



Poland: Weekly Macroeconomic Update

LAST WEEK:

On Sunday, May 14, at party convention, leader of Law and Justice (PiS) Jaroslaw Kaczynski announced increase of child subsidies under **500+** programme to PLN800 per month in 2024 from the current PLN500 per month. Jaroslaw Kaczynski also announced covering the cost of pharmaceuticals for people over the age of 65 (currently re-funded are pharmaceuticals for people over the age of 75) and for children below the age of 18. Current cost of refunding pharmaceuticals for elderly people is PLN830m per annum and additional cost for extending this measure is estimated at PLN900m per annum. The cost of refunding pharmaceuticals for children is estimated at PLN216 per annum. An increase in child subsidy under 500+ programme to PLN800 per month would increase annual cost of the programme by PLN24.1bn to PLN64.3bn per annum. Total additional cost of announced measures will be PLN25.2bn or 0.7% of GDP in 2024.

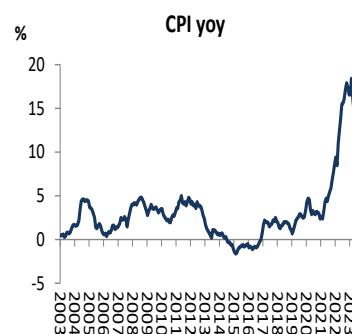
According to preliminary estimate of Statistics Poland **nominal GDP** in 2022 amounted to PLN3078.3bn. **Real GDP growth** in Q1, according to preliminary estimate of Statistics Poland, amounted to 3.9% q/q and -0.2% y/y. Data on GDP were much better than market consensus view (0.8% q/q and -0.9% y/y) and confirm that Poland's economy avoided technical recession in Q1 by a wide margin of safety.

CPI for April was confirmed at 0.7% m/m and 14.7% y/y. Food prices rose by 0.5% m/m and 19.7% y/y (adding 0.14 pp. to monthly CPI), prices of footwear and clothing rose by 3.3% m/m and 8.1% y/y (adding 0.13pp. to m/m CPI), transport prices rose by 0.8% m/m and 4.6% y/y (adding 0.08pp.), prices of other goods and services (including sold via Internet) rose by 1.1% m/m and 13.5% y/y (adding 0.06pp.), prices of recreation and culture and prices in hotels and restaurants rose respectively by 0.8% m/m and 14.9% y/y and 1.0% m/m and 16.2% y/y, each adding 0.05pp to monthly CPI. Currently the main source of inflation are rising prices of food, footwear and clothing and fuels. Prices of seasonal services (recreation, hotels and restaurants) are on the rise and secondary effects are visible in other goods and services.

In March the **current account** surplus amounted to EUR1643m after a surplus of EUR2585m in February. In March exports rose by 15.5% y/y to EUR30.0bn while import fell by 3.0% y/y to EUR29.4bn. In March there was EUR3129m surplus in services account and EUR356m surplus in secondary income account while primary income account was negative at -EUR2450m.

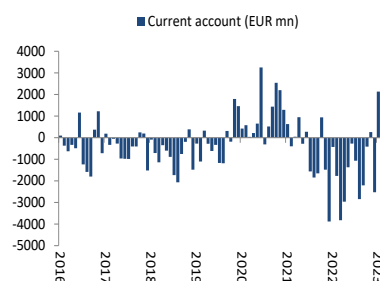
Core CPI (ex food and energy) in April amounted to 1.2% m/m and 12.2% y/y. Core CPI fell from 12.3% y/y in March suggesting that core inflation has peaked in the end of Q1. Core inflation - excluding regulated prices - fell to 14.0% y/y in April from 15.7% y/y in March while core inflation - excluding most volatile prices - fell to 15.3% y/y in April from 16.0% y/y in March. Decline in headline inflation to 14.7% y/y in April from 16.1% y/y in March and moderate size of second round effects visible in rising services' prices, combined with appreciation of the zloty support a view that inflation will be heading towards single digit level in Q4 this year.

Figure 1. CPI (y/y)



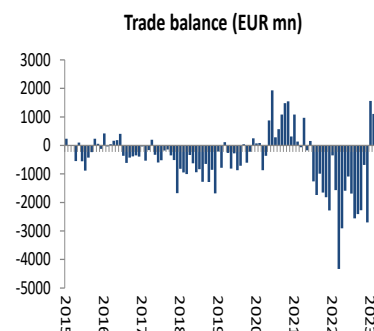
Source: Statistics Poland

Figure 2. Current account (EUR mn)



Source: NBP

Figure 3. Trade balance (EUR mn)



Source: NBP



DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
May-22	8:00	PPI (Apr)	-0.2% (7.2%)	-0.7% (6.8%)	-0.2% (7.3%)
May-22	8:00	Industrial output (Apr)	-12.5% (-3.8%)	-14.8% (-6.4%)	-12.4% (-4.3%)
May-22	8:00	Average wage (Apr)	-0.5% (12.7%)	-1.0% (12.1%)	-1.0% (12.1%)
May-22	8:00	Average employment (Apr)	0.0% (0.3%)	0.1% (0.4%)	-0.1% (0.3%)
May-23	8:00	Industrial production (Apr)	(3.0%)		(2.0%)
May-23	8:00	Real retail sales (Apr)	-0.5% (-10.9%)		0.2% (-8.2%)
May-23	8:00	Nominal retail sales (Apr)	1.2% (3.8%)		(2.4%)
May-24	8:00	Consumer confidence (May)	-31.5		-30.8
May-24	12:00	Money supply , M3 (Apr)	0.2% (6.5%)		0.5% (6.6%)
May-25	8:00	Unemployment rate (Apr)	5.3%		5.3%
May-25	8:00	Unemployment rate (Q1)	3.0%		3.0%

Source: Deutsche Bank Estimates., Reuters and Bloomberg Finance LP

FX and interest rate forecasts

	EUR/PLN	USD/PLN	CHF/PLN	GBP/PLN	EUR/USD	Reference rate	WIBOR 3M*	WIBOR 6M*	EURIBOR 3M	LIBOR USD 3M*	CPI (Poland)	Yield on 10Y POLGB
	(end of period)											
May-23	4,507	4,146	4,618	5,183	1,087	6,75	6,90	6,95	3,45	5,35	13,2	5,95
Jun-23	4,506	4,096	4,461	5,120	1,100	6,75	6,90	6,90	3,60	5,30	12,2	5,85
Jul-23	4,505	4,065	4,468	5,101	1,108	6,75	6,90	6,85	3,60	5,20	11,9	5,80
Aug-23	4,504	4,033	4,474	5,082	1,117	6,75	6,90	6,75	3,60	4,90	11,2	5,70
Sep-23	4,503	4,003	4,481	5,063	1,125	6,75	6,85	6,50	3,60	4,45	10,2	5,55
Oct-23	4,502	3,972	4,487	5,045	1,133	6,50	6,60	6,25	3,60	4,35	8,7	5,40
Nov-23	4,501	3,942	4,494	5,027	1,142	6,25	6,35	6,25	3,60	4,10	8,2	5,30
Dec-23	4,500	3,913	4,500	5,009	1,150	6,00	6,10	6,15	3,60	4,10	8,5	5,30
Jan-24	4,495	3,902	4,486	5,002	1,152	6,00	6,10	6,05	3,60	3,85	7,8	5,30
Feb-24	4,490	3,887	4,477	4,984	1,155	5,75	6,00	5,85	3,60	3,85	7,7	5,30
Mar-24	4,490	3,877	4,472	4,975	1,158	5,75	5,90	5,60	3,60	3,85	7,3	5,30
Apr-24	4,490	3,874	4,472	4,970	1,159	5,50	5,60	5,60	3,60	3,85	7,2	5,30

*- According to road map published by the PFSA WIBOR cessation will occur in 2025 .

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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