



Poland: Weekly Macroeconomic Update

LAST TWO WEEKS:

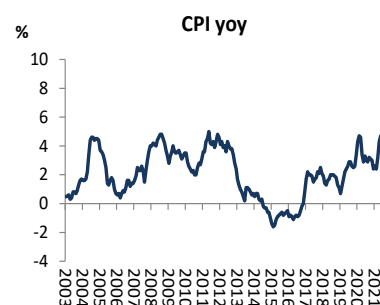
According to flash estimate, **consumer inflation** for November amounted to 1.0% m/m and 7.7% y/y and was much above market consensus expectations of 7.3% y/y. Acceleration in inflation stemmed from a hike in energy prices (up 2.7% m/m and up 13.4% y/y) and fuel prices (up 2.2% m/m and up 36.6% y/y) as well as significant 1.3% m/m and 6.4% y/y increase in food prices. Such strong rise in CPI the MPC will have to act quickly to stabilize inflation expectations. We expect the MPC to hike the main reference rate by 75bps at the meeting this week.

In Q3 **real GDP** growth was 2.3% q/q and 5.3% y/y. Private consumption rose by 4.7% y/y in real terms and investments in fixed assets rose by 9.3% y/y. In Q3 2021 GDP growth was generated mainly by gross accumulation, that added 5.2 percentage points to GDP growth, of which as much as 3.7 p.p. added inventory investments while investments in fixed assets added remaining 1.5 p.p. Contribution of personal consumption was 2.7 p.p. and was neutralized by negative contribution of net exports (-2.7 p.p.).

Manufacturing PMI rose to 54.4 in November from 53.8 in October. In November industrial production has been rising for 10th month in a row. New orders increased, but only in domestic market while foreign orders fell, among others due to high prices. In November shortages of labour and problems in recruitment of new employees resulted in slight decline in employment. In November producer prices rose at a robust pace due to strong inflation of costs. Companies pointed to shortages of inputs and logistic and transport problems. Companies focused on increasing inventories what resulted in the strongest rise in inventories in 23-year history of the survey. Companies remained optimistic concerning the future, but confidence fell to a 7-month low, due to worries on persistence of inflation and supply problems.

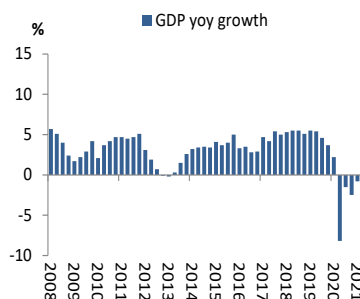
NBP President Adam Glapinski said he changed his rhetoric – inflation is not transitory, it is burdensome. In NBP's assessment inflation will fall to about 5% after Q1 2022 and will be transitory in 2-year horizon. NBP President added that the central bank will aim at bringing inflation to minimal levels but not at the expense of higher unemployment. He added that in short term fiscal policy was effective in curbing inflation, what was being done via government's anti-inflation shield but monetary policy was effective in counteracting second round effects in the horizon several quarters. Earlier NBP President said that the central bank ought to support economic growth but also should conduct policies that support strong currency. He added that there was not strong economy without strong zloty. Comments from NBP President are yet another verbal intervention on the zloty, supported by a signal of further interest rate hikes that would not trigger rise in unemployment.

Figure 1: Inflation (y/y growth)



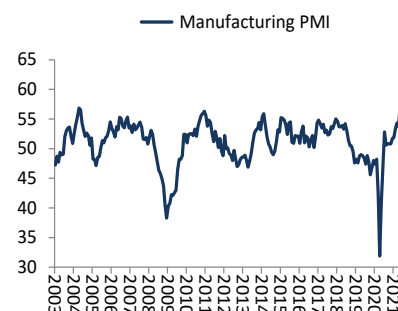
Source: Statistics Poland

Figure 2: Real GDP (y/y growth)



Source: Statistics Poland

Figure 3: Manufacturing PMI



Source: Markit



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Dec-08		MPC decision	2.00%		1.75%
Dec-10	13:00	Minutes from MPC meeting			

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)										
Dec-21	4,600	4,107	4,423	5,463	1,120	2,25	2,55	-0,55	0,18	8,3	3,20
Jan-22	4,592	4,112	4,436	5,455	1,117	2,68	2,80	-0,53	0,20	8,2	3,15
Feb-22	4,583	4,117	4,450	5,448	1,113	2,68	2,80	-0,52	0,20	8,3	3,20
Mar-22	4,575	4,122	4,463	5,441	1,110	2,68	2,80	-0,50	0,20	7,8	3,25
Apr-22	4,567	4,127	4,477	5,433	1,107	2,68	2,80	-0,50	0,20	7,4	3,25
May-22	4,558	4,131	4,491	5,426	1,103	2,68	2,80	-0,50	0,20	7,2	3,25
Jun-22	4,550	4,136	4,505	5,419	1,100	2,68	2,80	-0,50	0,50	7,5	3,25
Jul-22	4,542	4,141	4,519	5,411	1,097	2,68	2,80	-0,50	0,55	7,2	3,25
Aug-22	4,533	4,146	4,533	5,404	1,093	2,68	2,80	-0,50	0,65	7,0	3,30
Sep-22	4,525	4,151	4,548	5,397	1,090	2,68	2,80	-0,50	0,75	6,7	3,35
Oct-22	4,517	4,156	4,562	5,390	1,087	2,68	2,80	-0,50	0,80	6,1	3,40
Nov-22	4,508	4,162	4,577	5,382	1,083	2,68	2,80	-0,50	0,90	5,6	3,40

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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