	0,15	6,2	2,80
Dec-21	4,520	3,897	4,224	5,260	1,160	1,18	1,30	-0,52	0,18	6,4	2,85
Jan-22	4,503	3,871	4,199	5,232	1,163	1,43	1,55	-0,50	0,20	5,9	2,85
Feb-22	4,506	3,862	4,192	5,227	1,167	1,43	1,55	-0,50	0,20	5,7	2,85
Mar-22	4,510	3,855	4,186	5,223	1,170	1,68	1,80	-0,50	0,20	5,0	2,90
Apr-22	4,512	3,845	4,178	5,217	1,173	1,68	1,80	-0,50	0,20	4,6	2,90
May-22	4,512	3,835	4,168	5,209	1,177	1,68	1,80	-0,50	0,20	4,5	2,95
Jun-22	4,510	3,822	4,157	5,198	1,180	1,68	1,80	-0,50	0,20	4,7	2,95
Jul-22	4,505	3,807	4,143	5,184	1,183	1,68	1,80	-0,50	0,20	4,5	3,00
Aug-22	4,500	3,792	4,128	5,170	1,187	1,68	1,80	-0,50	0,20	4,3	3,00
Sep-22	4,495	3,777	4,114	5,156	1,190	1,68	1,80	-0,50	0,20	3,9	3,00

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

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