



## Poland: Weekly Macroeconomic Update

### LAST WEEK:

In December 2020 **central government debt** amounted to PLN1097bn what means an increase of PLN7.3bn (+0.7%) m/m and an increase of PLN124.1bn (up 12.8%) versus the end of 2019. In December 2020 a share of FX debt in total debt was 24.2% (up 0.4 p.p. m/m) and fell by 2.2 p.p. versus the end of 2019. In December 2020 non-residents held 34.0% of central government debt, 0.4% p.p. up m/m and 6.3% p.p. down versus the end of 2019.

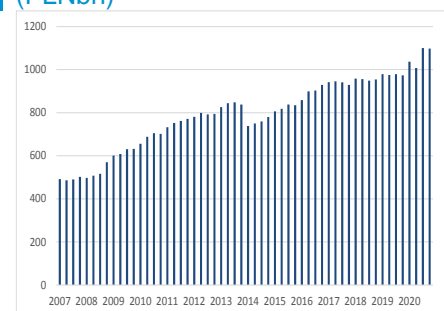
**Manufacturing PMI** rose by 53.4pts in February from 51.9pts in January signaling most significant improvement in business conditions since June 2018. In February new orders rose in the highest pace since July what stemmed mainly from inflow of foreign orders. Output rose in the highest pace since January 2007 signalling a pressure on potential production due to insufficient supplies of raw materials. In February companies increased employment and increased purchases of raw materials and intermediate goods. Costs of production rose in the strongest pace in ten years due to insufficient supply of raw materials in global markets, logistic problems on borders and weaker PLN. Companies expect economy to rebound after pandemics of coronavirus.

Polish Financial Supervision Authority (PFSA) estimated impact of potential changes in regulatory environment on portfolios of **CHF denominated mortgages** held by banks operating in Poland. The lowest cost (PLN34.5bn), according to the PFSA would be associated with solution proposed by the PFSA in December 2020 that would comprise settlements with clients to clear FX mortgage as if it were PLN mortgages from the date of their release. Most pessimistic and costly scenario (from PLN70bn to PLN234bn) pertains to situation in which FX mortgage would be annulled.

The **MPC**, as expected, kept monetary policy settings unchanged. The Council informed that it would continue purchases of POLGBs and bonds guaranteed by State Treasury in the secondary market under structural open market operations. The MPC also reiterated that the pace of the economic recovery in Poland might be reduced by the lack of a visible and more durable zloty exchange rate adjustment to the global pandemic shock and to the monetary policy easing introduced by NBP. In line with the projection of March prepared under the assumption of unchanged NBP interest rates and taking into account data available until 16 February 2021 there is a 50-percent probability that the annual price growth will be in the range of 2.7–3.6% in 2021 (against 1.8–3.2% in the November 2020 projection), 2.0–3.6% in 2022 (compared to 1.6–3.6%) and 2.2–4.2% in 2023. At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 2.6–5.3% in 2021 (against 0.8–4.5% in the November 2020 projection), 4.0–6.9% in 2022 (compared to 3.8–7.8%) and 4.0–6.8% in 2023. The central path of inflation was hiked by 0.7 perc. point and 0.2 p.p. respectively in 2021 and 2022 while the central path of GDP growth was shifted up by 1.3 p.p. in 2021 and was shifted down by 0.4 p.p. in 2022.

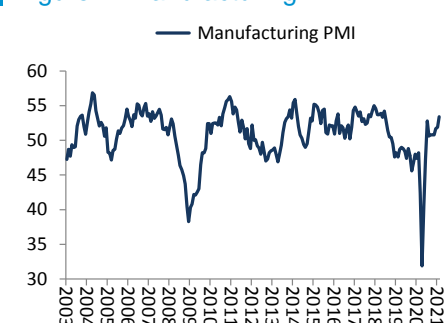
According to Eurostat **unemployment rate** in Poland amounted to 3.1% in January and was the lowest in the EU that reported unemployment rate of 7.3% in January.

Figure 1: Central government debt (PLNbn)



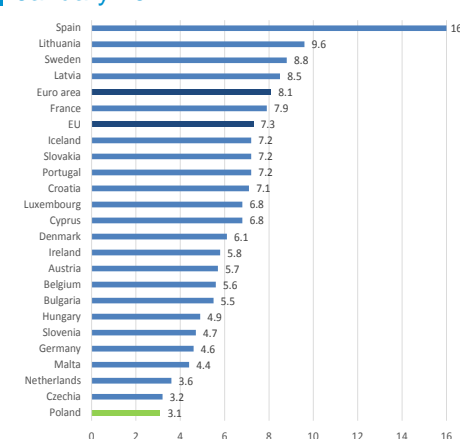
Source: Finance Ministry

Figure 2: Manufacturing PMI



Source: Markit

Figure 3. Unemployment rate in January 2021



Source: Eurostat



## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
No releases scheduled					

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>Mar-21</b>	4.560	3.800	4.127	5.282	1.200	0.21	0.25	-0.53	0.19	2.5	1.50
<b>Apr-21</b>	4.549	3.777	4.131	5.229	1.204	0.21	0.25	-0.52	0.19	3.0	1.45
<b>May-21</b>	4.538	3.754	4.136	5.176	1.209	0.22	0.25	-0.51	0.18	3.4	1.40
<b>Jun-21</b>	4.527	3.731	4.140	5.124	1.213	0.22	0.25	-0.50	0.17	3.1	1.45
<b>Jul-21</b>	4.516	3.708	4.145	5.072	1.218	0.22	0.25	-0.50	0.17	3.2	1.50
<b>Aug-21</b>	4.504	3.685	4.149	5.020	1.222	0.22	0.25	-0.50	0.18	3.2	1.50
<b>Sep-21</b>	4.493	3.663	4.154	4.970	1.227	0.22	0.25	-0.50	0.19	3.2	1.55
<b>Oct-21</b>	4.482	3.641	4.159	4.919	1.231	0.22	0.25	-0.50	0.20	3.3	1.55
<b>Nov-21</b>	4.471	3.619	4.163	4.869	1.236	0.22	0.25	-0.50	0.20	3.4	1.60
<b>Dec-21</b>	4.460	3.597	4.168	4.820	1.240	0.22	0.25	-0.50	0.20	3.6	1.65
<b>Jan-22</b>	4.455	3.602	4.164	4.827	1.237	0.22	0.25	-0.50	0.20	3.1	1.65
<b>Feb-22</b>	4.450	3.608	4.159	4.799	1.233	0.22	0.25	-0.50	0.20	3.2	1.65

*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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