



Poland: Weekly Macroeconomic Update

LAST WEEK:

Manufacturing PMI fell to 48.4pts in June from 48.8pts in May. In June the production and new orders declined at accelerated pace, partially offset by improvement in job creation. In June new orders declined for eighth month in a row driven mainly by decline in domestic orders that resulted in a stronger fall in production output. In June expectations on future production in the horizon of 12 months were least optimistic since December 2012. In June inflationary pressure alleviated, costs of production rose at the slowest pace since October 2016 and prices of finished goods rose at the slowest pace in 32 months.

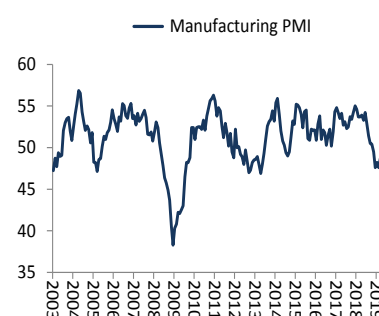
The **MPC**, as expected, kept interest rates unchanged with the main reference rate at 1.50% and maintained its guidance for no change in interest rates in the coming quarters. The MPC underlined that in Poland, despite weaker economic growth abroad, business conditions were still favourable what was a result of strong consumption. The MPC added that data flow suggested that investments and exports would continue to grow. In line with the July projection based on the NECMOD model, there is a 50-percent probability that the annual price growth will be in the range of 1.7-2.3% in 2019 (against 1.2-2.2% in the March 2019 projection), 1.9-3.7% in 2020 (compared to 1.7-3.6%) and 1.3-3.5% in 2021 (compared to 1.3-3.5%). At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 3.9-5.1% in 2019 (against 3.3-4.7% in the March 2019 projection), 3.0-4.8% in 2020 (compared to 2.7-4.6%) and 2.4- 4.3% in 2021 (compared to 2.4-4.3%). The MPC stated that the outlook for economic conditions in Poland remained favourable and GDP growth would continue at a relatively high level in the coming years. At the same time inflation will remain moderate near inflation target. At the press conference NBP President Adam Glapinski said that recent growth in inflation to slightly above the centre of inflation target was not worrying and in the opinion of the MPC would be transitory. NBP President pointed that recent PLN firming would have stabilizing effect on inflation.

THIS WEEK:

Today the NBP published July's Inflation Report. Below we present central paths of main macro-economic variables from the Report:

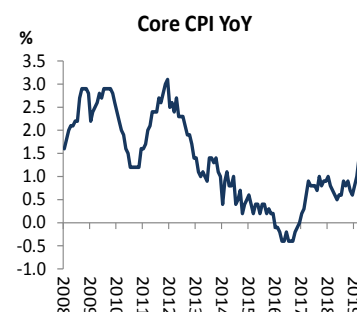
	2019	2020	2021
Inflation (% , y/y)	2.0	2.9	2.6
Core inflation (% , y/y)	1.7	2.4	2.3
GDP growth (% , y/y)	4.5	4.0	3.5
Personal consumption (% , y/y)	4.4	4.4	3.8
Investments (% , y/y)	8.6	4.8	2.6
Output gap (% of potential GDP)	1.4	1.7	1.5

Figure 1: Manufacturing PMI



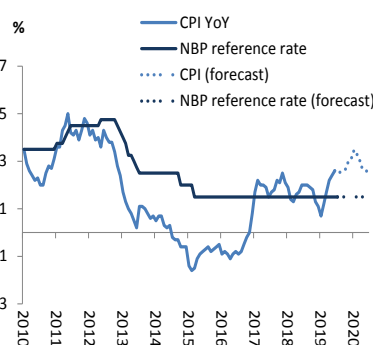
Source: Markit

Figure 2: Core inflation



Source: NBP

Figure 3:



Source: NBP, GUS, Deutsche Bank Polska S.A.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jul-08	9:00	NBP July's Inflation Report			

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)										
Jul-19	4.240	3.722	3.763	4.727	1.139	1.72	1.80	-0.31	2.35	2.5	2.25
Aug-19	4.242	3.723	3.762	4.766	1.139	1.72	1.80	-0.30	2.15	2.5	2.25
Sep-19	4.244	3.724	3.762	4.786	1.140	1.72	1.80	-0.30	2.05	2.6	2.20
Oct-19	4.246	3.726	3.762	4.806	1.140	1.72	1.80	-0.30	2.00	2.7	2.20
Nov-19	4.248	3.727	3.761	4.826	1.140	1.72	1.80	-0.30	1.90	3.0	2.25
Dec-19	4.250	3.728	3.761	4.846	1.140	1.72	1.80	-0.30	1.80	3.1	2.25
Jan-20	4.244	3.712	3.750	4.857	1.143	1.72	1.80	-0.30	1.80	3.5	2.30
Feb-20	4.238	3.696	3.740	4.867	1.147	1.72	1.80	-0.30	1.80	3.3	2.32
Mar-20	4.233	3.680	3.729	4.877	1.150	1.72	1.80	-0.30	1.80	3.1	2.35
Apr-20	4.227	3.665	3.718	4.886	1.153	1.72	1.80	-0.30	1.80	2.7	2.38
May-20	4.221	3.649	3.708	4.896	1.157	1.72	1.80	-0.30	1.80	2.6	2.40
Jun-20	4.215	3.634	3.697	4.905	1.160	1.72	1.80	-0.30	1.80	2.6	2.40

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.

Source: Deutsche Bank Polska S.A.



Appendix 1

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