



Poland: Weekly Macroeconomic Update

LAST WEEK:

NBP President Adam Glapinski said that it was not clear if majority of banks and majority of customers were interested in **conversion of FX loans** via settlements between banks and customers. The NBP expects that banks will provide relevant data. The central banks also won't make any decisions before ruling of the Supreme Court on March 25. NBP President said that banks shouldn't be deprived from interest on FX loans as a result of the ruling. The NBP warned that some banks would need rising capital after conversion of FX loans. NBP President added that banks that would ask for central bank's aid in FX conversion shouldn't pay bonuses for their management.

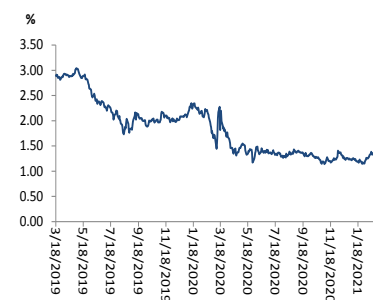
The NBP stated that an **increase in yields** on domestic bonds might lessen an impact of NBP actions aimed at securing low cost of funding in Poland's economy during pandemics and which were necessary to support expected economic recovery and to preserve price stability. Therefore the NBP informed that it considered modification to structural open market operations including increase in flexibility and frequency of auctions. It means that the NBP considers indirect control of yield curve in medium and long tenors in addition to the current direct control of short-term rates.

Polish Development Fund PFR informed it fully covered its borrowing needs and added it didn't plan significant bond issuances.

THIS WEEK:

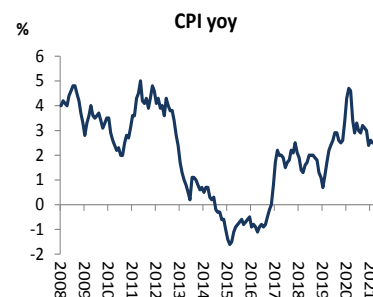
In February **inflation** amounted to 0.5% m/m and 2.4% y/y after revised inflation for January of 1.3% m/m and 2.6% y/y. Consumer basket for 2021 was revised: weight of food and beverages rose to 27.77% from 25.24%, weight of housing and energy increased to 19.14% from 18.44%, weight of alcohol and tobacco rose to 6.91% from 6.25% and weigh of telecommunication rose to 5.0% from 4.54%. Weights declined in footwear and clothing (to 4.21% from 4.94%), transport (to 8.88% from 9.89%), recreation and culture (to 5.78% from 6.62%), hotels and restaurants (to 4.56% from 6.12%). Covid-19 resulted in shift of consumption towards basic goods and needs. In February prices of housing and energy rose by 6.1% y/y, prices of education rose by 5.5% y/y, prices of telecommunication rose by 5.1% y/y, prices in hotels and restaurants were up 4.9% y/y and prices of healthcare rose by 4.5% y/y. A decline in prices was reported in footwear and clothing (down 2.9% y/y) and transport (down 1.6% y/y). We estimate that average inflation in 2021 will amount to 3.1%.

Figure 1: Yield on 10-year POLGB



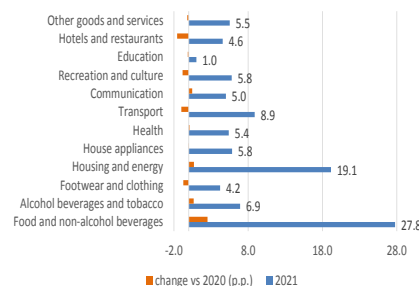
Source: Finance Ministry

Figure 2: Inflation (y/y)



Source: Statistics Poland

Figure 3. Consumer basket for 2021



Source: Statistics Poland



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Mar-15	9:00	Inflation (Feb)	0.4% (2.5%)	0.5% (2.4%)	0.6% (2.6%)
Mar-16	13:00	Current account (Jan)	EUR3045mn		EUR3052mn
Mar-16	13:00	Trade balance (Jan)	EUR564mn		EUR858mn
Mar-16	13:00	Core inflation (Feb)	0.2% (3.8%)		0.2% (3.7%)
Mar-17	9:00	Average wage (Feb)	0.5% (4.4%)		1.1 (4.9%)
Mar-17	9:00	Average employment (Feb)	0.0% (-2.0%)		0.1% (-1.9%)
Mar-18	9:00	PPI (Feb)	0.6% (1.5%)		0.5% (1.5%)
Mar-18	9:00	Industrial output (Feb)	4.2% (2.9%)		5.2% (3.8%)
Mar-19	9:00	Retail sales (Feb)	0.5% (-6.1%)		3.2% (-2.5%)
Mar-19	9:00	Construction output (Feb)	(-9.2%)		(-9.5%)

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)										
Mar-21	4.575	3.836	4.159	5.333	1.193	0.21	0.25	-0.53	0.19	2.6	1.50
Apr-21	4.562	3.809	4.160	5.273	1.198	0.21	0.25	-0.52	0.19	3.1	1.45
May-21	4.549	3.782	4.161	5.214	1.203	0.22	0.25	-0.51	0.18	3.5	1.40
Jun-21	4.537	3.754	4.162	5.156	1.208	0.22	0.25	-0.50	0.17	3.2	1.45
Jul-21	4.524	3.728	4.163	5.099	1.214	0.22	0.25	-0.50	0.17	3.3	1.50
Aug-21	4.511	3.701	4.164	5.042	1.219	0.22	0.25	-0.50	0.18	3.4	1.50
Sep-21	4.498	3.675	4.165	4.985	1.224	0.22	0.25	-0.50	0.19	3.3	1.55
Oct-21	4.486	3.648	4.166	4.929	1.229	0.22	0.25	-0.50	0.20	3.5	1.55
Nov-21	4.473	3.622	4.167	4.874	1.235	0.22	0.25	-0.50	0.20	3.5	1.60
Dec-21	4.460	3.597	4.168	4.820	1.240	0.22	0.25	-0.50	0.20	3.7	1.65
Jan-22	4.455	3.602	4.164	4.827	1.237	0.22	0.25	-0.50	0.20	3.3	1.65
Feb-22	4.450	3.608	4.159	4.799	1.233	0.22	0.25	-0.50	0.20	3.3	1.65

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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