



## Poland: Weekly Macroeconomic Update

### LAST 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.

**General government deficit** narrowed to -0.4% of GDP in 2018 from -1.5% of GDP in 2017 and -2.2% of GDP in 2016. General government debt to GDP ratio fell to 48.9% in 2018 from 50.6% in 2017 and 54.2% in 2016.

The **MPC**, as expected, didn't change interest rates and confirmed an informal neutral bias in monetary policy. The Council underlined that incoming data confirmed weaker business conditions in some biggest economies, with sustained uncertainty on global economic activity in the following quarters. The MPC added that core inflation (excluding food and energy) in the neighbourhood of Poland's economy, including euro-zone, was low and oil prices were still below levels of Q3 2018. In the opinion of the Council economic conditions in Poland were favourable but incoming data signaled lower GDP growth in Q1 2019 versus Q4 2018. The MPC said that despite faster growth in wages than in the previous years, annual consumer inflation remained at low level and core inflation, despite some increase, remained low. The MPC expects gradual deceleration in GDP growth rates in coming quarters but inflation, in the opinion of the Council, should remain near inflation target in the horizon of monetary policy.

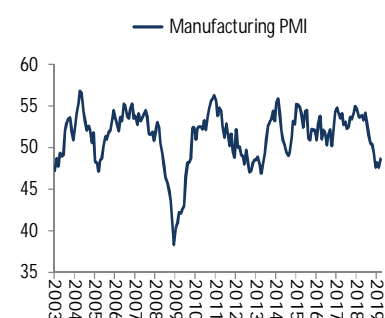
According to Frank Gill, analyst at **S&P**, Poland's fiscal stimulus plan worth PLN40bn showed "significant generosity" in election year but fiscal plan was feasible. He added that fiscal programme was pro-cyclical and could be easily financed as Poland had wide room for fiscal expansion. In his view GDP growth in 2019 will be close to 4%.

### THIS WEEK:

On Friday the **S&P** will review Poland's rating (A-, stable outlook). We expect both the rating and outlook to remain unchanged.

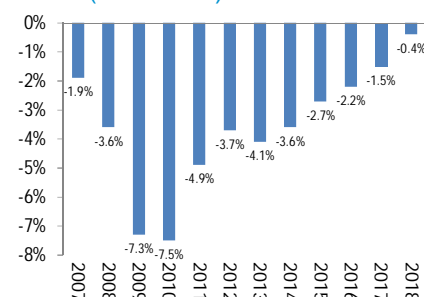
The **current account** for February (due on Friday) should be positive at EUR121mn.

Figure 1: PMI manufacturing



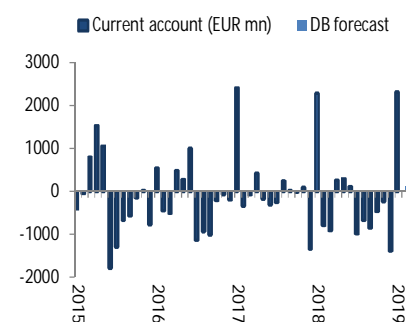
Source: Markit

Figure 2: General government deficit (% of GDP)



Source: GUS

Figure 3: Current account



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



## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Apr-12	12:00	Current account (Feb)	EUR121mn		-EUR400mn
Apr-12	12:00	Trade balance (Feb)	EUR41mn		-EUR262mn

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>	4.285	3.809	3.809	4.971	1.125	1.72	1.80	-0.31	2.55	1.8	2.95
<b>May-19</b>	4.282	3.775	3.800	4.999	1.134	1.72	1.80	-0.31	2.60	1.8	3.00
<b>Jun-19</b>	4.279	3.741	3.791	5.027	1.144	1.72	1.80	-0.31	2.65	1.8	3.05
<b>Jul-19</b>	4.276	3.708	3.782	5.054	1.153	1.72	1.80	-0.31	2.70	2.0	3.10
<b>Aug-19</b>	4.273	3.675	3.773	5.081	1.163	1.72	1.80	-0.30	2.72	2.0	3.15
<b>Sep-19</b>	4.269	3.643	3.764	5.107	1.172	1.72	1.80	-0.30	2.75	2.1	3.20
<b>Oct-19</b>	4.266	3.612	3.755	5.133	1.181	1.72	1.80	-0.30	2.80	2.2	3.25
<b>Nov-19</b>	4.263	3.581	3.746	5.158	1.191	1.72	1.80	-0.30	2.82	2.5	3.25
<b>Dec-19</b>	4.260	3.550	3.737	5.183	1.200	1.72	1.80	-0.30	2.85	2.6	3.30
<b>Jan-20</b>	4.253	3.520	3.720	5.160	1.208	1.73	1.80	-0.30	2.85	2.6	3.30
<b>Feb-20</b>	4.247	3.490	3.703	5.137	1.217	1.74	1.80	-0.30	2.80	2.5	3.30
<b>Mar-20</b>	4.240	3.461	3.687	5.114	1.225	1.75	1.80	-0.30	2.75	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

## Important Disclosures

### Additional information available upon request

Deutsche Bank Polska S.A. represents that the data contained in this publication are of information nature only, and the content presented herein does not constitute an offer within the meaning of Art. 66 of the Civil Code of 23 April 1964, an invitation to offer or a recommendation to enter into any transaction. This publication may not be treated as advice and does not perform any function of advice. All information used in this publication has been obtained from generally accessible sources which are generally recognized as reliable. Deutsche Bank Polska S.A. has exercised due diligence to verify the above information and bring it up to date, but it disclaims any and all liability for its accuracy or completeness, or for any damage that the Client or third parties may incur as a result of decisions made in reliance on the information contained in this publication.

The transactions or products listed herein may not be appropriate for all investors. Before making a decision on entering into a transaction or acquiring a product the Client should, without relying only on the information provided in this publication, make an independent assessment of the economic risk of such transaction and his ability to incur it, its tax and legal nature, the legal consequences of the transaction and potential benefits and losses associated with it, as well as assess the market characteristics.

The assumptions, simulations and opinions contained in this publication constitute the sole judgment of Deutsche Bank Polska S.A.'s / persons preparing it as at the date of publication of this document which is subject to change without a requirement to publish it. Any and all projections are based on assumptions pertaining to market conditions and there is no guarantee that any projected results will be achieved. Past performance is not a guarantee of future results.

Deutsche Bank Polska S.A. represents that the information presented above should not be in any case treated by the Client as Deutsche Bank Polska S.A.'s recommendation or advice. This publication may not be duplicated or distributed in any way, in particular through mass media, without the prior written consent of Deutsche Bank Polska S.A., al. Armii Ludowej 26, 00-609 Warsaw, NIP no. 676-01-07-416, District Court for the capital city of Warsaw, 12th Corporate Division of the National Court Register, file number KRS 0000022493, share capital PLN 1,744,449,384 paid up in full.

## Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Arkadiusz Krzeńskiak