



## Poland: Weekly Macroeconomic Update

### LAST WEEK:

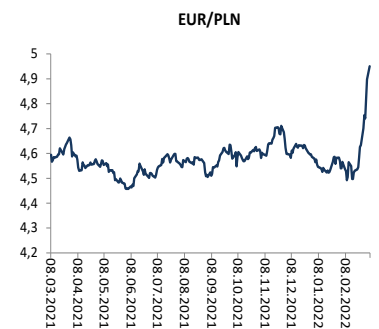
Last week war between Russia and Ukraine escalated, and war damages increased. Western countries consider more sanctions on Russia, including ban on trade in Russian oil and coal. European countries consider or implement various forms of military aid for Ukraine, inflow of refugees from Ukraine to EU countries (mainly Poland) increases and increases humanitarian aid for civilians directly or indirectly impacted by military operations. In the current phase it is difficult to forecast direct results of the war, let alone long-term implications of the war. One thing is certain – the current balance of power in Europe is being decomposed what may impact not only European countries, but also may have implications for Middle East and Asia. Direct economic impact can be easily seen in commodities markets – today in the morning Brent crude oil price was above USD130 per barrel and at the time of writing is at USD126/bbl. Price of natural gas in Europe as well as price of copper soared to all-time highs and prices of precious metals are on the rise. Yields on Poland's government bonds rose sharply today.

Sharp weakening of currencies in the region, including the zloty, is caused by three factors: flight to safety (dominating short-term factor), (2) concerns about impact of rising prices energy commodities on inflation and balance of payments (medium-term factor) and (3) concerns about slowing down of economic growth in Europe (long-term impact). Medium and long-term factors weaken equilibrium exchange rate of the zloty, and other CE3 currencies in the horizon of next months and quarters while flight to safety determines short-term weakening of CE3 exchange rates. Today around noon the zloty tested PLN5 per EUR (and CHF/PLN temporarily reached 4.99). The NBP may influence via FX interventions daily fluctuations of the zloty but has no means to reduce risks stemming from war in Ukraine that impacts not only currencies in the region but also EUR/USD exchange rate.

### THIS WEEK:

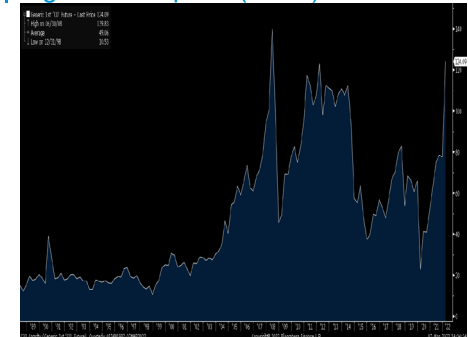
At the meeting on Tuesday the **Monetary Policy Council** will have to refer not only to increasing inflationary pressures but also to unprecedented weakening of the zloty during recent days. The current PLN weakening will likely prompt the MPC to hike by more than 50bps. The MPC will have to react not only to rising medium-term inflationary pressure stemming from rising prices of energy commodities but also to short-term risks stemming from PLN weakening. Proper reaction of monetary policy to these risks seems increasing the size of interest rate hikes. We expect the MPC to hike interest rates by 75bps tomorrow.

Figure 1: EUR/PLN



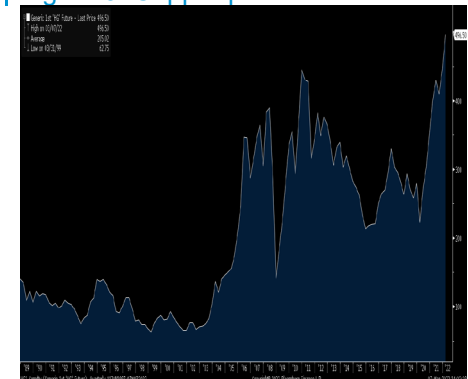
Source: Bloomberg LP

Figure 2. Oil price (Brent)



Source: Bloomberg LP

Figure 3. Copper price



Source: Bloomberg LP



## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Mar-07	13:00	Official reserve assets (Feb)		106.7 mld USD	
Mar-08		MPC decision	3.50%		3.25%
Mar-10	13:00	Minutes from MPC decision			

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>	4,760	4,367	4,760	5,852	1,090	3,95	4,45	-0,50	0,65	9,8	4,50
<b>Apr-22</b>	4,738	4,342	4,748	5,794	1,091	4,35	4,97	-0,50	0,70	9,7	4,45
<b>May-22</b>	4,716	4,317	4,737	5,737	1,092	4,85	5,00	-0,50	0,75	10,2	4,40
<b>Jun-22</b>	4,693	4,293	4,725	5,681	1,093	4,85	5,00	-0,50	0,80	10,5	4,40
<b>Jul-22</b>	4,671	4,268	4,713	5,624	1,094	4,85	5,00	-0,50	0,85	10,5	4,40
<b>Aug-22</b>	4,649	4,243	4,701	5,568	1,096	4,85	5,00	-0,48	0,90	10,6	4,45
<b>Sep-22</b>	4,627	4,219	4,689	5,513	1,097	4,85	5,00	-0,45	1,00	10,2	4,50
<b>Oct-22</b>	4,604	4,194	4,677	5,457	1,098	4,85	5,00	-0,40	1,10	9,7	4,55
<b>Nov-22</b>	4,582	4,170	4,665	5,402	1,099	4,85	5,00	-0,35	1,20	9,0	4,60
<b>Dec-22</b>	4,560	4,145	4,653	5,348	1,100	4,85	5,00	-0,30	1,25	8,3	4,60
<b>Jan-23</b>	4,551	4,122	4,632	5,327	1,104	4,85	5,00	-0,28	1,30	7,3	4,60
<b>Feb-23</b>	4,542	4,098	4,611	5,307	1,108	4,85	5,00	-0,28	1,40	6,2	4,60

*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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