



## Poland: Weekly Macroeconomic Update

### LAST WEEK:

Market participants and companies focus on Russian invasion on Ukraine. Support for Ukraine from the US, Great Britain and the EU has a form of political and economic pressure on Russia. Recent economic sanctions imposed on Russia were severe and will have big impact on Russian economy, especially a freeze on central bank of Russia assets and cut off of SWIFT transactions with major Russian banks. In the short term the main factors impacting Poland's economy are (1) PLN weakening and (2) rise in fuel prices (crude oil and natural gas), In medium term two additional factors will likely emerge (3) rise in food prices if food exports (mainly grain) from Ukraine are disturbed or if gas prices are hiked further and (4) negative shock to GDP growth stemming from higher fuel prices, decline in inflow of seasonal workers from Ukraine in construction and transport and as households' demand will likely decline. Realised geopolitical risk will negatively impact the zloty, to the lesser extent GBP and EUR and will strengthen USD, CHF and possibly CNY. Prices of oil and gas in Europe in coming weeks will determine the strength of inflationary shock while the strength of negative shock to economic growth in Poland will depend on the strength of inflationary shock, potential further loosening of fiscal policy in the form of help to most exposed households and on reaction of the NBP in the form of changes to pace of rate hikes. Stagflationary nature of current shock and further problems in supply chains, this time pertaining to basic raw materials will increase uncertainty and will render conduction of monetary policy more difficult. If scenario of weaker GDP growth materializes the MPC may be prompted to slow down the pace of hikes but rate hike of 50bps expected in March seems certain. Potential FX interventions on PLN won't be effective in current phase of very high uncertainty on war in Ukraine and geopolitical risk will remain the main factor impacting the zloty in the short term.

In January real **retail sales** fell by 22.8% m/m and rose by 10.6% y/y, and nominal retail sales were 20,0% up y/y, in line with market consensus expectations.

In January **construction output** rose by 20.8% y/y, much stronger than expected.

In January **money supply M3** fell by 1.2% m/m and rose by 7.7% y/y. In January cash in circulation rose by 9.4% y/y, demand deposits of households increased by 12.1% y/y and demand deposits of companies rose by 6.2% y/y while term deposits of households fell by 17.5% y/y and term deposits of companies rose by 14.7% y/y. In January loans to households increased by 4.7% y/y while loans to enterprises rose by 4.0% y/y.

In February **consumer confidence** rose to -27.7pts from -29.2pts in January.

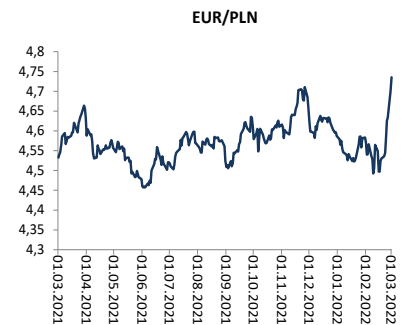
Registered **unemployment rate** rose to 5.5% in January 2022 from 5.4% in December 2021.

According to labour force survey, **unemployment rate** fell to 2.9% in Q4 2021 from 3.0% in Q3 2021. Labour market data point to continuation of robust demand for labour that stems from post-pandemic recovery.

### THIS WEEK:

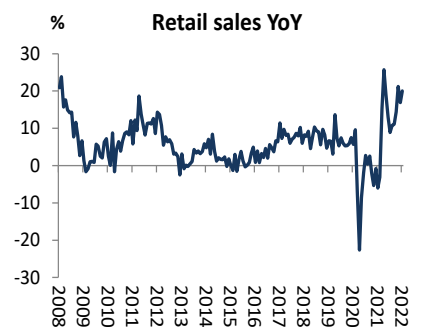
in Q4 2021 real GDP growth was confirmed at 7.3% y/y and 1.7% q/q. In Q4 2021 personal consumption rose by 7.9% y/y and investments grew by 11.7% in real terms.

Figure 1: EUR/PLN



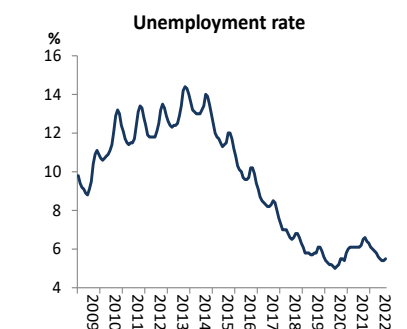
Source: Bloomberg LP

Figure 2: Retail sales (y/y growth)



Source: Statistics Poland

Figure 3: Unemployment rate



Source: Statistics Poland



## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Feb-28	9:00	GDP (Q4, P)	1.7% (7.3%)	1.7% (7.3%)	1.7% (7.3%)
Mar-01	8:00	Manufacturing PMI (Feb)	54.0	54.7	54.8

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)										
<b>Mar-22</b>	4,630	4,134	4,495	5,539	1,120	3,70	4,20	-0,53	0,50	9,8	4,10
<b>Apr-22</b>	4,619	4,132	4,494	5,514	1,118	4,10	4,37	-0,50	0,55	9,7	4,15
<b>May-22</b>	4,608	4,130	4,493	5,489	1,116	4,25	4,45	-0,50	0,65	10,2	4,20
<b>Jun-22</b>	4,597	4,129	4,492	5,464	1,113	4,30	4,45	-0,50	0,75	10,5	4,25
<b>Jul-22</b>	4,586	4,127	4,491	5,438	1,111	4,30	4,50	-0,50	0,80	10,5	4,30
<b>Aug-22</b>	4,574	4,125	4,490	5,413	1,109	4,35	4,50	-0,48	0,90	10,6	4,30
<b>Sep-22</b>	4,563	4,123	4,489	5,388	1,107	4,35	4,50	-0,45	1,00	10,2	4,35
<b>Oct-22</b>	4,552	4,122	4,487	5,363	1,104	4,35	4,50	-0,40	1,10	9,7	4,35
<b>Nov-22</b>	4,541	4,120	4,486	5,338	1,102	4,35	4,50	-0,35	1,20	9,0	4,35
<b>Dec-22</b>	4,530	4,118	4,485	5,312	1,100	4,35	4,50	-0,30	1,25	8,3	4,40
<b>Jan-23</b>	4,525	4,098	4,473	5,297	1,104	4,35	4,50	-0,28	1,30	7,3	4,40
<b>Feb-23</b>	4,520	4,078	4,461	5,281	1,108	4,35	4,50	-0,28	1,40	6,2	4,40

*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

## Important Disclosures

### Additional information available upon request

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