



Poland: Weekly Macroeconomic Update

LAST WEEK::

On December 8, **the MPC** hiked interest rates by 50bps, raising the main reference rate to 1.75%. The MPC decided to hike by 50bps instead of hiking by 75bps what would mean reaching terminal rate in this tightening cycle faster. The decision to hike by 50bps means that the MPC is uncertain about appropriate level of end-cycle interest rate. Taking into account the fact that data on inflation in recent months were consistently significantly above expectations of the central bank, one can expect that this tightening cycle will take longer and final level of interest rates will be higher. In the communique the Council underlined that they would aim at stabilising inflation in medium term at the same time supporting economic growth in Poland, after global pandemic shock. The MPC while assessing total scale of rate hikes necessary to stabilize inflation will be taking into account incoming data on inflation and economic growth including situation in the labour market. The MPC reiterated that the central bank might intervene in FX market and might use other instruments envisaged in Monetary Policy Guidelines.

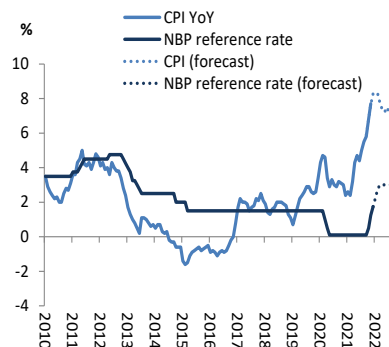
At press conference last Thursday NBP President Adam Glapinski said that according to NBP forecasts inflation would peak in December this year and would be decreasing in 2022 due to government's Anti-Inflation Shield curbing inflation in short term and due to rate hikes by the NBP that would reduce inflation in medium term. NBP President said that central bank's goal was stabilising of CPI within inflation target by Q4 2023. In his opinion inflation would remain elevated in 2022 with average inflation next year above 5%. He added that if current trends continued there was a room for further rate hikes. NBP President reiterated that the MPC would be acting on basis of incoming data, taking into account economic growth, and situation in labour market in particular. He said that Poland's economy was operating at full employment. NBP President stressed that the central bank didn't defend particular level of exchange rate but it had a right to intervene in case of rapid changes in exchange rate. President Glapinski said that current level of PLN exchange rate was appropriate. He added that the zloty should have tendency to appreciate in long term.

Minutes from MPC meeting on November 3, didn't bring new information regarding monetary policy in Poland. Most information had already been included in MPC's communique, press conferences of NBP President and comments from MPC members. In our view the MPC will hike interest rates by 50bps in January. As shown by last hike, the Council opted for slower pace of interest rate hikes in order not to hamper economic growth what means that hiking cycle will be spread in time and inflation will be returning to the target more slowly.

THIS WEEK::

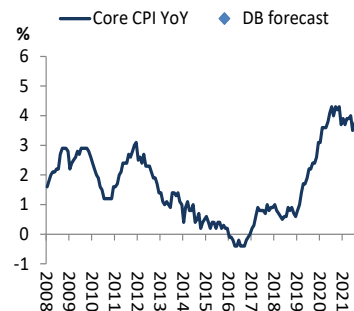
The **current account** gap widened to -EUR1.791bn in October from -EUR1.3bn in September what was a result of widening trade deficit to -EUR822mn in October from -EUR111mn in September. Widening of trade deficit in October, in turn, was caused by decline in growth of exports to 6.6% y/y (as exports of automobiles and parts declined) while growth in imports remained robust at 20.4% y/y due to higher prices of fuels, metals and chemical products.

Figure 1: Reference rate and CPI



Source: NBP, Deutsche Bank Polska S.A.

Figure 2. Core CPI (y/y growth)



Source: NBP, Deutsche Bank Polska S.A.

Figure 3. Nominal wage y/y growth



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



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Dec-14	13:00	Current account (Oct)	-EUR552mn	-EUR1791mn	-EUR920mn
Dec-15	9:00	CPI (Nov, F)	1.0% (7.7%)		1.0% (7.7%)
Dec-16	13:00	Core CPI (Nov)	0.4% (4.8%)		0.4% (4.7%)
Dec-17	9:00	Average wage (Nov)	0.2% (8.1%)		0.9% (8.9%)
Dec-17	9:00	Average employment (Nov)	0.1% (0.4%)		0.1% (0.5%)

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)										
Dec-21	4,600	4,107	4,423	5,463	1,120	2,35	2,60	-0,58	0,20	8,3	3,20
Jan-22	4,592	4,112	4,436	5,455	1,117	2,43	2,80	-0,55	0,20	8,2	3,20
Feb-22	4,583	4,117	4,450	5,448	1,113	2,68	2,80	-0,52	0,20	8,3	3,20
Mar-22	4,575	4,122	4,463	5,441	1,110	2,68	2,80	-0,50	0,20	7,8	3,25
Apr-22	4,567	4,127	4,477	5,433	1,107	2,68	2,80	-0,50	0,20	7,4	3,25
May-22	4,558	4,131	4,491	5,426	1,103	2,68	2,80	-0,50	0,20	7,2	3,25
Jun-22	4,550	4,136	4,505	5,419	1,100	2,68	2,80	-0,50	0,50	7,5	3,25
Jul-22	4,542	4,141	4,519	5,411	1,097	2,68	2,80	-0,50	0,55	7,2	3,25
Aug-22	4,533	4,146	4,533	5,404	1,093	2,68	2,80	-0,50	0,65	7,0	3,30
Sep-22	4,525	4,151	4,548	5,397	1,090	2,68	2,80	-0,50	0,75	6,7	3,35
Oct-22	4,517	4,156	4,562	5,390	1,087	2,68	2,80	-0,50	0,80	6,1	3,40
Nov-22	4,508	4,162	4,577	5,382	1,083	2,68	2,80	-0,50	0,90	5,6	3,40

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

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