



# Poland: Weekly Macroeconomic Update

## LAST WEEK:

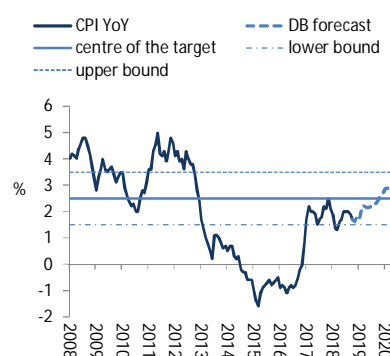
**Flash inflation** in October was 0.4% mom and 1.7% yoy what was below market consensus forecast of 1.8% yoy. After October's data inflation path slightly diminished and the data are likely to support dominant view within the MPC that interest rates should be kept unchanged within coming quarters.

**Manufacturing PMI** marginally fell to 50.4pts in October from 50.5 pts in September. In October manufacturing PMI has been remaining close to stagnation level of 50pts for the second month in a row. In October new orders and production marginally increased but employment declined for the first time in five years that resulted partially from lower production and partially from labour scarcity. New export orders declined for a third month in a row what reflected much weaker foreign demand for Poland's manufacturing exports in October. Last month industrial output growth was the slowest in two years and production arrears diminished. In October costs of production continued to rise what resulted in visible but the lowest in five months increase in prices of finished goods. In October companies' expectations on production in 12-month horizon declined to the lowest level since January 2013.

## THIS WEEK:

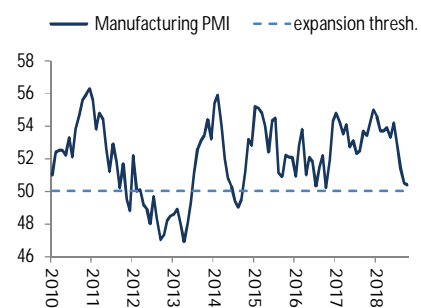
On Wednesday the **Monetary Policy Council** ends two-day policy meeting. In our view incoming weaker economic activity data and lack of inflationary pressure from wage growth in Poland will support majority view with the MPC that interest rates should be kept unchanged in the coming quarters. In our opinion MPC members at press conference on Wednesday may comment on moderate zloty weakening but most likely will stress that the current level of PLN exchange rate level is neutral for monetary policy if there are no inflationary impulses. At the meeting on Wednesday the MPC will publish updated inflation and GDP projections.

Figure 1: Inflation and NBP inflation target



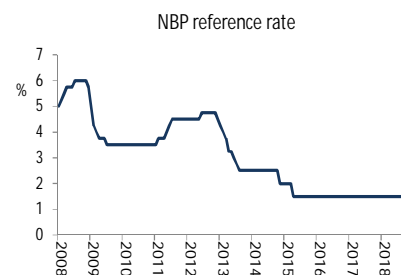
Source: GU, NBP, Deutsche Bank

Figure 2: Manufacturing PMI



Source: Markit

Figure 3: NBP reference rate



Source: NBP



## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Nov-7		MPC decision	1.50%		1.50%

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)										
<b>Nov-18</b>	4.307	3.794	3.778	4.906	1.135	1.72	1.79	-0.31	2.60	1.6	3.18
<b>Dec-18</b>	4.285	3.792	3.759	4.930	1.130	1.72	1.79	-0.30	2.70	1.8	3.21
<b>Jan-19</b>	4.280	3.771	3.749	4.933	1.135	1.72	1.79	-0.30	2.77	1.7	3.19
<b>Feb-19</b>	4.274	3.749	3.738	4.937	1.140	1.72	1.80	-0.30	2.83	2.0	3.23
<b>Mar-19</b>	4.269	3.728	3.728	4.940	1.145	1.72	1.81	-0.30	2.90	2.2	3.27
<b>Apr-19</b>	4.263	3.707	3.718	4.943	1.150	1.72	1.82	-0.20	2.98	2.2	3.27
<b>May-19</b>	4.258	3.687	3.708	4.946	1.155	1.72	1.82	-0.18	3.07	2.2	3.27
<b>Jun-19</b>	4.253	3.666	3.698	4.949	1.160	1.72	1.83	-0.16	3.15	2.2	3.27
<b>Jul-19</b>	4.247	3.646	3.688	4.952	1.165	1.72	1.85	-0.14	3.23	2.3	3.29
<b>Aug-19</b>	4.242	3.625	3.678	4.955	1.170	1.72	1.86	-0.12	3.32	2.3	3.29
<b>Sep-19</b>	4.236	3.605	3.668	4.957	1.175	1.72	1.87	-0.10	3.40	2.3	3.30
<b>Oct-19</b>	4.231	3.585	3.658	4.960	1.180	1.72	1.88	-0.10	3.47	2.5	3.31
<b>Nov-19</b>	4.225	3.566	3.648	4.962	1.185	1.73	1.90	-0.10	3.54	2.6	3.33
<b>Dec-19</b>	4.220	3.546	3.638	4.965	1.190	1.76	1.92	-0.10	3.61	2.7	3.35

*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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### Additional information available upon request

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