



Poland: Weekly Macroeconomic Update

LAST WEEK:

In March **manufacturing PMI** fell to 52.7 from 54.7 in February. Output and new orders declined, in particular export ones, as a result of war in Ukraine that put additional pressure on supply chains. Companies were still hoarding stocks of inputs and intermediate goods. New jobs were created as companies hoped that post-pandemic recovery would result in increase in production in 12 month horizon, when supply bottlenecks cease to exist and demand stabilises.

In March **flash CPI** rose by as much as 3.2% m/m and rose by 10.9% y/y. In March food prices rose by 2.2% m/m and were 9.2% up y/y, energy prices rose by 4.4% m/m and increased by 23.9% y/y and fuel prices rose by 28.0% m/m and rose by 33.5% y/y. Very strong increase in inflation in March stemmed from rapid increase in fuel prices due to war in Ukraine.

In 2021 **general government deficit** narrowed to -1.8% of GDP from -6.9% of GDP in 2020. In 2021 **general government debt** to GDP ratio fell to 53.8% from 57.1% in 2020. Significant decline in both general government deficit and general government debt to GDP ratio in 2021 was a result of ending of fiscal programmes aimed at prevention of Covid-19.

THIS WEEK:

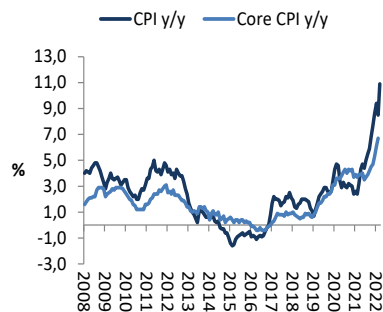
On Wednesday the Monetary Policy Council will hold policy meeting. Due to strong increase in inflation in March, we expect the MPC to hike interest rates by 75bps on Wednesday, hiking the main reference rate to 4.25%. Taking into account that strong rise in inflation in March stemmed mainly from rise in fuel prices that resulted from higher prices of crude oil and PLN weakening due to war in Ukraine, was yet another inflationary supply-side shock to Poland's economy. Given both the size of the shock and its impact on inflation, the NBP most likely will prefer to act promptly in order to control inflationary expectations. As for now, stagflationary shock from war in Ukraine has revealed its inflation part while stagnation part will likely manifest itself in the coming quarters.

Figure 1: PMI manufacturing



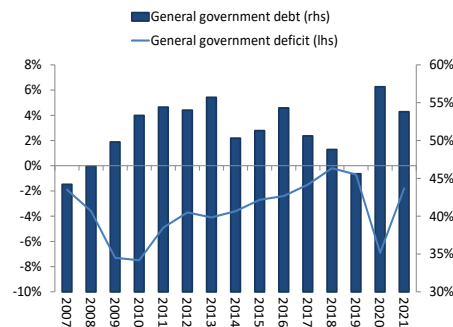
Source: S&P Global

Figure 2. CPI and core CPI (y/y growth)



Source: NBP, Statistics Poland

Figure 3. General government deficit and debt (% of GDP)



Source: Statistics Poland



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Apr-06		MPC decision	4.25%		4.00%
Apr-07	12:00	Official reserve assets (Mar)			
Apr-07	13:00	NBP President's press conference			
Apr-08	12:00	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)										
Apr-22	4,630	4,213	4,452	5,540	1,099	4,95	5,30	-0,50	1,30	11,1	5,20
May-22	4,626	4,219	4,464	5,534	1,097	5,60	5,80	-0,50	1,55	11,4	5,10
Jun-22	4,623	4,224	4,477	5,529	1,094	5,85	6,05	-0,50	1,55	11,6	4,90
Jul-22	4,619	4,230	4,490	5,523	1,092	5,85	6,05	-0,50	1,80	11,7	4,80
Aug-22	4,615	4,236	4,502	5,517	1,090	5,85	6,05	-0,48	1,80	11,9	4,85
Sep-22	4,611	4,242	4,515	5,512	1,087	5,85	6,05	-0,45	2,05	11,4	4,80
Oct-22	4,608	4,248	4,528	5,506	1,085	5,85	6,05	-0,40	2,30	10,9	4,80
Nov-22	4,604	4,253	4,541	5,500	1,082	5,85	6,05	-0,35	2,30	10,2	4,77
Dec-22	4,600	4,259	4,554	5,494	1,080	5,85	6,05	-0,30	2,30	9,4	4,75
Jan-23	4,591	4,228	4,538	5,465	1,086	5,85	6,05	-0,28	2,55	8,4	4,70
Feb-23	4,582	4,197	4,521	5,435	1,092	5,85	6,05	-0,28	2,55	8,7	4,60
Mar-23	4,573	4,166	4,505	5,406	1,098	5,85	6,05	-0,28	2,55	6,0	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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