



Poland: Weekly Macroeconomic Update

LAST WEEK:

In August **manufacturing PMI** declined to 51.4 pts from 52.9 pts, signalling the slowest pace of growth in Poland's manufacturing sector since October 2016. PMI index remained below long-term average of 50.6 pts and was still in an expansion region (above 50 pts). In August output expanded but at the slowest pace since October 2016. New orders index declined but still showed a growth in new orders. In August employment increased at the slowest pace since 9 months. Strong pressure on producer prices was still present and the pace of growth in costs of production, despite being smaller, were still elevated mainly due to high prices of steel.

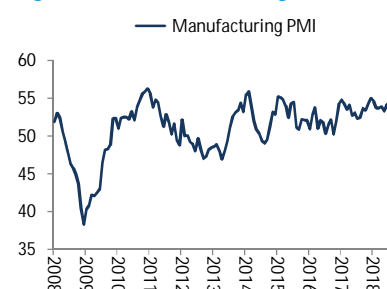
The **Monetary Policy Council** kept interest rates unchanged and repeated guidance for steady interest rates in the medium term. In our view a likelihood of rate hike is now very small as inflation stabilised at 2% level, and is still below the centre of MPC target. NBP President Adam Glapinski underlined that currently for the main central banks a problem was relatively slow GDP growth and not inflation. NBP President Glapinski said that due to diversity of views within the MPC, the Council still retained ability to react quickly, if inflation rose or GDP growth slowed down. NBP President added that there were only external risks to GDP growth, stemming mainly to moderately slower GDP growth in Germany and impact of limited trade war on Poland's exports. In our opinion, views of major factions within the MPC gradually converge: NBP President Glapinski said that interest rates would be steady until the end of 2019 (and not until the end of 2020 as before) and MPC member Kamil Zubelewicz said that there were no premises for rate hike, but the MPC should be ready for it in 2H 2019.

The **Finance Ministry** informed that it may cancel bond switching auction scheduled for September 20, as it funded 80 percent of funding needs for this year after PLN4bn bond auction last Thursday. The Finance Ministry also considers taping euro-bond market this year. The Ministry said in a statement that it monitored situation in foreign bond markets, including JPY and USD markets, but the most attractive in terms of prices was still the euro market.

THIS WEEK:

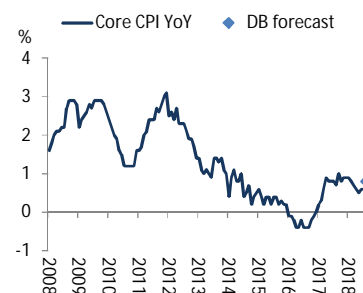
On Thursday the Central Statistical Office will release final data on **inflation** for August. We expect inflation to be confirmed at 0.0% and 2.0% yoy in August. Also on Thursday the NBP will release **balance of payments** data for July. We estimate that the current account gap amounted to -EUR590mn in July. **Core inflation** (due on Friday) likely was flat mom and rose by 0.8% yoy.

Figure 1: Manufacturing PMI



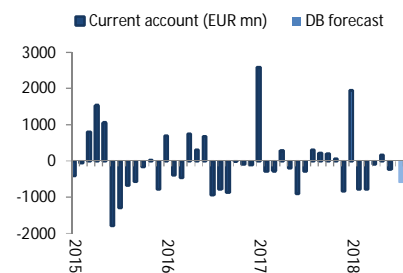
Source: Markit

Figure 2: Core inflation



Source: NBP, Deutsche Bank

Figure 3. The current account



Source: NBP, Deutsche Bank



DIARY (this week)

| Date | GMT | Release/Event | DB Expected | Actual | Consensus |
|--------|-------|-----------------------|-------------|--------|-------------|
| Sep-13 | 8:00 | Inflation (Aug) | 0.0% (2.0%) | | 0.0% (2.0%) |
| Sep-13 | 12:00 | Current account (Jul) | -EUR590mn | | -EUR659mn |
| Sep-13 | 12:00 | Trade balance (Jul) | -EUR320mn | | -EUR356mn |
| Sep-14 | 12:00 | Core inflation (sie) | 0.0% (0.8%) | | 0.0% (0.8%) |

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 | EURIBOR 3M | LIBOR USD 3M | CPI (Poland) |
|---------------|-----------------|---------|---------|---------|---------|----------|------------|--------------|--------------|
| | (end of period) | | | | | | | | |
| Sep-18 | 4.295 | 3.703 | 3.801 | 4.813 | 1.160 | 1.71 | -0.32 | 2.33 | 1.8 |
| Oct-18 | 4.283 | 3.671 | 3.757 | 4.773 | 1.167 | 1.71 | -0.31 | 2.36 | 1.9 |
| Nov-18 | 4.272 | 3.641 | 3.714 | 4.733 | 1.173 | 1.71 | -0.30 | 2.39 | 1.7 |
| Dec-18 | 4.260 | 3.610 | 3.672 | 4.693 | 1.180 | 1.71 | -0.30 | 2.42 | 1.8 |
| Jan-19 | 4.255 | 3.588 | 3.658 | 4.695 | 1.186 | 1.71 | -0.28 | 2.45 | 1.7 |
| Feb-19 | 4.250 | 3.566 | 3.643 | 4.696 | 1.192 | 1.71 | -0.25 | 2.48 | 2.1 |
| Mar-19 | 4.245 | 3.545 | 3.628 | 4.697 | 1.198 | 1.71 | -0.25 | 2.51 | 2.3 |
| Apr-19 | 4.240 | 3.524 | 3.614 | 4.698 | 1.203 | 1.71 | -0.20 | 2.54 | 2.2 |
| May-19 | 4.235 | 3.502 | 3.599 | 4.699 | 1.209 | 1.71 | -0.15 | 2.57 | 2.2 |
| Jun-19 | 4.230 | 3.481 | 3.585 | 4.700 | 1.215 | 1.71 | -0.15 | 2.60 | 2.2 |
| Jul-19 | 4.225 | 3.461 | 3.570 | 4.701 | 1.221 | 1.71 | -0.15 | 2.63 | 2.3 |
| Aug-19 | 4.220 | 3.440 | 3.556 | 4.702 | 1.227 | 1.71 | -0.15 | 2.66 | 2.3 |

Source: Deutsche Bank Polska S.A.



Appendix 1

Important Disclosures

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