

## Poland: Anti-crisis programme 9% of GDP, 3% is new spending

Only PLN66bn are direct spending, some PLN150bn is guarantees, extra liquidity, etc. The bulk of spending is aimed at sheltering the labour market and providing liquidity to affected companies. We estimate 2020 net borrowing needs around PLN100-130bn vs PLN15bn before Covid-19



Source: Shutterstock

### Only 3% GDP is direct spending

The Polish government together with the National Bank of Poland has announced the anti-crisis programme of PLN212 billion (9% of GDP). This includes new public spending of PLN66bn (3% of GDP) and liquidity measures to be undertaken by the NBP of PLN70bn (3% of GDP), which were already announced on Monday. The remaining 3% of GDP are public guarantees and liquidity measures to be provided by the national development bank BGK and the Polish Development Fund. The anti-crisis shield includes five pillars:

1. Workers
2. Firms

3. Health care
4. Financial sector
5. Public investment

Based on our first estimates associated with the effects of the pandemic on the Polish economy (we downgraded our economic growth forecast from 1.9% to 0% in 2020) and taking into discretionary measures we expect the public net borrowing needs to jump from the pre-Covid-19 level of PLN15bn to PLN100-130bn in 2020.

According to the President, the proposed measures need to be translated into draft form by the end of this week. Obviously, the state budget should turn into a deficit and be amended. There are no new funds from the EU but countries were granted flexibility in utilizing their structural and cohesion fund allocations for 2020 in their fight against Covid-19. The anti-crisis package covers the following measures:

1. **Workers** – protecting jobs (PLN30b, of which public spending of PLN24bn and PLN6bn of liquidity measures)

Under the pillar the government is to compensate lost salaries in companies which recorded a deep decline in revenues of 25% within 30 days and 15% in two months. The state will cover 40% of lost salaries up to the level of average wage in the economy, and 40% is to be covered by the employers. This measure is to prevent 2-3 million of jobs lost.

Firms which had to close their business activity, for example due to quarantines, will be able to reduce wages by 50%, and will be funded from the extra budgetary fund (cost of PLN17.3bn).

Self-employed and the employed on civil contracts are to get one-off benefits of around PLN2,000 (cost of PLN 7.4bn). Workers will also benefit from additional nursing benefits (PLN1.8bn) and extended deadline of PIT 2019 settlement by two months, to the end of June. Public utilities may introduce extended periods for payments for their services.

2. **Companies liquidity credit** (PLN73bn of which public spending of PLN5bn, and liquidity support of PLN68bn)

The pillar is to assure liquidity of firms includes, inter alia, the deferral of tax and social security contribution payments and extension of de minimis guarantees of BGK development bank to generate bank credit. Textiles and tourism sectors are to benefit from favourable credit terms. Also, the PFR will increase capital in selected enterprises, while the Industry Development Agency is to support transport companies facing difficulties with operational leasing payments. Firms are to benefit from favourable CIT settlement rules.

3. **Health care** – protecting personnel (PLN7.5bn of additional public spending)

80% of the funds allocated should be directly devoted to epidemic containment. The government is actively searching for a prompt provision of the necessary equipment on the domestic and foreign market, including from China.

4. **Financial sector** – a selection of measures aimed at rising liquidity, lowering the cost of money, facilitating credit creation and new buyer on the Polish government bond market

(PLN70bn of liquidity introduced by NBP, no cost for the budget)

On Tuesday, the NBP cut interest rates and reduced minimum reserve requirements by PLN40bn of cash. Last Monday, the central bank conducted repo operation of PLN7.5bn to stabilize the secondary T-bond market. Importantly for the POLGBs, the NBP announced long-term structural operations, which we see as a quasi QE programme.

There were no changes to the banking tax. Therefore, commercial banks should have an incentive for POLGBs purchases.

#### 5. **New public investment fund PLN30bn (c.1.5% GDP)**

Projects should be related to infrastructural spending, energy transition and digitalization.

There are too many unknowns to precisely estimate the net borrowing needs and general government deficit. We roughly estimate that net POLGBs issuance to jump to about PLN100-130bn from PLN15bn we estimated before Covid-19.

We see the following POLGBs buyers: (1) The NBP cut mandatory reserve, which releases PLN40bn of cash, it should be placed in POLGBs quickly, (2) NBP launched new structural operation on the POLGBs market, which we found as the quasi-QE programme. Bank Governor Glapinski was very pre-emptive and said the buying should start on Thursday. The volume of the programme was not specified, but Governor Glapinski publically reassured of its large scale. This gives the NBP a lot of flexibility in reaction to market developments.

We find the fiscal programme POLGBs neutral to positive (local banks and NBP should start POLGBs buying event before the actual supply rises) and PLN slightly negative (due to expected rise of the NBP's balance sheet).

## Authors

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

### Leszek Kasek

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose

possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.