



Poland: Weekly Macroeconomic Update

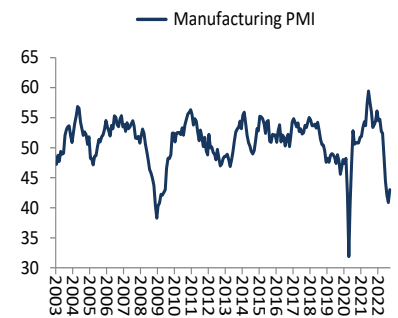
LAST WEEK:

Manufacturing PMI rose to 43.0 in September from 40.9 in August, still remaining in contraction region, significantly below a neutral level of 50. In September new orders have been falling for 7th month in a row. The pace of decline decelerated versus the lowest level in 27 months reported in August, but still was rapid. Companies reported a decline in business climate stemming from uncertainty and high inflation pressure. These two factors weighed on exports as well, in particular to Germany. Companies limited purchasing activity, using inventories, what released working capital. In the opinion of purchasing managers the main factors fuelling inflation were energy, weakening of the zloty, shortages of commodities and parts (mainly electronic components). In September jobs have been falling for 4 month in a row and the pace of jobs reduction accelerated. Reduction of jobs had only a small impact on output capacity.

The **Monetary Policy Council** surprised market participants leaving interest rates unchanged, with the main reference rate at 6.75%. In the statement after the meeting the MPC reiterated that they expect lower GDP growth in coming quarters but underlined robust labour market with record low unemployment rate. The Council repeated they expected lowering of demand growth in Poland's economy what would facilitate reducing inflation towards central bank's target. The MPC warned that the return of inflation to target would be gradual due to persistence and size of shocks to inflation. The MPC signalled that their next decisions would depend on incoming data, including the impact of war in Ukraine on Poland's economy. The Council reiterated that the NBP might intervene in FX market to counter PLN exchange rate movements that are inconsistent with direction of monetary policy.

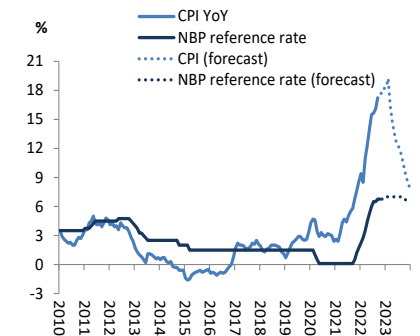
At **press conference** NBP President Adam Glapinski said that the MPC stopped interest rate hiking cycle but hasn't end it. In his opinion if new NBP projection that will be published in November shows increase in inflationary pressure stemming from domestic factors then the MPC might hike interest rates again. According to NBP President the fact that main central banks like Fed and the ECB hike interest rates at a fast pace leads to reducing demand for commodities and thus reduces external inflationary pressure in Poland, as well. In the opinion of Adam Glapinski already done monetary tightening in Poland reduced significantly domestic demand pressure. He added that incoming data confirm a scenario of gradual deceleration of GDP growth in Poland. Referring to higher than expected inflation, NBP President said that inflation in 2023 would depend on fiscal policy, including potential extension of anti-inflation shields and the extend of energy prices freezes. He suggested that rate cut might take place near end of 2023. We think that GDP and inflation forecasts from November's NBP projection will be crucial for future MPC decisions and we do not rule out 25bps hike in November. However, likelihood of next rate hike diminished after comments from NBP President that was reflected in weakening of the zloty.

Figure 1: PMI manufacturing



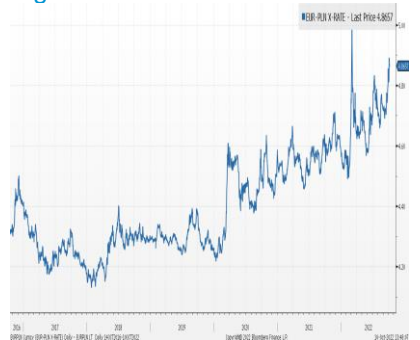
Source: S&P Global

Figure 2: NBP reference rate and CPI



Source: NBP, Statistics Poland, DB Polska S.A.

Figure 3: EUR/PLN



Source: Bloomberg



DIARY (this week)

| Date | GMT | Release/Event | DB Expected | Actual | Consensus |
|--------|-------|-----------------------|--------------|--------|--------------|
| Oct-14 | 8:00 | Inflation (Sep) | 1,6% (17,2%) | | 1,6% (17,2%) |
| Oct-14 | 12:00 | Current account (Aug) | -EUR1450mn | | -EUR1573mn |
| Oct-14 | 12:00 | Trade balance (Aug) | -EUR1260mn | | -EUR1375mn |

Source: Deutsche Bank Estimates., Reuters and Bloomberg Finance LP

FX and interest rate forecasts

| | EUR/PLN | USD/PLN | CHF/PLN | GBP/PLN | EUR/USD | Reference rate | WIBOR 3M* | WIBOR 6M* | EURIBOR 3M | LIBOR USD 3M* | CPI (Poland) | Yield on 10Y POLGB |
|---------------|-----------------|---------|---------|---------|---------|----------------|-----------|-----------|------------|---------------|--------------|--------------------|
| | (end of period) | | | | | | | | | | | |
| Oct-22 | 4,850 | 5,000 | 5,014 | 5,600 | 0,970 | 6,75 | 7,20 | 7,35 | 1,42 | 3,95 | 17,7 | 7,20 |
| Nov-22 | 4,805 | 4,913 | 4,935 | 5,454 | 0,978 | 7,00 | 7,35 | 7,50 | 1,67 | 4,30 | 17,7 | 7,20 |
| Dec-22 | 4,760 | 4,808 | 4,857 | 5,289 | 0,990 | 7,00 | 7,35 | 7,50 | 1,75 | 4,30 | 18,2 | 7,00 |
| Jan-23 | 4,742 | 4,726 | 4,822 | 5,269 | 1,003 | 7,00 | 7,35 | 7,50 | 1,90 | 4,55 | 18,3 | 6,80 |
| Feb-23 | 4,723 | 4,646 | 4,787 | 5,250 | 1,017 | 7,00 | 7,35 | 7,50 | 2,05 | 4,55 | 19,2 | 6,50 |
| Mar-23 | 4,705 | 4,568 | 4,753 | 5,230 | 1,030 | 7,00 | 7,35 | 7,50 | 2,25 | 4,55 | 16,3 | 6,00 |
| Apr-23 | 4,687 | 4,492 | 4,718 | 5,211 | 1,043 | 7,00 | 7,35 | 7,50 | 2,30 | 4,55 | 14,6 | 5,80 |
| May-23 | 4,668 | 4,418 | 4,684 | 5,191 | 1,057 | 7,00 | 7,35 | 7,50 | 2,40 | 4,55 | 13,5 | 5,70 |
| Jun-23 | 4,650 | 4,346 | 4,650 | 5,171 | 1,070 | 7,00 | 7,20 | 7,35 | 2,50 | 4,55 | 12,5 | 5,60 |
| Jul-23 | 4,632 | 4,275 | 4,616 | 5,152 | 1,083 | 7,00 | 7,10 | 7,25 | 2,60 | 4,55 | 12,2 | 5,50 |
| Aug-23 | 4,613 | 4,207 | 4,583 | 5,132 | 1,097 | 7,00 | 6,90 | 7,05 | 2,70 | 4,30 | 11,5 | 5,50 |
| Sep-23 | 4,595 | 4,140 | 4,550 | 5,112 | 1,110 | 6,75 | 6,75 | 6,90 | 2,75 | 4,30 | 10,7 | 5,50 |

*- According to road map published by the PFSA WIBOR cessation will occur in 2025 .

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

Deutsche Bank Polska S.A. represents that the data contained in this publication are of information nature only, and the content presented herein does not constitute an offer within the meaning of Art. 66 of the Civil Code of 23 April 1964, an invitation to offer or a recommendation to enter into any transaction. This publication may not be treated as advice and does not perform any function of advice. All information used in this publication has been obtained from generally accessible sources which are generally recognized as reliable. Deutsche Bank Polska S.A. has exercised due diligence to verify the above information and bring it up to date, but it disclaims any and all liability for its accuracy or completeness, or for any damage that the Client or third parties may incur as a result of decisions made in reliance on the information contained in this publication.

The transactions or products listed herein may not be appropriate for all investors. Before making a decision on entering into a transaction or acquiring a product the Client should, without relying only on the information provided in this publication, make an independent assessment of the economic risk of such transaction and his ability to incur it, its tax and legal nature, the legal consequences of the transaction and potential benefits and losses associated with it, as well as assess the market characteristics.

The assumptions, simulations and opinions contained in this publication constitute the sole judgment of Deutsche Bank Polska S.A.'s / persons preparing it as at the date of publication of this document which is subject to change without a requirement to publish it. Any and all projections are based on assumptions pertaining to market conditions and there is no guarantee that any projected results will be achieved. Past performance is not a guarantee of future results.

Deutsche Bank Polska S.A. represents that the information presented above should not be in any case treated by the Client as Deutsche Bank Polska S.A.'s recommendation or advice. This publication may not be duplicated or distributed in any way, in particular through mass media, without the prior written consent of Deutsche Bank Polska S.A., al. Armii Ludowej 26, 00-609 Warsaw, NIP no. 676-01-07-416, District Court for the capital city of Warsaw, 12th Corporate Division of the National Court Register, file number KRS 0000022493, share capital PLN 1,744,449,384 paid up in full.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Arkadiusz Krześniak