



Poland: Weekly Macroeconomic Update

LAST WEEK:

On Tuesday the government approved **draft budget bill** for 2020 with zero budget deficit. Both budget revenues and budget expenditures are envisaged at PLN428.5bn in 2020. Tax revenues for 2020 are envisaged to increase by 5.7% y/y to PLN392.5bn including VAT revenues of PLN200.15bn (up 8% y/y), excise tax revenues of PLN74.9bn, CIT revenues of PLN41.8bn (up 3.8% y/y), PIT revenues of PLN66.5bn (up 1.1% y/y) and revenues from banking tax of PLN4.9bn (up 4% y/y). Draft budget bill envisages one-off revenues of about PLN18bn from a planned pension system overhaul, sale of EU carbon emission permits and licenses for 5G mobile phone frequencies. Draft budget bill doesn't not assume revenues from NBP profit in 2020. On revenues side, growth in revenues from VAT seems to be overly optimistic, but macro-economic assumptions for 2020 are realistic: GDP growth of 3.7%, average inflation of 2.5%, wage growth of 6.3%, employment growth of 0.7%, average EUR/PLN of 4.30, average NBP reference rate of 1.50% and the current account deficit of -1.4% of GDP.

Registered unemployment rate fell to 5.2% in August from 5.3% in July.

In Q2 2019 **unemployment rate (labour force survey)** sharply dropped to 3.2% from 3.9% in Q1 2019.

Poland's Supreme Court published research on judicial interpretation of **FX-denominated loans**. This analysis is not binding neither for courts nor the Supreme Court but was aimed at helping courts in ruling on issues related to FX-denominated loans. The analysis recommends courts to adopt pro-consumer approach based on EU law. The analysis advises courts not to cancel loan agreements as it would pose risks for both banks and their customers.

In the period of January-July 2019 **budget deficit** narrowed to -PLN4.8bn (16.8% of plan for 2019) from a deficit of -PLN5.04bn in the period of January-June 2019. In the period of January-July VAT revenues rose by 6.8% y/y to PLN105.2bn (57.9% of plan for 2019), PIT revenues increased by 13.1% y/y to PLN36.4bn (56.6% of plan), CIT revenues were 19.9% up y/y to PLN25.0bn (71.7% of plan for 2019), revenues from banking tax were 4.4% up y/y to PLN2.7bn (59.8% of plan for 2019). In July there was PLN253mn surplus in the central government budget.

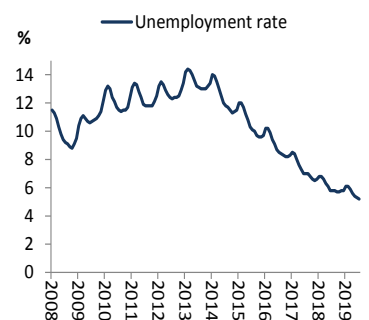
In Q2 2019 **real GDP growth** was 0.8% q/q and 4.5% y/y. In Q2 2019 domestic demand grew by 4.8% y/y including 4.4% y/y rise in household consumption, 3.4% y/y growth in public consumption and 9.0% y/y growth in fixed investments. In Q2 contribution of net exports to GDP growth was neutral.

In August, **flash inflation** was flat m/m and was 2.8% y/y, food prices were up by 7.2% y/y, energy prices were 1.4% down y/y and fuel prices were 0.3% down y/y.

THIS WEEK:

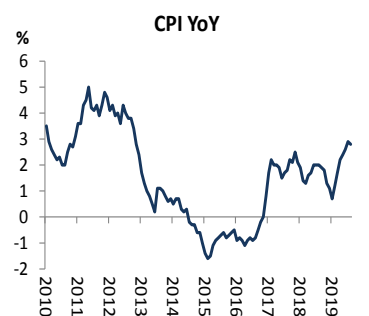
In August **manufacturing PMI** rose to 48.8 from 47.4 in July. An improvement in manufacturing PMI stemmed from better sub-indices of output, new orders and employment.

Figure 1: Unemployment rate (y/y)



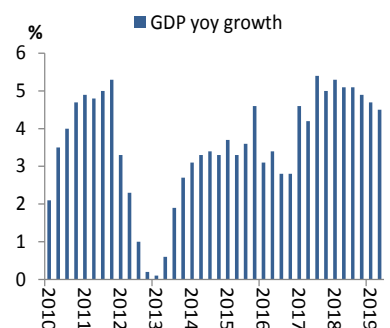
Source: GUS

Figure 2: Inflation (y/y)



Source: GUS

Figure 3: GDP growth (y/y)



Source: GUS



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Sep-02	7:00	Manufacturing PMI (Aug)	47.0	48.8	47.7
Sep-06	12:00	Official reserve assets (Aug)			

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)										
Sep-19	4.371	3.934	4.010	4.801	1.111	1.72	1.79	-0.45	2.05	3.0	1.95
Oct-19	4.358	3.899	3.998	4.765	1.118	1.72	1.79	-0.45	2.00	3.0	2.00
Nov-19	4.344	3.865	3.985	4.729	1.124	1.72	1.79	-0.45	1.90	3.4	2.05
Dec-19	4.330	3.832	3.972	4.694	1.130	1.72	1.79	-0.45	1.85	3.5	2.05
Jan-20	4.328	3.824	3.961	4.702	1.132	1.72	1.79	-0.45	1.80	3.8	2.10
Feb-20	4.325	3.816	3.950	4.710	1.133	1.72	1.79	-0.45	1.80	3.7	2.10
Mar-20	4.323	3.808	3.938	4.718	1.135	1.72	1.79	-0.45	1.80	3.4	2.10
Apr-20	4.320	3.801	3.927	4.725	1.137	1.72	1.79	-0.45	1.80	3.0	2.10
May-20	4.318	3.793	3.916	4.733	1.138	1.72	1.79	-0.45	1.80	3.0	2.15
Jun-20	4.315	3.785	3.905	4.741	1.140	1.72	1.79	-0.45	1.80	2.8	2.20
Jul-20	4.313	3.777	3.894	4.748	1.142	1.72	1.79	-0.45	1.80	2.7	2.20
Aug-20	4.310	3.770	3.883	4.756	1.143	1.72	1.79	-0.45	1.80	2.7	2.20

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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