

## Polish elections: Second round set to be an intense battle

As Polish elections head to the second round, which is likely to be neck-and-neck, we don't think the results will have a material impact on the Polish zloty or local government bonds



Polish President Andrzej Duda meets with local residents during his visit in Kwidzyn, Poland

Source: Shutterstock

According to votes from 99.78% of polling districts, incumbent President Andrzej Duda of the governing nationalist Law and Justice (PiS) party won the first round of the presidential elections with 43.67% of support, while the main opposition candidate Rafal Trzaskowski of the Civic Coalition formed by Civic Platform won 30.34% of the vote. Both main candidates reached support close to the polling results but this means, both of them will compete in the second round of presidential elections on 12 July.

The battle on 12 July is likely to be neck-and-neck.

As a proxy of momentum of support may also serve candidates ability to attract votes outside their core electorate. Both candidates attracted a comparable percentage of votes to 2019 general elections, so not enough to form clear conclusions before the second round. The flows of other candidates supporters (Holownia 13.85%, Bosak 6.75%, Kosiniak Kamysz at 2.5%, Robert Biedron 2.0%) to leading candidates should determine the final outcome.

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*Given all the above, we don't think the second round vote will have a material impact on the Polish zloty or Polish government bonds*

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The surveys point out that both candidates have almost equal support before the second round, but the percentage of undecided voters recently rose to almost 10%.

As a result, the ruling PiS and president Duda may present new election promises. Those proposed so far - a tourist voucher and solidarity benefits for the unemployed of about 0.3-0.4% of GDP - bring limited new fiscal burdens in addition to the huge anti-Covid-19 fiscal package already launched by the government, which roughly equates to about 11% of GDP.

Alternatively, the new pledges may be rather general in nature, without a clear impact on the budget, such as a rise in average wages (not minimal wage) to €2000 till 2025.

In the Polish political set-up, the president can demonstrate his power by blocking government initiatives rather than promoting his own policy ideas. Electing any candidate other than a PiS-aligned incumbent would complicate the speed at which laws are passed by the current government. On the other hand, the re-election of incumbent president Duda would bring continuity of the current policy.

Given all the above, we don't think the result of the second round will have a material impact on the Polish zloty or Polish government bonds.

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