



## Poland: Weekly Macroeconomic Update

### LAST WEEK:

The MPC left interest rates unchanged with the main reference rate at 6.75%. In the communique after the meeting the Council underlined that growth in the economic environment of Poland would be low this year. The MPC stressed that global inflation had been declining but it remained elevated in majority of economies due to second-round effects of supply shocks, demand factors and rising costs of labour. The MPC added that a fall in commodity prices and cessation of bottlenecks in global supply chains curbed price pressures. The MPC pointed to deceleration in economic activity in Poland: declines in GDP, retail sales and industrial output. The MPC pointed also to decline in consumer inflation caused mainly by deceleration in growth of energy prices and significant decline in core inflation in May. The MPC said that decline in CPI had been slowed down by second-round effects, despite weaker demand growth. The MPC expects that softening of external supply shocks along with lower growth in economic activity (and significant lowering of credit growth) will result in lowering inflation in the coming quarters. The MPC reiterated that return of inflation to the target would be gradual, and PLN firming of the zloty would facilitate decline in CPI. The MPC repeated that further decisions would depend on incoming data on prospects of inflation and economic growth. At press conference, NBP President Adam Glapinski said that the MPC hadn't formally ended hiking cycle and was still ready to hike interest rates in the case of negative external shock. He added that if inflation declined to below 10% and one was certain that CPI would continue falling in the next quarters then there would be room for rate cut. According to NBP President, such situation may occur in September. In his opinion March NBP projection fully materialises and inflation will be declining fast in the coming months. He added that disinflation processes were supported by firming the zloty that was consistent with Poland's economic fundamentals. In his view the current pre-election pledges, no matter by which political option, would have some pro-inflationary effects but these effects would be small and would have limited impact on inflation path.

Government accepted **draft amendment to 2023 budget**. According to the draft amendment budget income is envisaged to decline by PLN3.2bn to PLN601.4bn while budget expenditures are envisaged to rise by PLN20.8bn what is tantamount to PLN24.0bn increase in budget deficit to PLN92.0bn. According to the draft amendment tax income in 2023 will amount to PLN536.8bn (down PLN8.5bn versus budget act for 2023), income from VAT are envisaged at PLN272.9bn versus PLN286.3bn envisaged in budget act for 2023, income from excise tax will decline to PLN83.8bn from PLN88.6bn, income from CIT will increase to PLN77.6bn from PLN73.6bn and income from PIT will increase to PLN83.6bn versus PLN78.4 in budget act. Increase in budget expenditures was mainly a result of increased transfers to local government (up PLN14.1bn), subsidies for farmers and increase in wages of school teachers (up PLN667m). Net financing requirements are envisaged to rise to PLN150.6bn from PLN110.5bn, of which domestic funding is envisaged at PLN126bn (vs. PLN83.5bn) and foreign funding is envisaged at PLN24.6bn (vs. PLN27.0bn).

Figure 1. EUR/PLN

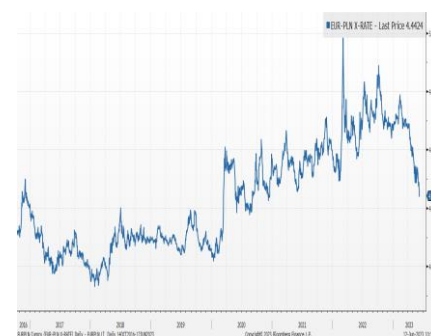


Figure 2. Real GDP (y/y growth)

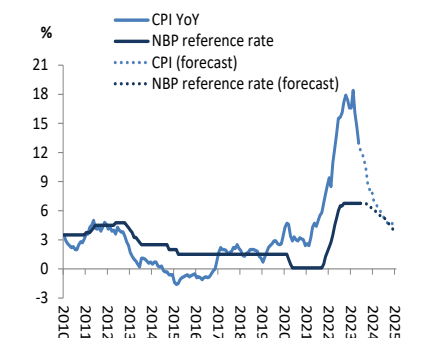
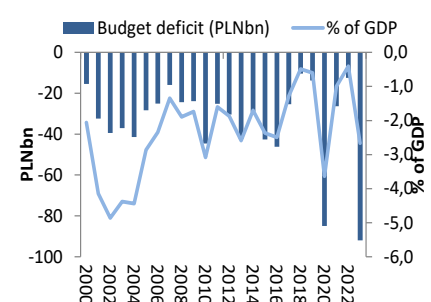


Figure 3. Budget deficit (nominal and % of GDP)





## DIARY (this week)

Date	GMT	Release/Event	DB Expected	Actual	Consensus
Jun-13	12:00	Current account (Apr)	EUR1520m		EUR1595m
Jun-13	12:00	Trade balance (Apr)	EUR1340m		EUR1385m
Jun-15	7:30	TSUE ruling (C520/21) on consequences of annulment of mortgage contract (whether bank is entitled to compensation for the use of capital by borrower)			
Jun-15	8:00	CPI (Apr)	0,0% (13,0%)		0,0% (13,0%)
Jun-16	8:00	Core CPI (Apr)	0,3% (11,4%)		0,4% (11,5%)

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)											
<b>Jun-23</b>	4,438	4,117	4,552	5,183	1,078	6,75	6,90	6,95	3,60	5,55	12,2	5,90
<b>Jul-23</b>	4,440	4,080	4,534	5,151	1,088	6,75	6,90	6,90	3,60	5,50	11,9	5,80
<b>Aug-23</b>	4,442	4,043	4,517	5,119	1,099	6,75	6,90	6,80	3,60	5,25	11,2	5,70
<b>Sep-23</b>	4,444	4,007	4,500	5,087	1,109	6,75	6,85	6,75	3,60	5,00	10,2	5,55
<b>Oct-23</b>	4,446	3,972	4,483	5,056	1,119	6,50	6,85	6,25	3,60	4,85	8,7	5,40
<b>Nov-23</b>	4,448	3,937	4,467	5,026	1,130	6,50	6,60	6,25	3,60	4,60	8,2	5,30
<b>Dec-23</b>	4,450	3,904	4,450	4,996	1,140	6,25	6,10	6,15	3,60	4,60	8,2	5,30
<b>Jan-24</b>	4,445	3,859	4,436	4,947	1,152	6,25	6,10	6,05	3,60	4,35	7,2	5,30
<b>Feb-24</b>	4,440	3,844	4,427	4,928	1,155	6,00	6,00	5,85	3,60	4,35	6,8	5,30
<b>Mar-24</b>	4,437	3,832	4,419	4,916	1,158	5,75	5,90	5,60	3,60	4,35	6,5	5,30
<b>Apr-24</b>	4,435	3,827	4,417	4,909	1,159	5,50	5,60	5,60	3,60	4,35	6,1	5,30
<b>May-24</b>	4,430	3,822	4,412	4,904	1,159	5,50	5,35	5,50	3,50	4,20	5,9	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.*

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 000022493, share capital PLN 1,959,649,384 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 Krześniak