

Poland: Budgetary sprint in December secures solid result

The central budget deficit in 2017 was PLN25bn, which was consistent with our expectations and supports our forecast for next year's deficit at 1.3% of GDP



Source: Shutterstock

25bn

Polish central budget deficit for 2017

(in PLN)

As expected

Some surprises in the data

Today, we've received the preliminary results of the budget in December and FY17.

The overall deficit of PLN25bn (central budget) was much lower than expected in the 2017 budget bill but was also consistent with what we thought for the last six months. It is consistent with the overall general deficit of 1.7-1.8% of GDP (according to ESA2010 methodology), which is what

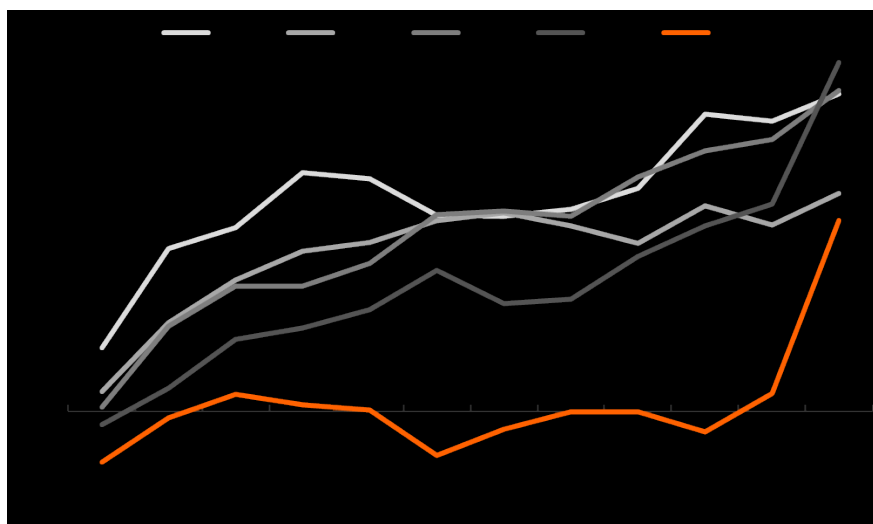
we've been expecting since late summer.

None of this should come as a surprise to markets.

That being said, there were some surprises in the data.

1. The government managed to spend PLN50bn solely in December. This is what the government had promised to do, but still, the amount is well above the recent monthly average of PLN31bn and the previous record of PLN38bn in December 2016.
2. The government didn't accelerate VAT returns to enterprises like it did last year to shift some deficit from 2017 to already safe 2016. In consequence, the revenues from the VAT in December 2017 were 169% higher than in Dec-16. This will be reversed in the first quarter of 2018. So we should brace ourselves for significant decline of VAT proceeds in Jan-18 and Feb-18 compared to first months of 2017.
3. The revenues from PIT and CIT in the whole 2017, but especially in December 2017 grew significantly compared to previous year (by 12.3 and 13.8% for the whole year). This means that tax tightening was successful not only with regards to VAT revenues but also with regards to direct taxes. This is a good sign for next year.

Central budget deficit path in recent years



Source: Ministry of Finance

All in all, the results of 2017 budget support our forecast of 2018 deficit at 1.3% of GDP.