



Poland: Weekly Macroeconomic Update

LAST TWO WEEKS:

Manufacturing PMI rose to 59.4 in June from 57.2 in May and was significantly above market consensus expectations. Manufacturing PMI was at historical highs for the second month in a row. After weaker PMI in March and April, the index returned in May and June to its usual correlation with euro-zone's PMI. In June an increase in PMI stemmed from rising indices of output, employment and new orders. Growth in new orders was particularly strong in domestic market while foreign orders remained robust. In June inflation of costs of production and inflation of finished goods were at record highs and business optimism was the highest since the start of the year.

At the meeting on July 8, the **MPC** didn't change monetary policy settings and reiterated that the NBP would continue conducting purchases of government bonds and securities guaranteed by the State Treasury in secondary market under structural open market operations. Timing and size of purchases will depend on market conditions. According to July's NBP projection – annual inflation will remain with 50-likelihood within a range of 3.8–4.4% in 2021 r. (versus 2.7–3.6% in projection of March 2021), 2.5–4.1% in 2022 (versus 2.0–3.6%) and 2.4–4.3% in 2023 (versus 2.2–4.2%). Annual GDP growth is projected with 50% likelihood within a range of 4.1–5.8% in 2021 (versus 2.6–5.3% in projection of March 2021), 4.2–6.5% in 2022 (versus 4.0–6.9%) and 4.1–6.5% in 2023 (versus 4.0–6.8%). At press conference NBP President Adam Glapinski said that in the coming quarters the MPC may start discussing tightening of monetary policy. He indicated three necessary conditions to be met before first hike: (1) certainty that pandemic situation would not disturb economic activity in a rapid way, (2) forecast should show inflation persistently above 3.5% and (3) inflation would have to be driven by demand, with robust labour market and closing output gap. NBP President reiterated that the central bank should end bond purchases before first rate hike. He added that rate hikes by Czech and Hungary's central banks have no impact on Poland's economy. In his view, Poland's economy is far from overheating. President Glapinski also said that the NBP didn't want zloty appreciation and added that central bank was ready to intervene to weaken currency.

Inflation for June was confirmed at 0.1% m/m and 4.4% y/y after 4.7% y/y in May while **core inflation** for June was flat m/m and fell to 3.5% y/y from 4.0% y/y in May.

THIS WEEK:

The **Supreme Court** set the date of ruling on legal issues related to FX loans on September 2. The sitting starts at 10.00 CET.

In June **industrial output** rose by 18.4% y/y and increased by 4.0% m/m while **producer prices rose** by 0.7% m/m and increased by 7.0% y/y.

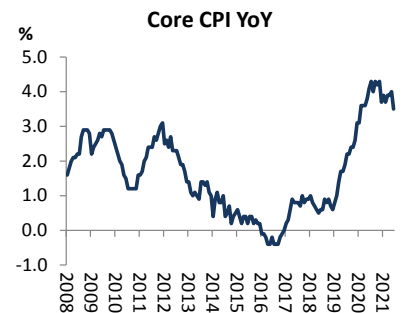
In June **average employment** in enterprises' sector rose by 0.3% m/m and was 2.8% up y/y while **average wage** in enterprises' sector rose by 2.9% m/m and was 9.8% up y/y.

Figure 1: Manufacturing PMI



Source: Markit

Figure 2: Core inflation (y/y)



Source: NBP

Figure 3: Average wage (y/y growth)



Source: Statistics Poland.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jul-19	8:00	Average wage (Jun)		0.3% (2.8%)	0.3% (2.7%)
Jul-19	8:00	Average employment (Jun)		2.9% (9.8%)	2.6% (9.2%)
Jul-20	8:00	PPI (Jun)		0.7% (7.0%)	0.4% (6.7%)
Jul-20	8:00	Industrial output (Jun)		4.0% (18.4%)	4.3% (18.0%)
Jul-21	8:00	Retail sales (Jun)	3.0% (12.6%)		(13.1%)
Jul-22	8:00	Construction output (Jun)	(6.5%)		(7.0%)
Jul-22	12:00	Money supply M3 (Jun)	1.0% (8.3%)		0.5% (7.8%)

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)										
Jul-21	4.590	3.901	4.230	5.306	1.177	0.21	0.25	-0.54	0.15	4.4	1.55
Aug-21	4.560	3.860	4.183	5.297	1.181	0.21	0.25	-0.52	0.16	4.5	1.60
Sep-21	4.530	3.820	4.137	5.287	1.186	0.21	0.25	-0.52	0.18	4.4	1.65
Oct-21	4.500	3.780	4.091	5.276	1.191	0.21	0.25	-0.51	0.20	4.6	1.70
Nov-21	4.470	3.740	4.045	5.265	1.195	0.21	0.25	-0.50	0.20	4.6	1.75
Dec-21	4.440	3.700	4.000	5.254	1.200	0.21	0.25	-0.50	0.20	4.8	1.85
Jan-22	4.437	3.684	3.968	5.243	1.204	0.21	0.25	-0.50	0.20	4.2	1.90
Feb-22	4.433	3.669	3.973	5.232	1.208	0.22	0.25	-0.50	0.20	4.3	1.90
Mar-22	4.430	3.654	3.973	5.217	1.213	0.22	0.25	-0.50	0.20	3.8	1.95
Apr-22	4.427	3.638	3.974	5.203	1.217	0.22	0.25	-0.50	0.20	3.7	2.00
May-22	4.423	3.623	3.974	5.181	1.221	0.22	0.25	-0.50	0.20	3.5	2.05
Jun-22	4.420	3.608	3.971	5.160	1.225	0.22	0.25	-0.50	0.20	3.8	2.10

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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