



Poland: Weekly Macroeconomic Update

LAST WEEK:

Government announced **timeline** of gradual lifting restrictions related to covid-19. Starting from April 20 (Phase 1) access to parks, boulevards and forests is opened and number of customers in retail shops depends on their area. In phase 2 hotels and some institutions of culture will be opened. In phase 3 restaurants will be opened (with restrictions), shops in malls, hair-dressers and beauty shops will be opened and sports events with up to 50 participants will be allowed. In phase 3 also kinder-gardens and nurseries and primary school years 1-3 will be opened with restrictions. In phase 4 cinemas and theaters will be opened (with restrictions). Phases II-IV will be introduced after epidemic assessment (done each week on Friday). Deputy PM Jadwiga Emilewicz said that the period between phases would be no less than two weeks what means that phase 2 may take place on May 4 at earliest, most important to economy phase 3 on May 18 at earliest and phase 4 on June 1 at earliest. Minister Emilewicz added that in baseline scenario almost complete lifting restrictions on economy was planned in July.

In March **inflation** was 0.2% m/m and 4.6% y/y versus 4.7% y/y in February. Monthly rise in consumer prices stemmed from a rise in food prices (up 0.8% m/m) mainly meat and a seasonal increase in footwear and clothing prices (up 2.5% m/m). A decline of 2.5% m/m was reported in transport prices. In March **core inflation** was 0.5% m/m and 3.6% y/y above market consensus view and unchanged versus 3.6% y/y in February.

In February there was EUR659m surplus in the **current account** and EUR525mn trade surplus.

The **S&P** kept long-term foreign currency rating of Poland at A- with a stable outlook. Stable outlook stemmed from balance between macro-economic risks from covid-19 and solid external balance and solid fiscal balance. The S&P estimates Poland's GDP to decline by -2.0% in 2020 and to grow by 4.8% in 2021. Poland's general government deficit is estimated at -6.1% of GDP in 2020 and -3.1% of GDP in 2021. **Moody's** estimates Poland's GDP to decline by -2.0% in 2020 and to grow by 3.4% in 2021. Poland's general government deficit is estimated at -6.8% of GDP in 2020 and -2.9% of GDP in 2021.

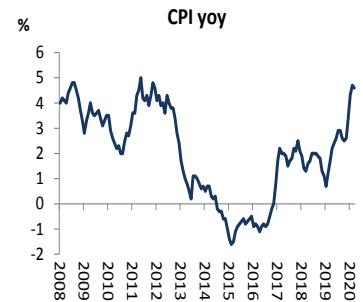
Deputy PM Jadwiga Emilewicz estimates registered **unemployment rate** in March at about 6%. PFR President Paweł Borys expects a sharp increase in registered unemployment in Q2, but thinks it won't exceed 10 per cent this year. He informed that government aimed at start paying **subsidies** for enterprises in the end of April. Decisions to grant subsidies for small and medium enterprises will take 1-2 days, and decisions to grant subsidies to big companies will take 1-2 weeks. The programme awaits approval by the European Commission.

THIS WEEK:

At **auction** today the Finance Ministry sold 17-week T-bills and 49-week T-bills worth total PLN2.34bn (versus offer of PLN2.0-4.0bn).

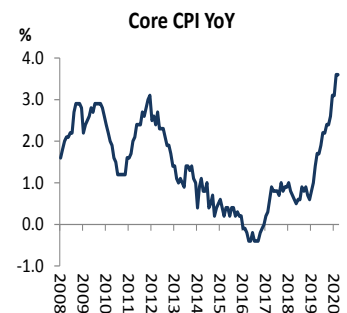
The NBP (most likely in May) will transfer a record PLN7.4bn of 2019 **profit** to State budget. NBP President Adam Glapiński informed that the NBP might increase size of bond purchases of government bonds in secondary market. At auction on Thursday the NBP bought government bonds worth total a record PLN30.65bn.

Figure 1. Inflation (y/y)



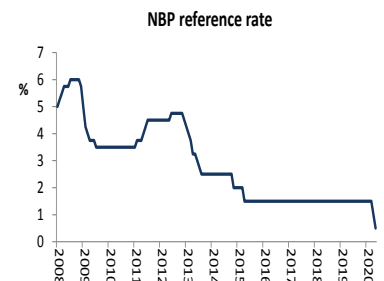
Source: GUS

Figure 2: Core inflation (y/y)



Source: NBP

Figure 3: NBP reference rate



Source: NBP



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Apr-20	8:00	Average wage (Mar)	2.9% (6.5%)	3.0% (6.3%)	2.9% (6.5%)
Apr-20	8:00	Average employment (Mar)	0.0% (0.8%)	-0.5% (0.3%)	0.0% (0.8%)
Apr-21	8:00	Industrial production (Mar)	-5.4% (-9.8%)		3.5% (-3.3%)
Apr-21	8:00	PPI (Mar)	-0.4% (-0.5%)		-0.4% (-0.5%)
Apr-22	8:00	Retail sales (Mar)	-8.0% (-11.5%)		2.9% (-0.6%)
Apr-22	8:00	Real retail sales (Mar)	(-13.7%)		(-5.1%)
Apr-23	8:00	Construction output (Mar)	(0.5%)		(1.0%)
Apr-23	8:00	Unemployment rate (Mar)	(5.8%)		(5.6%)
Apr-23	12:00	Money supply M3 (Mar)	-0.4% (8.0%)		1.0% (9.6%)

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)										
Apr-20	4.520	4.177	4.311	5.161	1.082	0.70	1.25	-0.25	1.05	3.1	1.50
May-20	4.495	4.108	4.313	5.119	1.094	0.70	0.71	-0.25	0.80	2.6	1.50
Jun-20	4.480	4.049	4.326	5.088	1.107	0.70	0.72	-0.25	0.60	2.2	1.55
Jul-20	4.470	3.996	4.343	5.063	1.119	0.70	0.74	-0.25	0.50	2.5	1.60
Aug-20	4.465	3.948	4.366	5.044	1.131	0.70	0.75	-0.25	0.50	2.9	1.65
Sep-20	4.460	3.901	4.389	5.026	1.143	0.70	0.75	-0.25	0.50	3.5	1.70
Oct-20	4.458	3.858	4.415	5.011	1.156	0.70	0.75	-0.25	0.50	3.4	1.70
Nov-20	4.453	3.813	4.438	4.993	1.168	0.70	0.75	-0.25	0.50	3.4	1.75
Dec-20	4.450	3.771	4.450	4.978	1.180	0.70	0.75	-0.25	0.50	3.0	1.80
Jan-21	4.433	3.739	4.419	4.944	1.186	0.70	0.75	-0.25	0.50	2.9	1.80
Feb-21	4.417	3.706	4.387	4.911	1.192	0.70	0.75	-0.25	0.50	2.6	1.80
Mar-20	4.400	3.674	4.356	4.878	1.198	0.70	0.75	-0.25	0.50	2.7	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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