



# Poland: Weekly Macroeconomic Update

## LAST WEEK:

In February 2019 **unemployment rate**, as expected, remained at 6.1%, unchanged versus January.

**Flash inflation** for March was 0.3% m/m and 1.7% y/y and was above market consensus expectations of 0.2% m/m and 1.6% y/y. In March the most likely factor increasing inflation was probably a rise in food prices.

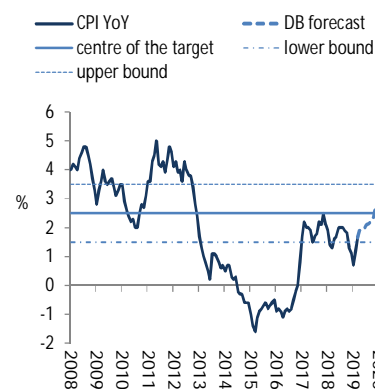
**Fitch Ratings**, as expected, affirmed Poland's rating of A-, with stable outlook, saying that Poland's rating reflected diversified economy and strong macroeconomic fundamentals, supported by a sound policy framework and strong banking sector. Fitch underlined that Poland overshot its fiscal targets reducing general government deficit to -0.4% of GDP in 2018 versus average general government deficit of -4.1% of GDP in 2008-2017. In the opinion of Fitch Ratings, pre-election fiscal package worth total 2.5% of GDP in the years 2019-2020 will cause fiscal performance to deteriorate. Fitch Ratings forecasts general government deficit to widen to 2.2% of GDP in 2019 and 2.8% of GDP in 2020. Fitch stated that a decline of general government debt to 48.9% of GDP was in line with the current "A" median. Fitch Ratings forecasts that general government debt will increase to 49.1% of GDP in 2019 and 49.6% of GDP in 2020. As rating positive Fitch enumerated potential further reduction in net foreign debt to GDP ratio, fiscal consolidation and higher GDP growth. As rating negative triggers Fitch pointed to potential breach of 3% deficit to GDP threshold, failure to stabilize debt to GDP ratio, slower GDP growth and/or deterioration in governance standards or the business climate leading to an adverse impact on the economy.

## THIS WEEK:

In March manufacturing PMI index rose to 48.7pts from 47.6pts in February, remaining below neutral threshold of 50pts for a fifth month in a row and pointing to deterioration in business conditions in Poland's manufacturing sector. Sub-indices of output, new orders (new export orders in particular) and employment fell in March. An improvement in PMI in March stemmed from improvement in domestic orders. In March business sentiment improved – 41% of companies expect their output to rise by March 2020.

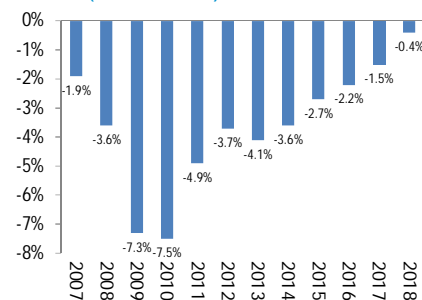
On Wednesday the MPC ends two-day policy meeting. This week the MPC, most likely, will not change interest rates and will retain its informal neutral stance in monetary policy.

Figure 1: Inflation



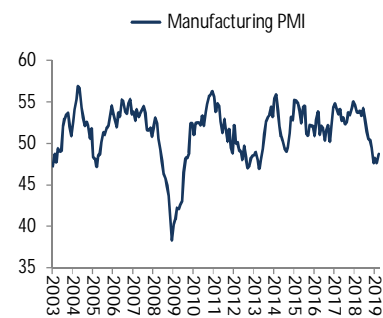
Source: GUS, NBP, Deutsche Bank Polska S.A.

Figure 2: General government deficit (% of GDP)



Source: GUS

Figure 3: PMI manufacturing



Source: Markit



## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Apr-01	8:00	PMI manufacturing (Mar)	47.0	48.7	47.4
Apr-03		MPC decision	1.50%		1.50%

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)										
<b>Apr-19</b>	4.292	3.815	3.832	5.055	1.125	1.72	1.80	-0.31	2.65	1.9	2.95
<b>May-19</b>	4.288	3.790	3.827	5.084	1.131	1.72	1.80	-0.31	2.70	1.9	3.00
<b>Jun-19</b>	4.284	3.766	3.822	5.113	1.138	1.72	1.80	-0.31	2.75	1.9	3.05
<b>Jul-19</b>	4.280	3.742	3.816	5.142	1.144	1.72	1.80	-0.31	2.80	2.1	3.10
<b>Aug-19</b>	4.276	3.718	3.811	5.170	1.150	1.72	1.80	-0.30	2.85	2.1	3.15
<b>Sep-19</b>	4.272	3.694	3.806	5.197	1.157	1.72	1.80	-0.30	2.90	2.2	3.20
<b>Oct-19</b>	4.268	3.670	3.801	5.225	1.163	1.72	1.80	-0.30	2.95	2.3	3.25
<b>Nov-19</b>	4.264	3.647	3.795	5.251	1.169	1.72	1.80	-0.30	2.95	2.6	3.25
<b>Dec-19</b>	4.260	3.550	3.737	5.290	1.200	1.72	1.80	-0.30	2.95	2.7	3.30
<b>Jan-20</b>	4.253	3.496	3.715	5.229	1.217	1.73	1.80	-0.30	2.95	2.7	3.30
<b>Feb-20</b>	4.247	3.443	3.693	5.171	1.233	1.74	1.80	-0.30	2.95	2.6	3.30
<b>Mar-20</b>	4.240	3.392	3.671	5.113	1.250	1.75	1.80	-0.30	3.00	2.3	3.30

*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.*

Source: Deutsche Bank Polska S.A.



# Appendix 1

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### Additional information available upon request

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