



Poland: Weekly Macroeconomic Update

LAST WEEK:

Flash **inflation** in May amounted to 0.0% m/m and 13.0% y/y after 14.7% y/y in April. In May food prices rose by 0.6% m/m and were 18.9% up y/y, prices of energy fell by 0.5% m/m and were 20.4% up y/y and fuel prices were 4.8% down m/m and fell by 9.5% y/y. We estimate that core inflation in May was 0.2% and 11.3% (versus 12.2% y/y in April) what means that core inflation started to decline visibly.

Real GDP growth in Q1 was 3.8% q/q and -0.3% y/y. In Q1 2023 real private consumption fell by 2.0% y/y, real public consumption was 0.5% down y/y and real investments in fixed assets rose by 5.5% y/y. In Q1 2023 personal consumption subtracted 1.0 perc. point from annual GDP growth, inventory investments subtracted 4.1 p.p. from GDP growth while investments in fixed assets added 0.6 p.p. to GDP growth and net exports added as much as 4.3 p.p. to GDP growth. GDP structure in Q1 shows that the main reason for decline in GDP was strong decline in inventories and decline in real consumption of households. These factors were only partially compensated by robust increase in net exports and continued growth in investments in fixed assets.

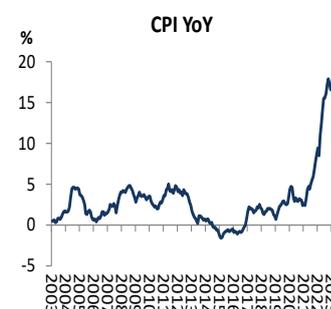
Manufacturing PMI rose to 47.0 in May from 46.6 in April and was above market consensus view of 46.0. Manufacturing PMI has been in a contraction zone for a thirteen month in a row. An improvement in the index compared to April stems from slower decline in output, new orders and employment. New orders has been declining for fifteenth month in a row due to smaller budgets, customers' excessive inventories and decline in demand from Europe. In May foreign orders have been declining more than domestic ones for fifth month in a row. Producers has been reducing employment for twelfth month in a row due to declines in output and new orders but the pace of reduction in employment was the lowest in this period. Delivery time fell what reflected higher availability of raw materials. Costs of production and prices of finished goods has been falling for a second month but decline in prices were the highest in history of the survey what was a result of declining commodity prices and firmer the zloty.

PM Mateusz Morawiecki informed that government considered extending of **credit holidays** for half a year or a year. PM Morawiecki added that if decision to prolong credit holidays was taken then income criterion would be likely applied.

THIS WEEK:

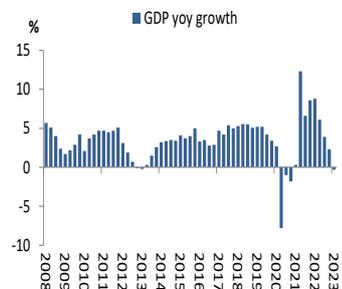
Today the **MPC** start two-day policy meeting. We expect the MPC to keep interest rates unchanged with the main reference rate at 6.75% on Tuesday. In the communique after the meeting the Council will likely reiterate that their actions would be based on incoming data. We think that the MPC will underline fast decline in the main measures of inflation (including the beginning of decline in core inflation).

Figure 1. CPI (y/y)



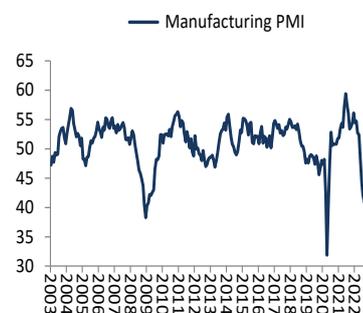
Source: Statistics Poland

Figure 2. Real GDP (y/y growth)



Source: Statistics Poland

Figure 3. Manufacturing PMI



Source: S&P Global



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jun-06		MPC decision	6.75%		6.75%
Jun-07	12:00	Official reserve assets			

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)											
Jun-23	4,485	4,192	4,600	5,198	1,070	6,75	6,90	6,95	3,60	5,55	12,2	6,00
Jul-23	4,488	4,149	4,583	5,172	1,082	6,75	6,90	6,90	3,60	5,50	11,9	5,85
Aug-23	4,490	4,107	4,566	5,147	1,093	6,75	6,90	6,80	3,60	5,25	11,2	5,70
Sep-23	4,493	4,066	4,549	5,123	1,105	6,75	6,85	6,50	3,60	5,00	10,2	5,55
Oct-23	4,495	4,025	4,533	5,099	1,117	6,50	6,60	6,25	3,60	4,85	8,7	5,40
Nov-23	4,498	3,986	4,516	5,075	1,128	6,25	6,35	6,25	3,60	4,60	8,2	5,30
Dec-23	4,500	3,947	4,500	5,053	1,140	6,00	6,10	6,15	3,60	4,60	8,5	5,30
Jan-24	4,495	3,902	4,486	5,002	1,152	6,00	6,10	6,05	3,60	4,35	7,8	5,30
Feb-24	4,490	3,887	4,477	4,984	1,155	5,75	6,00	5,85	3,60	4,35	7,7	5,30
Mar-24	4,490	3,877	4,472	4,975	1,158	5,75	5,90	5,60	3,60	4,35	7,3	5,30
Apr-24	4,490	3,874	4,472	4,970	1,159	5,50	5,60	5,60	3,60	4,35	7,0	5,30
May-24	4,485	3,870	4,467	4,965	1,159	5,50	5,35	5,50	3,50	4,20	6,8	5,30

*- 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.

Source: Deutsche Bank Polska S.A.



Appendix 1

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