



Poland: Weekly Macroeconomic Update

LAST WEEK:

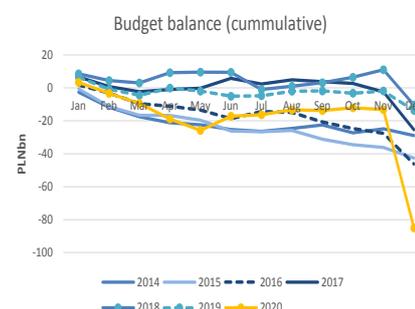
The **IMF** estimates that real GDP growth will amount to 2.7% in 2021 and 5.1% in 2022 while average inflation is envisaged at 2.6% and 2.2% respectively in 2021 and 2022. Poland's general government deficit is estimated at -5.1% of GDP in 2021 and -2.5% of GDP in 2022 while general government debt is forecasted at 59.1% of GDP in 2021 and 57.4% of GDP in 2022. The IMF forecasts that Poland will enjoy a surplus in the current account of 1.9% of GDP in 2021 and 0.3% of GDP in 2022. The IMF also recommended that the NBP should rather expand quantitative easing programme combined with improved communication to weaken the zloty rather than directly intervene on the FX market.

According to preliminary data of Finance Ministry, **budget deficit** in 2020 amounted to about -PLN85bn after a gap of -PLN13.2bn in the period of January-November 2020. In 2020 budget revenues amounted to PLN419.8bn and rose by PLN19.3bn y/y (up 4.8% y/y). In 2020 VAT revenues were PLN3.7bn up (increased by 2% y/y), CIT revenues were PLN1.3bn up y/y (up 3.4% y/y) and PIT revenues were PLN1.7 down y/y. Fiscal performance in 2020 was much better than envisaged in amended budget act in all categories of tax revenues. Very significant increase in budget gap in December 2020 (up by PLN71.8bn) suggests that the Finance Ministry pre-financed part of expenditures planned for 2021.

The NBP informed it might take part in the process of **conversion of FX mortgages**, at market prices and market conditions, if banks fulfilled the following conditions: (1) number of banks taking part is high enough to embrace vast majority of FX mortgages, (2) interest to participate of significant part of customers is proved, (3) stakeholders approve the deal, (4) further liabilities versus customers are excluded, (5) banks present binding capital recovery plans, including return of liquidity ratios and leverage ratio to the level before conversion (no dividend payments and no bonus payments during the programme).

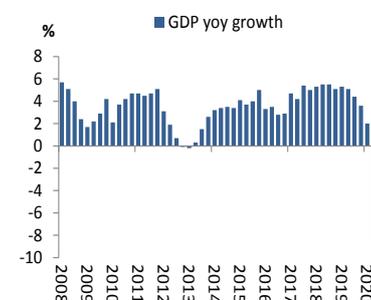
According to preliminary estimate by Statistics Poland (GUS), in Q4 2020 **real GDP** fell by 0.7% q/q (seasonally adjusted) and declined by 2.8% y/y (seasonally adjusted and seasonally unadjusted). Data on Q4 GDP are better than market consensus forecast and show that Poland's economy proved to be slightly more robust to the second lockdown than expected. Currently, besides data on economic activity, focus will shift towards labour market data as they will show the net effect of sanitary restrictions and government's transfers.

Figure 1: Budget deficit (PLN bn, cumulative)



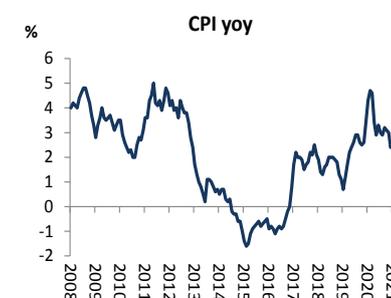
Source: Finance Ministry

Figure 2: Real GDP growth



Source: Statistics Poland

Figure 3. Inflation



Source: Statistics Poland



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Feb-15	9:00	Inflation (Jan)	1.0% (2.4%)	1.2% (2.7%)	1.0% (2.4%)
Feb-15	13:00	Current account (Dec)	EUR822mn		EUR1000mn
Feb-15	13:00	Trade balance (Dec)	EUR642mn		EUR722mn
Feb-17	9:00	Average employment (Jan)	0.4% (-1.3%)		0.4% (-1.3%)
Feb-17	9:00	Average wage (Jan)	-6.5% (5.7%)		-7.0% (5.1%)
Feb-18	9:00	Industrial output (Jan)	-5.5% (0.5%)		-5.5% (1.1%)
Feb-18	9:00	PPI (Jan)	0.5% (0.4%)		0.5% (0.5%)
Feb-19	9:00	Retail sales (Jan)	20.0% (-0.8%)		-23.4% (-5.0%)
Feb-19	9:00	Costruction output (Jan)	(-7.0%)		(-11.9%)

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)										
Feb-21	4.490	3.708	4.154	5.136	1.211	0.22	0.25	-0.54	0.20	2.4	1.38
Mar-21	4.487	3.697	4.155	5.103	1.214	0.22	0.25	-0.53	0.21	2.5	1.40
Apr-21	4.484	3.685	4.156	5.071	1.217	0.22	0.25	-0.52	0.22	3.0	1.40
May-21	4.481	3.674	4.157	5.039	1.220	0.22	0.25	-0.51	0.22	3.4	1.40
Jun-21	4.478	3.663	4.158	5.007	1.223	0.22	0.25	-0.50	0.22	3.1	1.40
Jul-21	4.475	3.652	4.159	4.976	1.225	0.22	0.25	-0.50	0.22	3.2	1.40
Aug-21	4.472	3.641	4.160	4.944	1.228	0.22	0.25	-0.50	0.22	3.2	1.45
Sep-21	4.469	3.630	4.161	4.913	1.231	0.22	0.25	-0.50	0.22	3.2	1.45
Oct-21	4.466	3.619	4.162	4.882	1.234	0.22	0.25	-0.50	0.22	3.3	1.45
Nov-21	4.463	3.608	4.163	4.851	1.237	0.22	0.25	-0.50	0.22	3.4	1.45
Dec-21	4.460	3.597	4.168	4.820	1.240	0.22	0.25	-0.50	0.22	3.6	1.45
Jan-22	4.455	3.602	4.164	4.827	1.237	0.22	0.25	-0.50	0.22	3.1	1.45

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

Important Disclosures

Additional information available upon request

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