



Poland: Weekly Macroeconomic Update

LAST TWO WEEKS:

According to preliminary estimate, in 2021 **real GDP** grew by 5.7% (versus a 2.5% decline in 2020), domestic demand rose by 8.2% (versus 3.4% decline in 2020), total consumption rose by 4.8% y/y and households' consumption increased by 6.2% (versus decline by 1.1% and 3.0% respectively in 2020). In 2021 gross fixed investments rose by 8.0% (versus 9.0% decline in 2020).

In January **manufacturing PMI** declined to 54.5 from 56.1 in December, remaining for 19-nth month in a row in expansion zone. In January growth in output and new orders decelerated, while exports orders slightly increased. Main factors limiting output were supply problems and rising prices. Companies signalled disruptions in transport, particularly from China. In January, stocks of raw materials and intermediate goods has been rising for a 9-nth month in a row. In January companies created jobs in a fastest pace in six months as backlogs increased. Enterprises were still optimistic, concerning production in 12-month horizon, but expectations were at the lowest level in 14 months. Growth in costs of production was the strongest in 7 months what translated on the highest growth in prices of finished goods in 3 months.

At the meeting on February 8, the **Monetary Policy Council** hiked interest rates by 50 basis points, raising the main reference rate to 2.75%. The MPC also hiked mandatory reserve rate from 2.0% to 3.5% to the pre-pandemic level. The MPC underlined that rising prices of energy commodity prices as well as some agricultural commodities and disruptions in supply chains contribute to significant rise in inflation worldwide. As a result, main central banks prepare to tightening of monetary policy. The MPC said that inflation in Poland would remain elevated in 2022 due to rising commodity prices and hikes in electricity and natural gas prices, despite limiting impact of the Anti-inflation shield. The MPC expects that in longer term inflation will decline as part of global inflationary shocks is expected to wane and as a result of hikes in NBP interest rates. In order to limit risks of inflation remaining above MPC target in the medium term, the Council decided to hike interest rates. At press conference NBP President Adam Glapinski said that the MPC was determined to reduce inflation, but not at the expense of high unemployment. In his view reference rate may safely rise to 4% without adverse effects for Poland's economy. He added that the MPC would continue to hike interest rates and underlined that there was a consensus within the MPC on that matter. NBP President expressed preference for stronger zloty, as firming of the PLN would help in curbing inflation. He also said the NBP would further increase gold holdings this year, depending on market conditions.

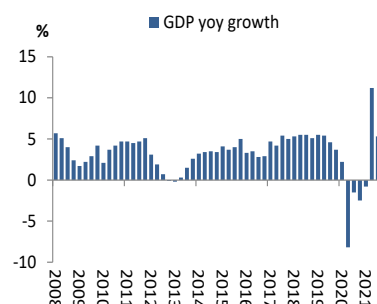
THIS WEEK:

In December 2021 **current account gap** widened to -EUR3.957bn from -EUR628mn in November 2021. Sharp widening of the current account stemmed from widening of trade gap to -EUR2.535bn what was a result of 35.9% y/y increase in imports (to EUR26.6bn) versus 19.4% y/y increase in exports (to EUR24.1bn). Strong growth in imports was a result of tripled value of imported fuels while growth in exports was hampered by falling exports of automobiles and parts, including batteries.

According to flash estimate, **CPI** amounted to 1.9% m/m and 9.2% y/y in January. The main factors driving inflation up were food prices (up 2.6% m/m) and housing prices (up 4.4% m/m) including 8.0% m/m rise in energy prices.

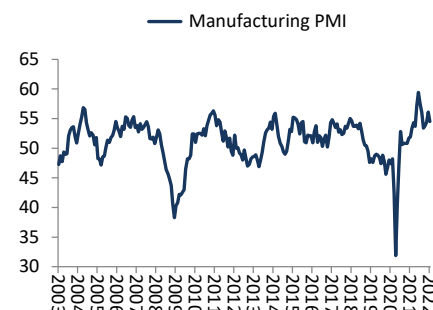
Preliminary **real GDP** growth for Q4 amounted to 7.3% y/y and 1.7% q/q.

Figure 1: Real GDP growth



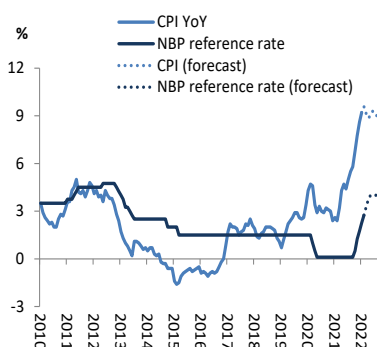
Source: Statistics Poland

Figure 2: Manufacturing PMI



Source: Markit

Figure 3: NBP reference rate and CPI



Source: NBP, Statistics Poland, Deutsche Bank



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Feb-14	9:00	Current account (Dec)		-EUR3957mn	-EUR2254mn
Feb-15	9:00	CPI (Jan, flash)		1.9% (9.2%)	1.9% (9.4%)
Feb-15	9:00	GDP (Q4, flash)		1.7% (7.3%)	1.8% (7.1%)
Feb-18	9:00	Average wage (Jan)	-8.0% (10.3%)		-8.6% (10.1%)
Feb-18	9:00	Average employment (Jan)	0.7% (1.5%)		0.8% (1.7%)
Feb-18	9:00	Industrial output (Jan)	-7.7% (13.8%)		-7.3% (14.7%)
Feb-18	9:00	PPI (Jan)	1.3% (14.6%)		1.0% (14.4%)

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)										
Feb-22	4,510	3,991	4,295	5,404	1,130	3,45	3,88	-0,54	0,46	9,2	4,05
Mar-22	4,501	3,994	4,303	5,382	1,127	3,60	4,22	-0,53	0,50	9,6	4,10
Apr-22	4,492	3,996	4,311	5,360	1,124	4,10	4,37	-0,50	0,55	9,2	4,15
May-22	4,483	3,999	4,319	5,338	1,121	4,25	4,45	-0,50	0,65	8,9	4,20
Jun-22	4,474	4,002	4,327	5,316	1,118	4,30	4,45	-0,50	0,75	9,0	4,25
Jul-22	4,465	4,004	4,335	5,294	1,115	4,30	4,50	-0,50	0,80	9,3	4,25
Aug-22	4,456	4,007	4,343	5,272	1,112	4,35	4,50	-0,48	0,90	9,1	4,25
Sep-22	4,447	4,010	4,351	5,250	1,109	4,35	4,50	-0,45	1,00	9,0	4,25
Oct-22	4,438	4,013	4,360	5,228	1,106	4,35	4,50	-0,40	1,10	8,7	4,25
Nov-22	4,429	4,015	4,368	5,206	1,103	4,35	4,50	-0,35	1,20	8,2	4,25
Dec-22	4,420	4,018	4,376	5,183	1,100	4,35	4,50	-0,30	1,25	7,5	4,30

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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