



Poland: Weekly Macroeconomic Update

LAST WEEK:

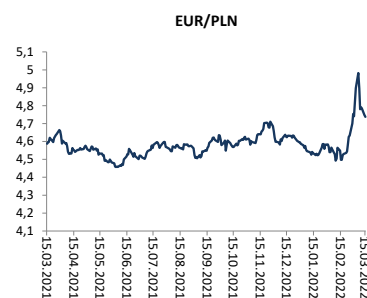
The **Monetary Policy Council** as we expected, hiked interest rates by 75bps, raising the main reference rate to 3.50%. A hike of 75bps may be interpreted as intermediate between cautious hike of 50bps (certainly inadequate given sharp PLN weakening in recent days) and a hike of 100bps that can be seen by the market as a signal that NBP had lost indirect control on inflation (and exchange rate). A hike of 75bps creates more room for manoeuvre – if zloty continues to weaken – the central bank may hike by another 75bps next month and if zloty stabilises a 50bps hike will be sufficient to lessen impact of rising prices of energy commodities. Since outbreak of the war in Ukraine price of Brent oil rose by 41% and the zloty weakened by 11.5% versus the USD (on Monday PLN weakened by 15% versus the USD since outbreak of the war). Such a significant shock to fuel prices, combined with rising prices of basic raw materials cannot be accommodated by monetary policy and will be also counteracted by fiscal policy – PFR head Pawel Borys signalled that the anti-inflation shield would be extended. New NBP projection show very strong upward shift in inflation path by 5 percentage points or more in 2022-2023 and downward shift of GDP path by 0.5 p.p. in 2022 and 2.0 p.p. in 2023. According to NBP projection of March there is a 50-percent probability that the annual price growth will be in the range of 9.3–12.2% in 2022 (against 5.1–6.5% in the November 2021 projection), 7.0–11.0% in 2023 (compared to 2.7–4.6%) and 2.8–5.7% in 2024. At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 3.4–5.3% in 2022 (against 3.8–5.9% in the November 2021 projection), 1.9–4.1% in 2023 (compared to 3.8–6.1%) and 1.4–4.0% in 2024. The MPC signalled that the NBP might intervene in FX market to counteract PLN weakening that was inconsistent with direction of monetary policy.

The **NBP** published Report on Inflation. In March NBP projection GDP growth was lowered to 4.4% in 2022 and 3.0% in 2023 (respectively 0.5 and 1.9 percentage point lower than in projection of November 2021). In new projection average inflation is envisaged at 10.8% in 2022 and 9.0% in 2023 (respectively 5.0 and 5.4 p.p. above November's projection). The NBP envisages euro-zone's GDP growth at 3.2% in 2022 and 2.4% in 2023 (versus respectively 4.0% and 2.0% in November's projection).

THIS WEEK:

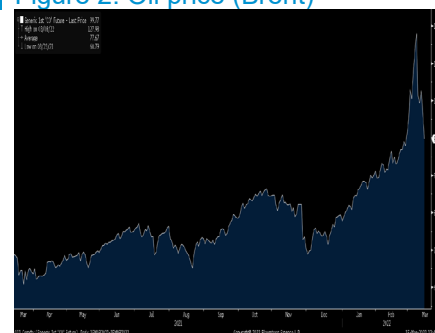
In February **consumer prices** fell by 0.3% m/m and rose by 8.5% y/y while consumer inflation for January was revised up to 9.4% y/y from 9.2% y/y published previously. A decline in inflation in February stemmed was a result of implementation of Anti-Inflation shield.

Figure 1: EUR/PLN



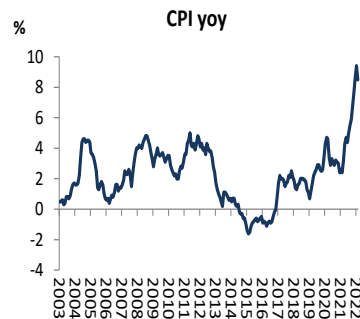
Source: Bloomberg LP

Figure 2. Oil price (Brent)



Source: Bloomberg LP

Figure 3. Inflation (y/y)



Source: Statistics Poland



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Mar-15	9:00	Inflation (Feb)	-0.1% (8.7%)	-0.3% (8.5%)	-0.2% (8.3%)

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)										
Mar-22	4,720	4,338	4,574	5,618	1,088	4,35	4,70	-0,50	1,00	8,5	4,65
Apr-22	4,713	4,336	4,578	5,612	1,087	4,85	5,20	-0,50	1,25	8,4	4,70
May-22	4,707	4,333	4,582	5,606	1,086	5,35	5,55	-0,50	1,50	9,0	4,75
Jun-22	4,700	4,330	4,587	5,601	1,085	5,35	5,55	-0,50	1,50	9,7	4,80
Jul-22	4,693	4,328	4,591	5,595	1,084	5,35	5,55	-0,50	1,75	10,0	4,80
Aug-22	4,687	4,325	4,596	5,589	1,084	5,35	5,55	-0,48	1,75	10,6	4,85
Sep-22	4,680	4,323	4,600	5,583	1,083	5,35	5,55	-0,45	2,00	10,4	4,80
Oct-22	4,673	4,320	4,605	5,578	1,082	5,35	5,55	-0,40	2,25	9,9	4,80
Nov-22	4,667	4,317	4,609	5,572	1,081	5,35	5,55	-0,35	2,25	9,2	4,77
Dec-22	4,660	4,315	4,614	5,566	1,080	5,35	5,55	-0,30	2,25	8,5	4,75
Jan-23	4,646	4,279	4,592	5,530	1,086	5,35	5,55	-0,28	2,50	7,4	4,70
Feb-23	4,632	4,243	4,571	5,494	1,092	5,35	5,55	-0,28	2,50	7,7	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

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 Krzeńskiak