



Poland: Weekly Macroeconomic Update

LAST WEEK:

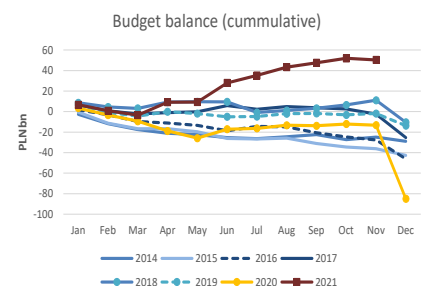
In the period of January-November 2021 a surplus in **central budget** amounted to PLN50.4bn after PLN51.9bn surplus in January-October 2021. In the period of January-November 2021 budget revenues reached PLN451.4bn (or 93% of annual plan) while budget expenditures were at 77% of annual plan only, amounting to PLN401.1bn. Very big budgetary surplus stemmed primarily from very low level of budget expenditures, including very low subsidy to state pension fund (FUS) at 52% of annual plan and low subsidies to local governments at 77% of annual plan. Increasing inflation coupled with economic recovery resulted in budget revenues about PLN9bn above plan.

THIS WEEK:

In December **manufacturing PMI** rose to 56.1 from 54.4 in November. An increase in PMI was mainly caused by an increase in sub-index of production and resulted from increase in new orders, including export orders. In December companies were increasing stocks of inputs to partially compensate for impact of rising prices of inputs and to create safety stocks as disruptions in supplies continued. In December surveyed companies increased employment and reported further rise in costs of production following rising prices of raw materials, natural gas and electricity. Companies expect robust demand for their products to be maintained also in 2022.

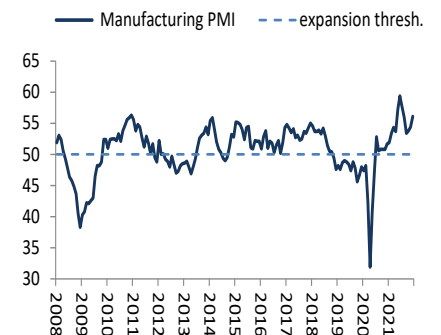
At the meeting today, the **MPC** hiked interest rates, as expected, by 50 basis points, raising the main reference rate to 2.25%. The MPC signalled that they would stabilize inflation in medium term, at the same time trying not to hamper post-covid economic recovery. The MPC pointed to slow pace of withdrawal of monetary impulse by the ECB and the FOMC. In our view the MPC decided to hike interest rates gradually, in order not to extinguish economic recovery and to have more time to calibrate target level of interest rates in this tightening cycle. We think that MPC's target reference rate, implied by recent path of interest rates and current forecasts of inflation is 3.50% in the second half of 2022.

Figure 1: Central budget balance (PLNbn)



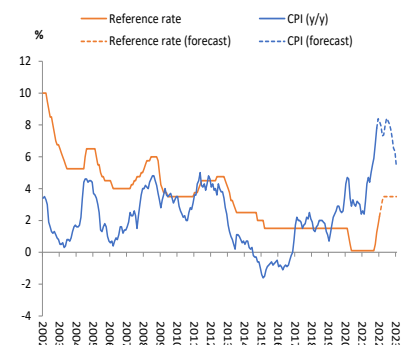
Source: Finance Ministry

Figure 2: Manufacturing PMI



Source: Markit

Figure 3: Reference rate and CPI



Source: NBP, Statistics Poland, Deutsche Bank



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jan-03	8:00	PMI manufacturing (Dec)	53.8	54.0	56.1
Jan-04		MPC decision	2.25%	2.25%	2.25%
Jan-05	13:00	Official reserve assets (Dec)			
Jan-07	09:00	CPI (flash, Dec)	0.7% (8.4%)		0.6% (8.2%)

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)										
Jan-22	4,564	4,054	4,410	5,445	1,126	2,60	3,05	-0,56	0,22	8,8	3,90
Feb-22	4,558	4,064	4,426	5,438	1,122	2,93	3,55	-0,54	0,23	8,9	4,00
Mar-22	4,553	4,074	4,441	5,432	1,118	3,43	3,80	-0,52	0,24	8,4	4,05
Apr-22	4,547	4,084	4,458	5,426	1,113	3,68	3,80	-0,50	0,25	8,0	4,10
May-22	4,541	4,094	4,474	5,419	1,109	3,68	3,80	-0,50	0,27	8,0	4,20
Jun-22	4,535	4,104	4,490	5,413	1,105	3,68	3,80	-0,50	0,50	8,3	4,25
Jul-22	4,529	4,114	4,507	5,407	1,101	3,68	3,80	-0,50	0,55	8,0	4,25
Aug-22	4,523	4,125	4,523	5,400	1,097	3,68	3,80	-0,50	0,65	7,8	4,25
Sep-22	4,518	4,135	4,540	5,394	1,093	3,68	3,80	-0,50	0,75	7,5	4,25
Oct-22	4,512	4,145	4,557	5,388	1,088	3,68	3,80	-0,50	0,80	7,0	4,25
Nov-22	4,506	4,156	4,574	5,381	1,084	3,68	3,80	-0,50	0,90	6,3	4,25
Dec-22	4,500	4,167	4,592	5,375	1,080	3,68	3,80	-0,50	1,00	6,2	4,30

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

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