



Poland: Weekly Macroeconomic Update

LAST WEEK:

In April 2020 **money supply M3** rose by 2.7% m/m and was 14.0% up y/y.

In April registered **unemployment rate** rose to 5.8% from 5.4% in March. According to labour force survey unemployment rate rose to 3.1% in Q1 2020 from 2.9% in Q4 2019.

In April **new orders in industry** declined by 25.3% m/m and fell by 30.2% y/y. New export orders fell by 29.9% m/m and declined by 35.1% y/y in April.

PM Mateusz Morawiecki announced **fourth phase of lifting-off** restrictions on economic activity. Starting from June 6, fitness clubs, cinemas and culture institutions will be opened under new sanitary regime. Weddings up to 150 persons will be possible. Starting from June 30 masks on streets and in workplaces are not mandatory (albeit social distancing is still required). Face masks will remain required in public offices and in public transport. Borders are likely to be opened mid-June.

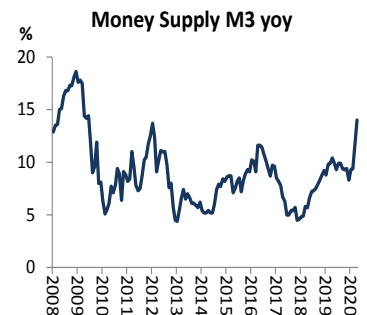
EC head Ursula von der Leyen proposed a draft on extended **EU recovery fund** worth EUR750bn (of which EUR500bn of subsidies and EUR250bn loans) that would be financed by issuance of EU bonds. Bonds will be paid within 30 years starting from 2028 from increased EU membership fees, emission permits, border carbon tax, direct tax on CO2 emitting companies and from digital tax.

On Thursday the **MPC** surprised market participants cutting the main reference rate by 40 bps to 0.10%, cutting Lombard rate by 50bps to 0.50%, re-discount rate by 44bps to 0.11% and discount rate by 48bps to 0.12%. Deposit rate was unchanged at 0%. Main reasons for rate cut quoted by the MPC were (1) a risk of decline of inflation to below inflation target due to deflationary impulse that stemmed from covid-19 related economic lock-downs and (2) facilitation of economic recover after the end of the pandemic. The NBP informed that it would continue purchases of government bonds and bonds with State Treasury guarantees.

In May, according to flash GUS data, **consumer prices** fell by 0.2% m/m and rose by 2.9% y/y versus 3.4% y/y in April. Annual inflation declined, in line with our expectations.

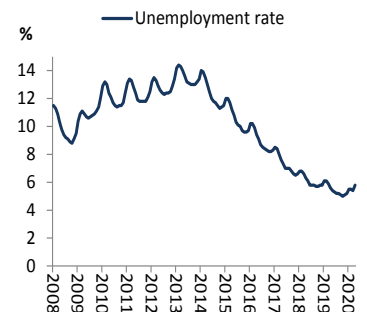
Final **real GDP growth** was 2.0% y/y (versus first estimate of 1.9% y/y) and -0.4% q/q (versus initial estimate of -0.5%). In Q1 real growth in personal consumption was 1.2% y/y, public consumption grew by 4.3% y/y and fixed investments grew by 0.9% y/y. In Q1 net exports contributed 0.4 percentage points to GDP growth.

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



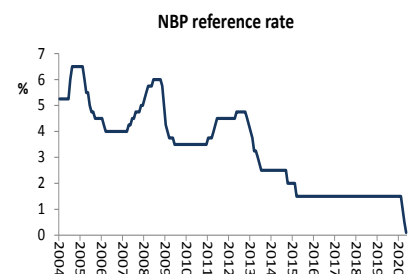
Source: NBP

Figure 2: Unemployment rate



Source: GUS

Figure 3: NBP reference rate



Source: NBP



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jun-1	7:00	PMI manufacturing (kwi)	38.0	40.6	35.4
Jun-1	12:00	Minutes from MPC meeting			
Jun-5	12:00	Official reserve assets (Maj)			

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)										
Jun-20	4.420	3.992	4.164	4.953	1.107	0.28	0.29	-0.30	0.34	2.3	1.22
Jul-20	4.415	3.944	4.174	4.935	1.119	0.28	0.29	-0.30	0.40	2.0	1.25
Aug-20	4.410	3.898	4.183	4.918	1.131	0.29	0.30	-0.30	0.45	2.0	1.25
Sep-20	4.407	3.854	4.194	4.903	1.144	0.30	0.32	-0.30	0.50	2.4	1.30
Oct-20	4.405	3.811	4.207	4.889	1.156	0.50	0.60	-0.30	0.50	2.3	1.45
Nov-20	4.402	3.769	4.218	4.875	1.168	0.50	0.60	-0.30	0.50	2.3	1.50
Dec-20	4.400	3.729	4.231	4.922	1.180	0.55	0.65	-0.30	0.50	2.5	1.50
Jan-21	4.388	3.700	4.219	4.893	1.186	0.70	0.80	-0.30	0.50	2.3	1.50
Feb-21	4.375	3.671	4.207	4.865	1.192	0.70	0.80	-0.30	0.50	2.1	1.55
Mar-21	4.363	3.643	4.195	4.836	1.198	0.70	0.80	-0.30	0.50	2.2	1.55
Apr-21	4.350	3.615	4.183	4.808	1.203	0.70	0.80	-0.30	0.50	2.7	1.60
May-21	4.338	3.587	4.171	4.780	1.209	0.70	0.80	-0.30	0.50	3.0	1.70

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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