The ruling PiS won the European elections in Poland with 43.1% of the votes, European Coalition (incl. Civic Platform and Polish Peasant Party) scored 38.4%, new leftist party Spring (6.7%), rightist Konferederation 6.2%, antisystemic Kukiz’15 (4.1%). The results are close to the majority of pre-election polls. It was an extremely tight battle. The ruling party pledged 1.6% of GDP in new spending (probably one of the highest stimulus’ in Europe recently) and brought many local topics (irrelevant for European politics) to the European election campaign. Finally, they succeeded with reaching support close to 40% in the elections, which traditionally brought lower support for this party. On the other hand, the European Coalition (incl. Civic Platform and Peasant Party) caught up to the ruling PiS in the last weeks and the PiS lost some of their advances over the European Coalition it had in polls in previous months. We find the battle was marginally won by the ruling PiS. What is worth mentioning, the European Coalition did not receive any special premium for unifying many parties as some expected.

Tight battle in coming months before general elections in October
The early simulation presenting how parties would score in the October general elections, based on the votes they received in Sunday’s European elections, shows the battle should remain tight in the coming quarters. According to this early estimates, the ruling PiS would still win the general elections, but lose some of the votes they currently have in the Polish parliament (231 vs about 235 now). They would also have only a vague majority in the 460-seat lower chamber. The low support for PiS’ potential junior coalition partners is a problem as they (eg, Kukiz’15) should score below the minimum threshold required to be in Parliament. The European Coalition would still be the second biggest in the Polish Parliament (208 votes), but even with the small parties (new leftist Spring) they would fail to form a majority.

The key events in coming weeks
The key events which may shape political developments after the European elections are the following: (1) the reconstruction of PM Morawiecki’s government, (2) the decision of the Polish Peasant Party whether they stay in the European Coalition for general elections (early predictions show they should hold the 3 members of the European Parliament they had so far, so the party leader may hold his opinion that membership in the Coalition was not negative for the party position), (3) most important, the expected 4 June decision of President of the European Council Donald Tusk on returning to local Polish politics from Brussels; the European Coalition caught up to the ruling PiS somehow in the last weeks, but it lacks a strong leader so Tusk’s return is seen as an
important game changer before the October general elections.

**Neutral market impact of European elections**

Marketwise, the support for PiS is far from the point, which would trigger additional spending pledges, so it is neutral for the Polish zloty and Polish bond market. We think only a 5 percentage point failure of the ruling PiS vs the European Coalition would cause more nervous reactions, so we are far away from that scenario. The ruling PiS should stick to its previous spending pledges from Feb-19 (about 1.6% of GDP) and rather refrain from new ones. They frontloaded pledges, but payments will come subsequently in coming months, so the party can market new social benefits to the electorate before the October general elections and there is no need to add new spending. The supply-demand conditions should remain very favourable for POLGBs in the coming months (2H19 borrowing needs will be lower YoY) and quarters (we estimate 2020 net borrowing needs should drop to PLN21bn from PLN35bn in 2019, partially due to one-off revenues), despite the very generous pledges the PiS provided in Feb-19.

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