



Poland: Weekly Macroeconomic Update

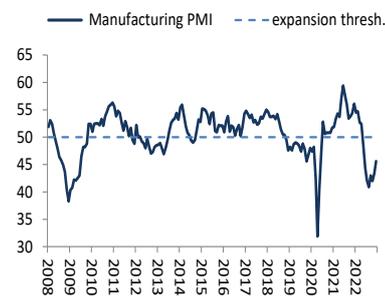
LAST WEEK:

Manufacturing PMI unexpectedly rose to 45.6 in December from 43.4 in November. Analysts expected smaller growth in PMI in December – consensus forecast was 44.0. PMI index was still below 50 what means deceleration of economic activity. However, the pace of deceleration was smaller in December than in November. In December output, new orders, employment and purchasing activity declined but the pace of decline was slower than in November. Also cost inflation in December rose much less than in November – production costs have been rising at the smallest pace since almost two and half a year while prices of output has been rising at the smallest pace since beginning of 2021. Companies in industry continued to reduce employment to optimize costs. In December expectations on future production were moderately optimistic – some enterprises expected improvement in demand and stabilisation of business conditions while the others expected recession and decline in sales.

The **Monetary Policy Council** kept interest rates unchanged with the main reference rate at 6.75%. In the communique the MPC stated that GDP growth had declined further in Q4 but unemployment rate remained low despite decline in employment in Q3. In the opinion of the MPC weakening global growth and monetary tightening by main central banks will reduce global inflation. MPC expects that approaching slowdown in GDP growth in Poland combined with already done significant monetary tightening by the NBP will facilitate a decline in CPI in Poland. The NBP noted that inflation would remain elevated in short term and return of inflation to the target would be gradual. The MPC reiterated that firming of the zloty would be consistent with direction of monetary policy in Poland. The central bank signalled that its decisions would be based on incoming data and reiterated it could intervene in FX market.

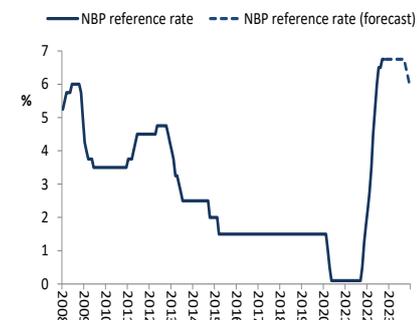
Flash CPI for December amounted to 0.2% m/m and 16.6% y/y, coming much below market consensus view. A decline in annual CPI stemmed from net negative impact of food, energy and fuel prices on monthly CPI. In December food prices rose by 1.4% m/m and were 21.5% up y/y (adding 0.4 perc. point to monthly CPI), energy prices fell by 3.3% m/m and rose by 31.2% y/y (subtracting 0.4 p.p. from m/m CPI) and fuel prices fell by 1.6% m/m and rose by 13.5% y/y (subtracting 0.1 p.p. from m/m CPI). The whole 0.2% m/m rise in CPI in December was generated by core CPI what means that supply shocks are extinguishing while second round effects are in place. Surprisingly low CPI for December shifts down the whole CPI path in 2023 (with end-year CPI likely well below 9%) and increases likelihood of rate cuts in Q4 2023.

Figure 1. Manufacturing PMI



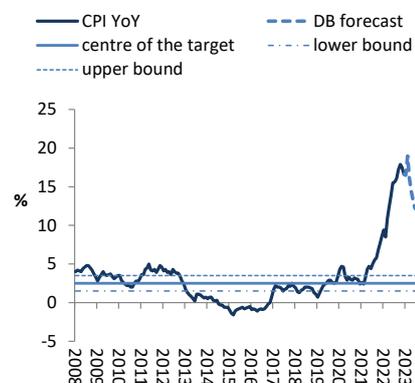
Source: S&P Global

Figure 2. NBP reference rate



Source: NBP, Deutsche Bank Polska S.A.

Figure 3. CPI (y/y growth)



Source: Statistics Poland, Deutsche Bank Polska S.A.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jan-13	9:00	CPI (Dec)	0.2% (16.6%)		0.2% (16.6%)
Jan-13	13:00	Current account (Nov)	-EUR1025mn		-EUR1000mn
Jan-13	13:00	Trade balance (Nov)	-EUR2448mn		-EUR2311mn
Jan-16	13:00	Core CPI (Dec)	0.6% (11.6%)		(11.6%)

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)											
Jan-23	4,674	4,388	4,753	5,310	1,065	6,75	6,95	7,08	2,28	5,00	16,5	5,80
Feb-23	4,663	4,399	4,774	5,261	1,060	6,75	6,95	7,08	2,43	5,05	19,0	6,00
Mar-23	4,651	4,409	4,795	5,211	1,055	6,75	6,95	7,08	2,63	5,30	16,1	6,20
Apr-23	4,640	4,419	4,817	5,161	1,050	6,75	6,95	7,08	3,25	5,30	14,4	6,00
May-23	4,629	4,408	4,838	5,087	1,050	6,75	6,95	7,08	3,30	5,05	13,3	5,80
Jun-23	4,618	4,398	4,861	5,013	1,050	6,75	6,95	7,00	3,50	5,05	12,2	5,75
Jul-23	4,606	4,352	4,807	4,976	1,058	6,75	6,95	6,95	3,50	4,80	12,0	5,70
Aug-23	4,595	4,308	4,753	4,940	1,067	6,75	6,95	6,75	3,50	4,80	11,3	5,60
Sep-23	4,584	4,264	4,701	4,904	1,075	6,75	6,85	6,50	3,50	4,80	10,5	5,40
Oct-23	4,573	4,221	4,650	4,868	1,083	6,50	6,60	6,25	3,50	4,80	8,9	5,30
Nov-23	4,561	4,178	4,600	4,833	1,092	6,25	6,35	6,25	3,50	4,80	8,4	5,20
Dec-23	4,550	4,136	4,550	4,798	1,100	6,00	6,10	6,20	3,50	4,80	8,7	5,20

*- 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

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