



Poland: Weekly Macroeconomic Update

LAST WEEK:

At technical meeting on Tuesday the MPC cut the main reference rate by 50bps to 1.00%, cut Lombard rate by 100bps to 1.50% and cut re-discount rate by 70bps to 1.05% and kept the deposit rate unchanged at 0.50%. The MPC reduced mandatory reserve rate to 0.50% from 3.50% and increased interest paid on mandatory reserves to the level of reference rate (from previous 0.50%).

On Wednesday PM Mateusz Morawiecki and NBP President Adam Glapinski announced **rescue programme for economy** aimed at alleviating negative impact on restrictions on economic activity related to preventing coronavirus epidemic. The programme totals to PLN1212bn (or 9.0% of GDP) of which cash component is worth PLN66bn (or 2.9% of GDP). Cash component that will improve liquidity of households and micro-enterprises and measures aimed at improving liquidity of companies (deferring payments of social insurance fees and some other liabilities) are crucial for stabilizing confidence and for preventing sharper rise in unemployment rate. Close co-operation of the central bank and central government in providing liquidity is a very good signal – NBP provides liquidity to commercial banks via purchases of government bonds in secondary market (first such auction is scheduled for today) and via repo operations while government will provide liquidity for companies and households via subsidies and liquidity benefits. The programme assumes transfer of about PLN70bn from central budget, about PLN70bn will comprise guarantees, loans and subsidies and remaining 1/3 of the programme will consist of liquidity measures. The Parliament is expected to end work on necessary legislation this week.

DB expects that **coronavirus pandemic** will cause in 1H2020 recession in euro-zone, of similar size of what followed 2008 financial crisis. DB forecasts that GDP in Germany will decline by 4.5% in 2020 and will increase by 3.4% in 2021. In euro-zone GDP is expected to decline by 3.5% in 2020 and to rise by 3.3% in 2021. In the US GDP will likely decline by 0.8% in 2020 and is expected to increase by 2.4% in 2021. Global GDP growth will amount to 2.0% in 2020 and 2.4% in 2021.

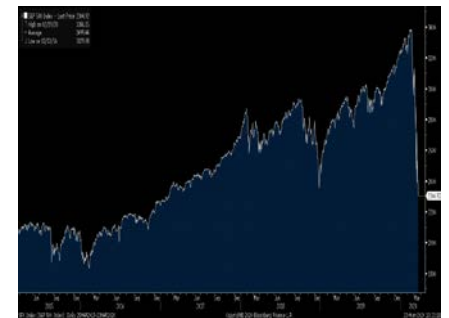
Due to lockdown in Poland, negative impact of recession in euro-zone and in the US, assuming that government fiscal programme is launched promptly and that announced amounts are transferred to the economy, **our current forecast of Poland's GDP growth is 0.8% in 2020, 3.6% in 2021 and 2.7% in 2022**. Average inflation in Poland should amount to 2.4% in 2020, 2.7% in 2021 and 3.1% in 2022 while average EUR/PLN rate is envisaged at 4.43 in 2020 and 4.23 in 2021.

THIS WEEK:

MPC member Jerzy Kropiwnicki said that the NBP should be given an option to buy government bonds on primary market due to epidemic law introduced by government. Currently the NBP conducts purchase auctions of government bonds on secondary market, but direct funding of central budget deficit or direct funding of government's borrowing needs is forbidden by the article 101 of the Treaty on functioning of the EU.

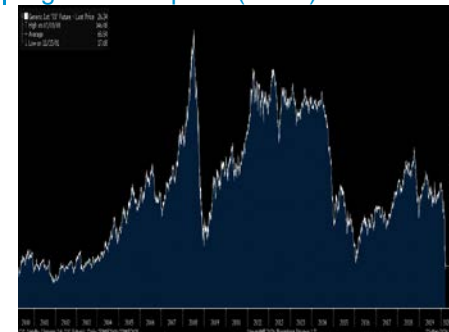
MPC member Kamil Zubelewicz expressed opinion that the NBP should focus on supporting the zloty and not on short-term support for economic growth. MPC member Jerzy Zyzynski said that due to PLN weakening the room for further rate cuts was very limited.

Figure 1. S&P 500



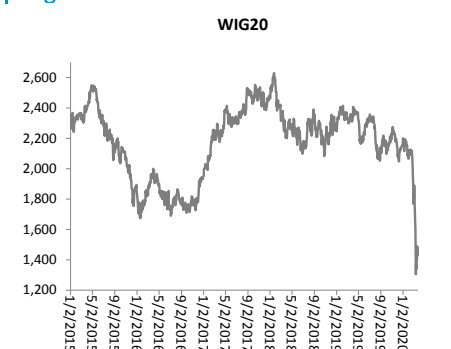
Source: Bloomberg

Figure 2: Oil price (Brent)



Source: Bloomberg

Figure 3: WIG20 index



Source: Bloomberg



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Mar-23	13:00	Money supply M3 (Feb)	(9.0%)	1.4% (9.4%)	0.6% (8.7%)
Mar-24	9:00	Unemployment rate (Feb)	5.5%		5.5%

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)										
Mar-20	4.500	4.186	4.265	4.919	1.075	1.25	1.30	-0.47	0.60	3.8	1.90
Apr-20	4.485	4.127	4.277	4.916	1.087	1.25	1.35	-0.40	0.50	2.3	1.90
May-20	4.473	4.073	4.292	4.916	1.098	1.25	1.35	-0.40	0.50	1.7	1.90
Jun-20	4.460	4.018	4.307	4.915	1.110	1.25	1.35	-0.40	0.50	1.3	1.90
Jul-20	4.445	3.963	4.319	4.912	1.122	1.25	1.35	-0.40	0.50	1.6	1.80
Aug-20	4.422	3.902	4.324	4.899	1.133	1.25	1.35	-0.40	0.50	2.0	1.70
Sep-20	4.410	3.852	4.340	4.898	1.145	1.25	1.35	-0.40	0.50	2.6	1.70
Oct-20	4.390	3.795	4.347	4.888	1.157	1.25	1.35	-0.40	0.50	2.5	1.70
Nov-20	4.370	3.740	4.356	4.877	1.168	1.25	1.40	-0.40	0.50	2.5	1.75
Dec-20	4.350	3.686	4.350	4.866	1.180	1.25	1.40	-0.40	0.50	2.2	1.80
Jan-21	4.335	3.656	4.321	4.835	1.186	1.25	1.40	-0.40	0.50	2.0	1.80
Feb-21	4.320	3.625	4.291	4.803	1.192	1.25	1.40	-0.40	0.50	2.0	1.80

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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