



Poland: Weekly Macroeconomic Update

LAST 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.

Pawel Borys from government's development fund PFR said that it was unlikely that **borrowing needs** of Poland exceeded 4-5% of GDP in 2020, so it was unlikely that public debt would rise to above 50% in 2020 from about 45% of GDP.

In February **registered unemployment rate**, as expected, was 5.5% and was unchanged versus January.

In February **money supply M3** rose by 1.4% m/m and increased by 9.4% y/y. In February cash in circulation rose by 1.0%, deposits of households rose by 1.4% and deposits of non-financial corporations fell by 2.4% m/m. In February loans to households increased by 1.2% m/m and loans to non-financial corporations rose by 1.3% m/m.

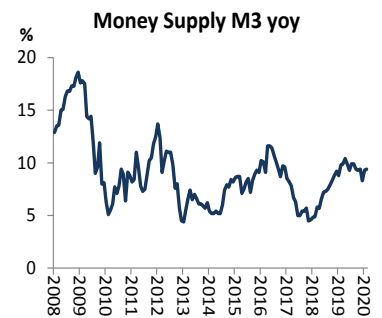
THIS WEEK:

At **auction** on today the Finance Ministry sold 20-week T-bills worth PLN1bn (versus demand for PLN2.6bn) with the yield of 0.9% and 52-week T-bills worth PLN2bn (versus demand for PLN5.8bn) with the yield of 0.9%.

On Tuesday the GUS will release **flash inflation** for March. We expect -0.1% m/m and 4.3% y/y.

Manufacturing PMI (due on Wednesday) is expected to decline to 46.4 for March from 48.2 in February.

Figure 1. Money supply M3 (y/y growth)



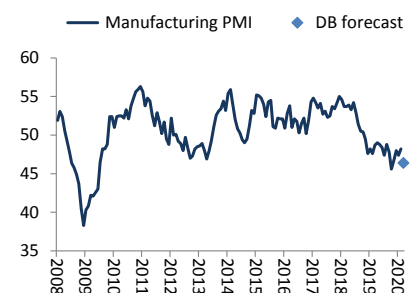
Source: NBP

Figure 2: Inflation (y/y)



Source: GUS, Deutsche Bank Polska S.A.

Figure 3: Manufacturing PMI



Source: Markit, Deutsche Bank Polska S.A.



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Mar-31	8::00	Inflation (Mar, flash)	-0.1% (4.3%)		0.0% (4.4%)
Apr-01	7:00	PMI manufacturing (Mar)	46.4		45.1

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	4.515	4.093	4.280	5.014	1.103	1.17	1.20	-0.35	1.45	4.3	1.85
Apr-20	4.485	4.035	4.277	4.985	1.112	1.20	1.25	-0.40	1.15	2.7	1.85
May-20	4.473	3.993	4.292	4.976	1.120	1.20	1.25	-0.40	0.80	2.2	1.85
Jun-20	4.460	3.952	4.307	4.966	1.129	1.20	1.25	-0.40	0.60	1.8	1.83
Jul-20	4.445	3.909	4.319	4.953	1.137	1.20	1.25	-0.40	0.50	2.1	1.80
Aug-20	4.422	3.859	4.324	4.931	1.146	1.20	1.25	-0.40	0.50	2.5	1.70
Sep-20	4.410	3.820	4.340	4.922	1.154	1.20	1.35	-0.40	0.50	3.1	1.70
Oct-20	4.390	3.775	4.347	4.903	1.163	1.20	1.35	-0.40	0.50	3.0	1.70
Nov-20	4.370	3.730	4.356	4.885	1.171	1.20	1.35	-0.40	0.50	3.0	1.75
Dec-20	4.350	3.686	4.350	4.866	1.180	1.25	1.35	-0.40	0.50	2.6	1.80
Jan-21	4.335	3.656	4.321	4.835	1.186	1.25	1.40	-0.40	0.50	2.5	1.80
Feb-21	4.320	3.625	4.291	4.803	1.192	1.25	1.40	-0.40	0.50	2.2	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

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Additional information available upon request

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