



Poland: Weekly Macroeconomic Update

LAST WEEK:

In August **manufacturing PMI** rose to 48.8 from 47.4 in July, showing slower pace of decline in manufacturing activity. An improvement in manufacturing PMI stemmed from better sub-indices of output, new orders and employment. In our view the main factor that contributed to improvement in Poland's PMI in August was weakening of the zloty. In August the pace of decline in output has been the slowest since May and decline in exports orders was the smallest in nine months. Employment fell tenth time in eleven months but the decline was insignificant. In August cost pressure was still weak but producer optimism was unchanged versus July and the lowest in 79 months.

The Finance Ministry informed that after switching auction on Thursday Poland pre-financed 20% of **gross borrowing** needs for 2020 that are envisaged at PLN137.4bn. In 2019 gross borrowing needs are likely to amount to PLN134.6bn and net borrowing needs will likely amount to PLN15.07bn. In 2020 the Ministry envisages net borrowing needs at PLN19.4bn.

MPC member Jerzy Kropiwnicki said that he wouldn't support a motion to hike interest rates as inflation was purely cost-related phenomenon and inflation level was not a threat to Poland's economy. In his view as inflationary pressure is rising, inflation expectations, that are currently neutral, may gain in importance. MPC member added that there was no need for interest rate cut as uncertainty curbs investments and as investments in Poland are only to some extent funded via credit.

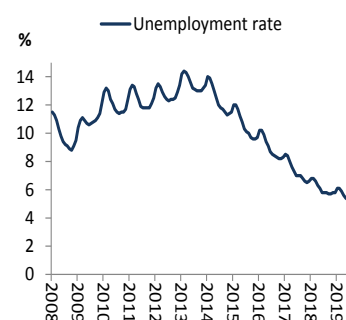
In August **new car registrations** fell by 12.4% y/y and were 1.06% down m/m to 54.2 thousand units.

The Labour Ministry informed that **unemployment rate** in August was 5.2%, unchanged from July.

The Finance Ministry estimates that central **budget deficit** for the period of January-August 2019 will be narrower than -PLN4.8bn central budget gap in the period of January-July 2019.

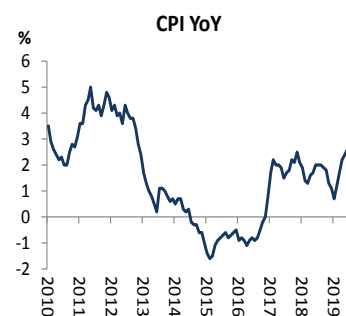
Leader of ruling Law and Justice (PiS) announced that the **minimum wage** will rise to PLN3000 at the end of 2020 and to PLN4000 at the end of 2023 from the current PLN2250. Kaczynski also said that PiS will extend transfers to pensioners, will hike minimum pension to PLN1200 from PLN 1100 and will increase payments for farmers.

Figure 1: Unemployment rate (y/y)



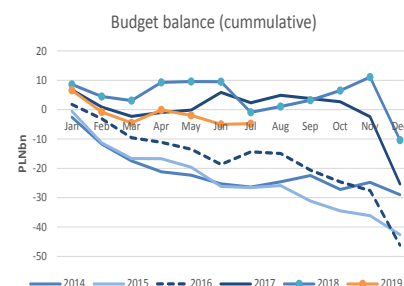
Source: GUS

Figure 2: Inflation (y/y)



Source: GUS

Figure 3: Budget balance



Source: Ministry of Finance



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Sep-11		MPC decision	1.50%		1.50%
Sep-13	8:00	Inflation (Aug)	0.0% (2.8%)		0.0% (2.8%)
Sep-13	12:00	Current account (Jul)	EUR135mn		EUR4mn
Sep-13	12:00	Trade balance (Jul)	-EUR15mn		-EUR80mn

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	4.338	3.903	3.979	4.811	1.111	1.72	1.79	-0.45	2.05	3.0	1.95
Oct-19	4.335	3.879	3.977	4.771	1.118	1.72	1.79	-0.45	2.00	3.0	2.00
Nov-19	4.333	3.855	3.975	4.732	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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