



Poland: Weekly Macroeconomic Update

LAST WEEK:

In May **manufacturing PMI** fell to 48.5 from 52.4 in April. Such a deep decline in PMI index was a surprise, as market consensus view assumed more gradual deceleration, consistent with slow deterioration PMI in euro-zone. A decline of Poland's PMI in May stemmed from rapid decline in output and new orders. Market instability that resulted from war in Ukraine and high inflation weighed on domestic and foreign demand. New export orders has been falling for a third month in a row, mainly in major EU markets. Increasing prices of commodities, energy and fuel generated cost inflation and induced companies to hike prices of final goods. In May cost inflation and inflation of prices of final goods were somewhat less than in April. In May increase in commodity prices was caused mainly by supply disruptions. In May business confidence declined to 19-month low due to inflation, war in Ukraine and following market instability.

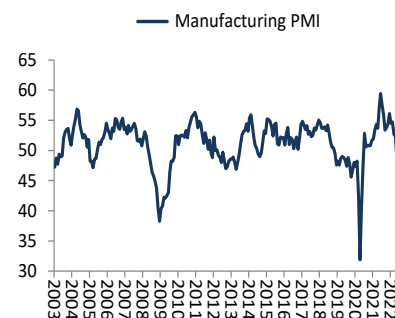
According to preliminary data, in May **consumer prices** rose by 1.7% m/m and 13.9% y/y. In May food prices were 1.3% m/m up an rose by 13.5% y/y, energy prices rose by 3,4% m/m and were 31.4% up y/y and fuel prices rose by 5.0% m/m and 35.4% y/y.

In Q1 2022 **real GDP growth** amounted to 2.5% q/q and 8.5% y/y. in Q1 GDP growth was generated mainly by inventory investments, that added as much as 7.7 percentage points to GDP growth. Real households' consumption rose by 6.6% y/y (adding 3.9 p.p. to GDP growth) while investments in fixed assets rose by 4.3% y/y (adding 0.6 p.p. to GDP growth). Net exports subtracted 3.8 p.p. from GDP growth in Q1.

EU countries agreed **on partial ban on imports of Russian oil** by year-end. The ban will be imposed on Russian oil delivered via maritime transport, but it will still be possible to import Russian oil via pipelines. It means that oil from Russia will be delivered via pipelines to Hungary, Czech Republic and Slovakia. Poland and Germany voluntarily decided to resign from Russian oil deliveries via pipelines by year-end.

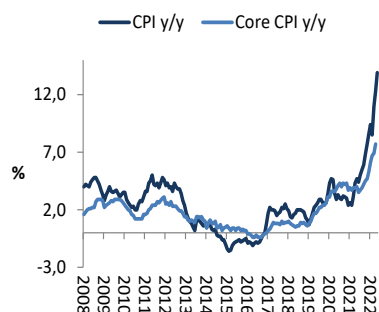
EC President Ursula von der Leyen informed that **the European Commission accepted Poland's National Recovery Plan said** that disbursement of funds from Poland's National Recovery Plan would be contingent on fulfillment of "milestones" set up by the EC, including changes in legal system and imposing of new taxes related to green energy transition postulated by the EU. PM Mateusz Morawiecki said that funds from National Recovery Plan would be mainly used for investments related to green energy transition that would be beneficial for Poland's economy and would help in gaining independence from Russian energy commodities and thus would help in fighting inflation.

Figure 1: PMI manufacturing



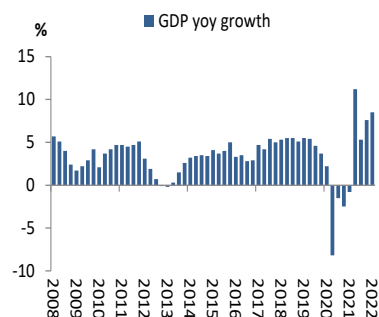
Source: S&P Global

Figure 2: CPI and core CPI (y/y growth)



Source: Statistics Poland

Figure 3: Real GDP (y/y growth)



Source: Statistics Poland



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jun-08		MPC decision	6.00%		6.00%
Jun-10	12:00	Minutes from MPC meeting on 6 May			

Source: Deutsche Bank Estimates., Reuters and Bloomberg Finance LP

FX and interest rate forecasts

	EUR/PLN	USD/PLN	CHF/PLN	GBP/PLN	EUR/USD	Reference rate	WIBOR 3M*	WIBOR 6M*	EURIBOR 3M	LIBOR USD 3M*	CPI (Poland)	Yield on 10Y POLGB
	(end of period)											
Jun-22	4,580	4,260	4,447	5,355	1,075	6,00	7,20	7,50	-0,20	1,70	14,9	6,80
Jul-22	4,567	4,235	4,448	5,347	1,078	6,75	7,20	7,50	-0,12	1,80	15,6	6,80
Aug-22	4,553	4,210	4,450	5,338	1,082	6,75	7,95	8,25	-0,04	1,90	15,9	6,85
Sep-22	4,540	4,185	4,451	5,329	1,085	7,50	7,95	8,25	0,05	2,05	15,4	6,90
Oct-22	4,527	4,160	4,452	5,321	1,088	7,50	7,95	8,25	0,22	2,30	14,8	6,95
Nov-22	4,513	4,135	4,454	5,312	1,091	7,50	7,95	8,25	0,39	2,30	14,1	7,00
Dec-22	4,500	4,091	4,455	5,277	1,100	7,50	7,95	8,25	0,55	2,30	13,6	7,00
Jan-23	4,499	4,075	4,447	5,267	1,104	7,50			0,70	2,55	13,1	6,90
Feb-23	4,498	4,059	4,439	5,256	1,108	7,50			0,85	2,55	14,0	6,95
Mar-23	4,498	4,043	4,431	5,245	1,113	7,50			1,00	2,55	11,5	6,90
Apr-23	4,497	4,027	4,423	5,235	1,117	7,50			1,17	2,65	10,3	6,80
May-23	4,496	4,011	4,415	5,225	1,121	7,50			1,34	2,65	9,1	6,75

*- *PM Mateusz Morawiecki announced intention to replace WIBOR by a new benchmark as of the end of 2022, but no details were given yet nor there was any regulatory trigger to initiate transition from WIBOR.*

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

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