



Poland Daily

HEADLINES:

POL: The government adopted the draft budget for 2027 with a deficit of 281.2 billion PLN compared to the 271.7 billion PLN deficit projected in the 2026 budget law. The budget draft assumes that in 2027 GDP will grow by 3.0% and the average annual inflation will be 2.8%. State budget revenues in 2027 are expected to reach 696.4 billion PLN (an increase of 49.2 billion PLN compared to the revenues projected in the 2026 budget law), and expenditures 977.6 billion PLN (an increase of 58.7 billion PLN compared to the expenditures projected in the 2026 budget law). Defense spending in 2027 is expected to amount to 198.1 billion PLN, which is 4.5% of GDP. The Ministry of Finance forecasts CIT tax revenues in 2027 at 94.6 billion PLN, which is 14.2 billion PLN (17.7%) more than the projected execution this year. VAT revenues are expected to reach 363.7 billion PLN in 2027, which is 33.7 billion PLN (10.2%) more than the projected execution in 2026. In our view, the average annual inflation was assumed very conservatively, which means that actual VAT revenues could be higher than those assumed in the budget draft.

POL: According to preliminary estimates from the Central Statistical Office (GUS), inflation in September was 0.7% month-on-month and 4.0% year-on-year, which was in line with our forecast. In September, food prices rose by 0.1% month-on-month and were down 0.5% year-on-year, energy prices went up 0.9% month-on-month and were up 4.9% year-on-year, while fuel prices increased by 9.2% month-on-month and were 36.1% higher year-on-year. Inflation will most likely exceed 4% in Q4 this year, which will put pressure on the National Bank of Poland to raise interest rates.

THE DAY AHEAD...

POL: CPI (Sep, flash)

CZK: GDP (Q2)

DEU: CPI (Sep)

USA: ADP employment change (Sep), PCE price index (Aug), GDP (Q2), Chicago PMI (Sep)

TODAY'S FOCUS:

Today's economic calendar includes preliminary inflation from Poland for September, GDP for Q2 from the Czech Republic and the US, inflation for September from Germany, as well as the ADP report, the PCE price index, and the Chicago PMI from the US.

DIARY (Today)

Country	CET	Release	DB Expected	Actual	Consensus
CZK	9:00	GDP (Q2)		0.3% (1.8%)	0.4% (1.9%)
POL	9:30	CPI (Sep, flash)	0.7% (4.0%)	0.7% (4.0%)	0.8% (4.0%)
DEU	14:00	CPI (Sep)			0.5% (3.1%)
USA	14:15	ADP employment change (Sep)	85k		75k
USA	14:30	GDP annualiz. (Q2)	1.5%		1.5%
USA	14:30	PCE price index (Aug)			0.3% (3.7%)
USA	15:45	Chicago PMI (Sep)	53.3		51.0

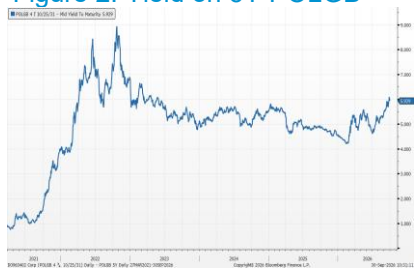
Source: Deutsche Bank Estimates and Bloomberg Finance LP

Figure 1: Brent oil price



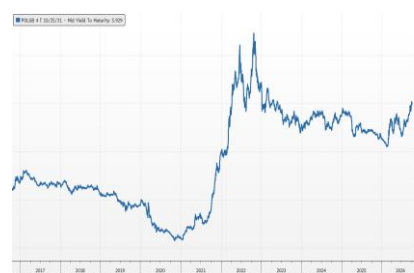
Source: Bloomberg

Figure 2: Yield on 5Y POLGB



Source: Bloomberg

Figure 3: Yield on 5Y POLGB – medium term trend



Source: Bloomberg



Foreign Exchange

This morning, the zloty was 0.2% stronger against the USD and 0.1% stronger against the EUR compared to yesterday's fixing. The zloty was unchanged against the CHF and 0.1% weaker against the GBP compared to yesterday's fixing. The zloty strengthened ahead of the inflation data release, anticipating higher-than-expected inflation, and then returned to pre-release levels when it turned out that the preliminary inflation for September was close to the consensus.

This morning, the USD was 0.1% weaker against the EUR, the CHF was 0.1% stronger against the EUR, and the GBP was 0.3% stronger against the USD compared to yesterday's fixing.

Fixed Income

This morning, the yield on Polish government bonds dropped by 8 bps in the 2-year sector and fell by 10 and 9 bps in the 5-year and 10-year sectors, respectively.

Interest Rates

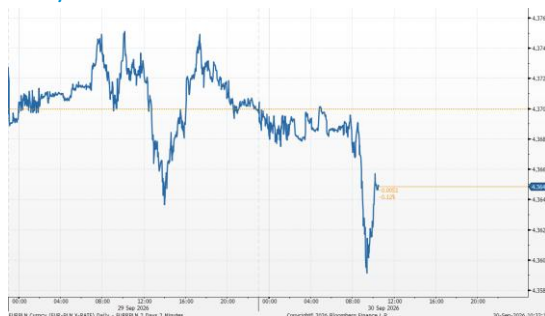
This morning, swap rates dropped by 8 bp in the 2-year sector and fell by 6 bp and 5 bp in the 5-year and 10-year sectors, respectively.

Equities

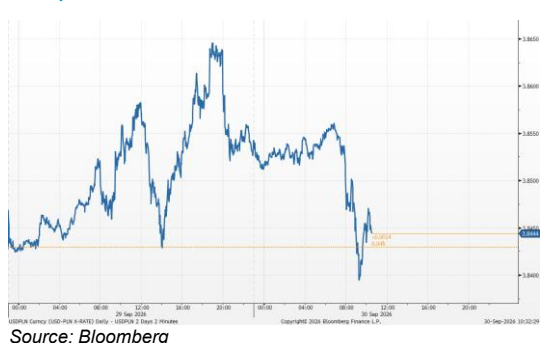
Yesterday at closing, the Dow Jones fell by 0.26%, the S&P 500 dropped by 0.17%, and the NASDAQ went down by 0.09%. This morning, the FTSE 100 rose by 0.44%, the CAC 40 was down by 0.18%, and the DAX was up by 0.06%. The Nikkei closed up by 1.95%, and the Hang Seng was up 0.37% at closing. This morning, the WIG index rose by 0.93% and the WIG20 was up by 1.03%.

Medium term FX trends:

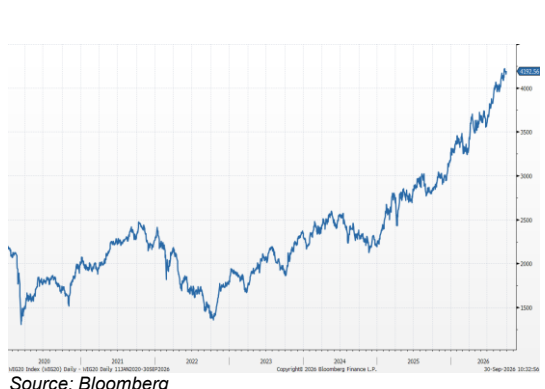
EUR/PLN



USD/PLN



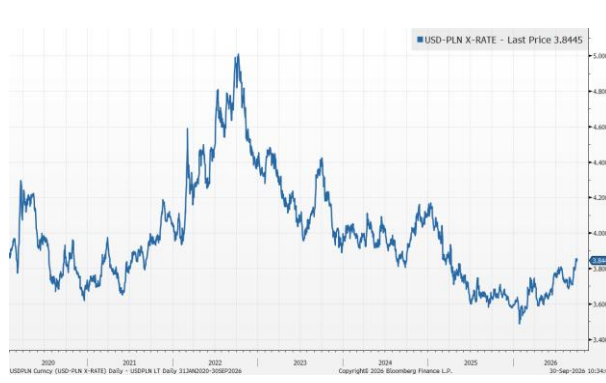
WIG20



EUR/PLN



USD/PLN





Appendix 1

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