



Poland: Weekly Macroeconomic Update

LAST WEEK:

In the period of January-September 2020 **budget deficit** amounted to -PLN13.7bn. Budget revenues were PLN304.5bn while budget expenditures were PLN318.3bn. In the period of January-September VAT revenues were 1.2% down y/y (down PLN1.6bn), PIT revenues were 5.9% down y/y (down PLN2.8bn) and revenues from excise tax were 1.8% down y/y (down PLN1.0bn) while CIT revenues were unchanged y/y. In the first 9 months of 2020 non-tax revenues were PLN13.6bn up y/y due to, among others, payment of PLN7.9bn of NBP profit and auctions of CO2 emission permits.

PFR President Pawel Borys estimates that Poland's real GDP growth will decline by 3-4% in 2020, assuming there will be no second lockdown but number of new cases will remain high. He expects a third wave of infections that will reduce economic activity in Q2 2021. He added that utilization of anti-crisis shield aid programme, initially planned at PLN100bn, was PLN61bn and final use will be about PLN70bn. In his opinion there was no need for "helicopter money" as liquidity of companies is record high. Today PM Morawiecki will announce help programme for branches of economy most affected by administrative restrictions related to covid-19.

The Senate unanimously accepted **amendment to budget bill** for 2020 that envisages budget deficit of PLN109.3bn, budget expenditures of PLN6508bn (up PLN72.7bn) and budget revenues of PLN398.7bn (down PLN36.7bn). Amended budget bill for 2020 envisages a 4.7% drop in real GDP in 2020.

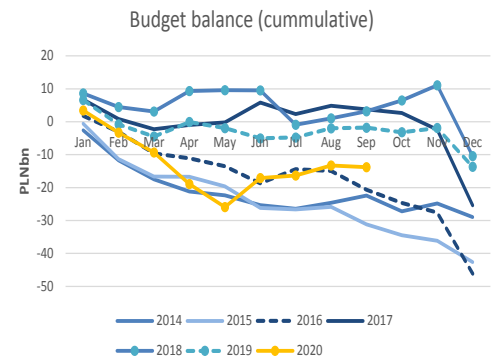
Preliminary **inflation** for October amounted to 0.1% m/m and 3.0% y/y.

THIS WEEK:

Manufacturing PMI for October remained at 50.8pts, unchanged compared to September. In October new domestic order fell, while new foreign orders increased what resulted in exports rising for a fourth month in a row. In October employment rose in the fastest pace since June 2018 and output has been rising fourth month in a row, but pace of growth was very small. Companies expect output to increase in 12 month horizon, plan introducing new products and purchases of new equipment, but optimism is the weakest since May.

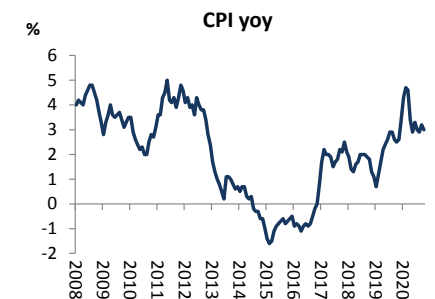
At the **MPC meeting** on Wednesday we don't expect any changes in settings of monetary policy.

Figure 1: Budget deficit (PLNbn)



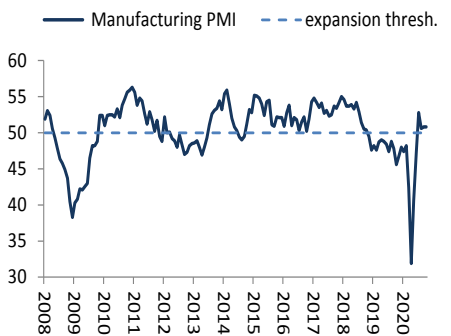
Source: Finance Ministry

Figure 2: Inflation (y/y)



Source: GUS

Figure 3: Manufacturing PMI



Source: Markit



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Nov-02	8:00	Manufacturing PMI (Oct)	51.5	50.8	51.0
Nov-04		MPC decision	0.10%		0.10%
Nov-06	13:00	Official reserve assets (Oct)			
Nov-06	13:00	Minutes from MPC meeting			

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)										
Nov-20	4.540	3.847	4.223	5.002	1.180	0.22	0.25	-0.50	0.22	3.1	1.20
Dec-20	4.480	3.813	4.187	4.957	1.175	0.22	0.25	-0.48	0.22	2.7	1.25
Jan-21	4.473	3.803	4.181	4.946	1.176	0.22	0.25	-0.47	0.22	2.1	1.25
Feb-21	4.467	3.793	4.174	4.936	1.178	0.22	0.25	-0.46	0.22	1.6	1.28
Mar-21	4.460	3.784	4.168	4.925	1.179	0.22	0.25	-0.45	0.22	1.7	1.30
Apr-21	4.453	3.774	4.162	4.915	1.180	0.22	0.25	-0.45	0.22	2.3	1.30
May-21	4.447	3.764	4.156	4.905	1.181	0.22	0.25	-0.45	0.22	2.6	1.30
Jun-21	4.440	3.755	4.150	4.894	1.183	0.22	0.25	-0.45	0.22	2.4	1.30
Jul-21	4.433	3.745	4.143	4.884	1.184	0.22	0.25	-0.45	0.22	2.4	1.30
Aug-21	4.427	3.736	4.137	4.874	1.185	0.22	0.25	-0.45	0.22	2.5	1.30
Sep-21	4.420	3.726	4.131	4.863	1.186	0.22	0.25	-0.45	0.22	2.4	1.30
Oct-21	4.413	3.716	4.125	4.853	1.188	0.22	0.25	-0.45	0.22	2.6	1.30

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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