

Fearless?

Top macro theme(s):

- **GDP slump limited in 3q20 (p. 2):** Output and retail sales figures for September surprised to the upside and led to upward revision of our estimate of GDP growth rate for 3q20 (to -1.7% y/y, +0.2pp) amid a strong exports performance and private consumption recovery. Survey data for October give us no reason to change our GDP forecast for 4q20 (-3.3% y/y), but given continued rapid deterioration of the epidemic situation (we do not believe Poles are fearless) the balance of risks remains skewed to the downside, especially that developments abroad are turning dire (including lockdown in Czechia).

What else caught our eye:

- **Fiscal balance (ESA)** after 2q20 was -5.5% of GDP (4q rolling) vs -1.9% of GDP after 1q20. Revenues grew 4.4% y/y (with VAT being the only significant drag), while expenditures expanded 40.8% y/y mainly reflecting spending related to anti-crisis shields. Fiscal data for 2q20 as well as state budget results after September (a relatively small deficit of PLN 13.4bn) signal a positive upside to our full-year fiscal balance forecast (-11.1% of GDP).
- **Labour market** normalisation continued in September. Corporate wages rose stronger than expected (5.6% y/y vs 4.1% in Aug.). At the same time employment decline slowed down to -1.2% y/y from -1.5% y/y, mainly due to return to a full-time work and resumption of recruitment. **Unemployment rate** in September remained at 6.1% (in line with early MinLab estimates).
- **M3 money supply** growth rate in September increased to 17.0% y/y (vs 16.2% y/y in Aug.). A very large excess liquidity of the banking sector contrasts with the falling demand for loans. Recent NBP research reveals that stagnation of lending has also been influenced by supply limitations introduced by banks facing lower profitability and, in some cases, concerns about capital position.
- **The government marked the whole country as a red pandemic zone** and ordered to close all restaurants, bars and pubs from Saturday (only take-away or delivery possible). People 70+ years old are asked to stay at home. Young people up to 16 years of age will be allowed to stay outside home between 9 am and 3 pm only if accompanied by adults. There will also be a ban on gatherings of more than 5 people. These restrictions have a minor direct impact on GDP. However, as alternative data show (see page 4) the pandemic has started to impact behaviour of consumers in Poland.

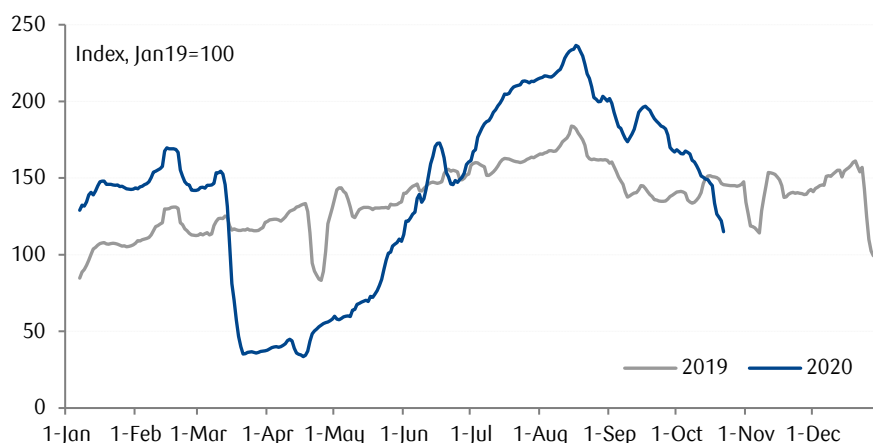
The week ahead:

- **Flash CPI inflation for October** should show more signs of moderation (3.0% y/y on our early estimate). Core inflation can be a source of an upside surprise.

Number of the week:

- **-0.1 % y/y** – growth rate of loans (FX adj.), negative for the first time ever.

Chart of the week: Card payments of PKO clients in restaurants



Source: PKO Bank Polski.

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	2019	2020†
Real GDP (%)	4.5	-2.9
Industrial output (%)	4.0	-3.3
Unemployment rate# (%)	5.2	6.4
CPI inflation** (%)	2.3	3.3
Core inflation** (%)	1.9	3.8
Money supply M3 (%)	8.3	13.9
C/A balance (% GDP)	0.5	3.0
Fiscal balance (% GDP)*	-0.7	-11.1
Public debt (% GDP)*	46.0	62.3
NBP reference rate## (%)	1.50	0.10
EURPLN‡	4.26	4.52

Source: GUS, NBP, MinFin, †PKO BP Macro Research team forecasts, ‡PKO BP Market Strategy team forecasts; *ESA2010, **period averages; #registered unemployment rate at year-end; ##at year-end.

GDP slump limited in 3q20

- Output and retail sales figures for September surprised to the upside and inclined us to revise up our GDP estimate for 3q20 (to -1.7% y/y, +0.2pp) amid strong exports performance and private consumption recovery.
- Survey data for October give us no reason to change our GDP forecast for 4q20 (-3.3% y/y) but we still acknowledge that the balance of risks remains skewed to the downside as the developments abroad turned dire (Czechia announced a second hard lockdown) and the second wave of the pandemic in Poland is still gathering strength (we do not believe Poles are totally fearless).

The key economic activity indicators confirm that **the recovery in the main sections of the economy strengthened in September**, despite the second wave of the pandemic looming on the horizon. Industrial output increased in September by a robust 5.9% y/y, well above our and consensus forecasts, and industrial output level was only 0.7% lower than in February. Construction, in line with our expectations, reduced its decline to -9.8% y/y, while real retail sales expanded by 2.5% y/y, boosted by strong car sales.

Taking into account 3q20 as a whole, the performance of industry, and, in particular, retail sales, improved markedly compared to the 2q20 (see margin table), while construction output, although weaker than in 2q20, shows signs of a revival. On a monthly basis, construction output in September grew by 15.5%, stronger than the usual seasonal pattern would suggest, which in our view marks a trend reversal and indicates more construction work ahead. Taking into account the data for 3q20 published so far, including positive surprises in September, **we have upgraded our 3q20 GDP estimate to -1.7% y/y (up from -1.9% y/y previously).**

The data for September confirms that **GDP in 3q20 has been boosted by exports**. The two-digit output expansion in export-oriented industries in September (esp. electrical equipment, electronics, furniture) bodes well for the economy in 4q20. As we pointed out a week ago (see our previous Poland Macro Weekly: [How deep is the second dip?](#)), export is currently the key driver behind Poland's economic recovery from the pandemic bottom. Daily truck traffic in Germany seems unaffected by the second wave so far (see margin chart), but we have to admit that the V-shaped rebound has lost some momentum in October (i.e. easy gains are over).

Business sentiment in October has also weakened a tad (see margin chart). The **deterioration mainly results from rising uncertainty regarding future conditions**, while the **current business outlook remains relatively favorable**. In some industries (excl. HoReCa) it has even improved in October, signaling that the 'hard' data from the real economy for October should not be significantly affected by a second wave of the pandemic.

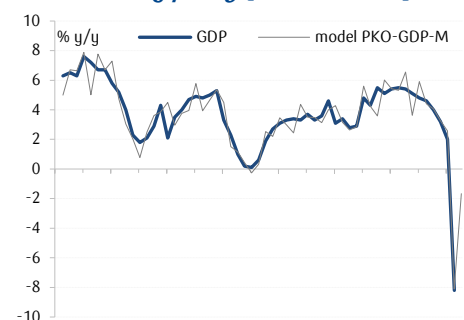
Retail sales data confirm that private consumption growth turned positive in 3q20 (PKOe: +2.2% y/y, see chart on the next page) while **trend reversal in construction suggests that construction output should partially cushion another likely setback in trade and services in 4q20**. The second wave of the pandemic raises concerns about another strong decline in consumption in 4q20. Mobility data for October shows a weakening in traffic intensity in recreational and commercial locations, but on a scale that is only a fraction of the losses recorded in spring. Data on the traffic volume in shopping centers leads to similar conclusions. The data on card payments of PKO customers suggests that: (1) the scale of expenditure weakening was marginal in October, and the total value of

Key economic indicators growth rates

% y/y	2q20	3q20
Industry	-13.6	3.2
Construction	-2.8	-10.9
Retail sales	-10.7	1.0
Wholesale trade*	-10.5	3.7
Wages^	2.1	4.3
Employment^	-2.0	-1.9
Unemployment rate#	6.1	6.1

Source: GUS, PKO Bank Polski. *in nominal terms; ^corporate sector; #pp at end of period.

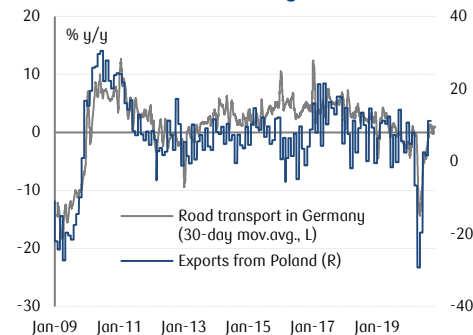
GDP monthly proxy [PKO-GDP-M]*



Mar-06 Mar-08 Mar-10 Mar-12 Mar-14 Mar-16 Mar-18 Mar-20

Source: GUS, PKO Bank Polski.*2q20 and 3q20 model solutions have been corrected for slump in services which are not tracked on a monthly basis.

Truck traffic in Germany



Jan-09 Jan-11 Jan-13 Jan-15 Jan-17 Jan-19

Source: Macrobond, PKO Bank Polski.

Aggregated* business sentiment



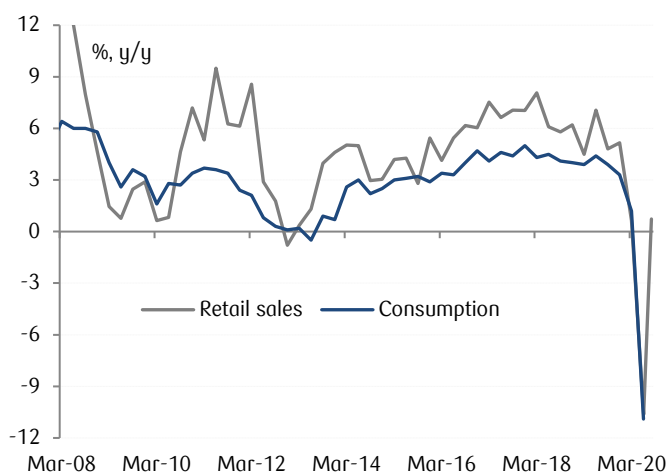
Jan-08 Jan-10 Jan-12 Jan-14 Jan-16 Jan-18 Jan-20

Source: GUS, PKO Bank Polski. Last plot Oct20. *by PKO incl. manufacturing, construction, trade, transport, hotels, IT, finance.

transactions was approx. 6% higher than immediately before the pandemic (vs. approx. 8% in September, see chart on the next page); (2) the current consumption behavior does not deviate from the seasonal pattern. Data on consumer sentiment for October (surveyed between Oct 5 and Oct 14, see chart on the next page) showed a deterioration in households' sentiment, in line with expectations, but on a radically lower scale than the declines recorded in spring. According to the declarations of the respondents, the pandemic determined their assessments to a much lesser extent than in April (significant impact: 58.1% in April vs 30.8% in October). The percentage of people who were definitely afraid that the development of the pandemic would deprive them of their earning potential, was in October radically lower than in April (19.1% in April vs 5.4% in October, see chart below). These differences, combined with the current high-frequency data, in our opinion confirm that the scale of the economy's response (including consumption) to the second wave of cases will be measurably smaller than it was in 2q20.

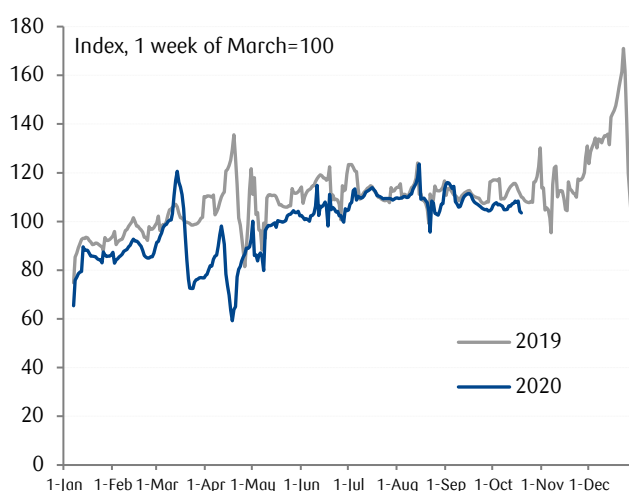
Incoming sentiment surveys for October give us no reason to change our GDP forecast for 4q20 (-3.3% y/y) but we acknowledge that the balance of risks is increasingly skewed to the downside as the domestic epidemic situation worsens and the developments abroad are turning dire (a second lockdown in Czechia).

Retail sales vs consumption



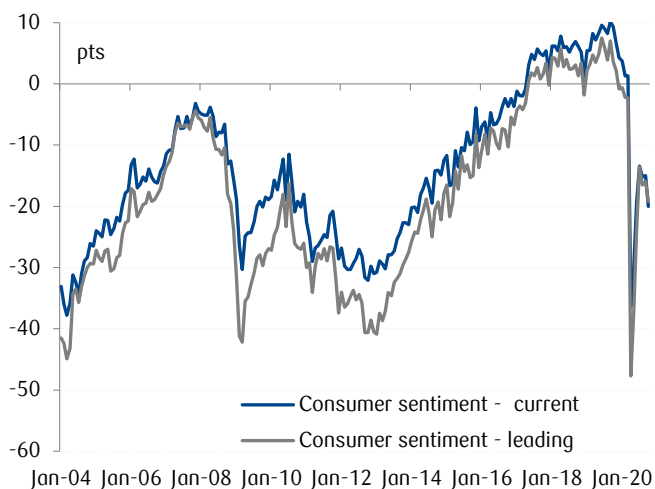
Source: GUS, PKO Bank Polski.

Card transactions of PKO clients



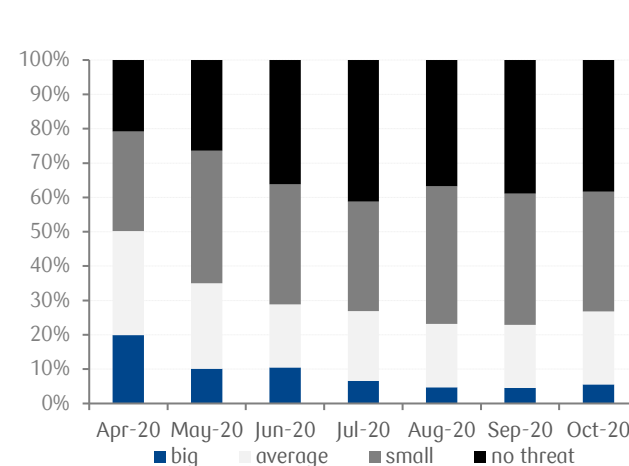
Source: PKO Bank Polski.

Consumer sentiment



Source: GUS, PKO Bank Polski.

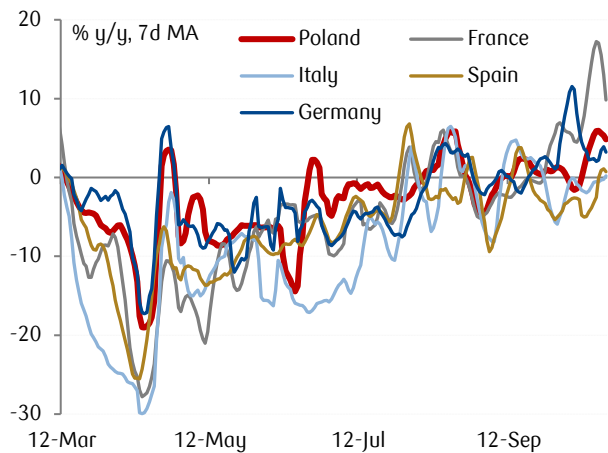
Fears of losing job



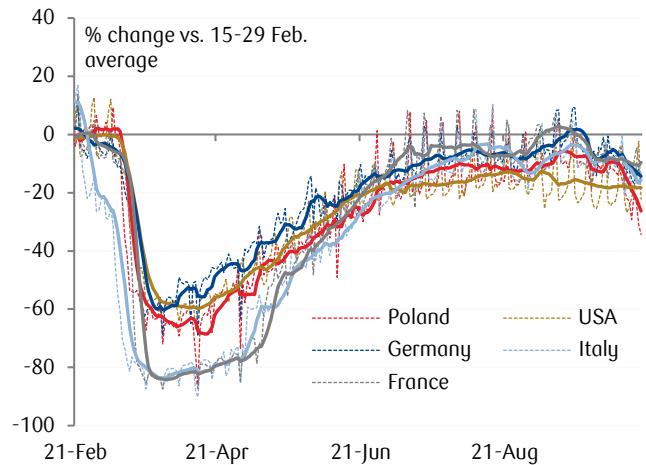
Source: GUS, PKO Bank Polski.

Macro monitoring with alternative data[^]

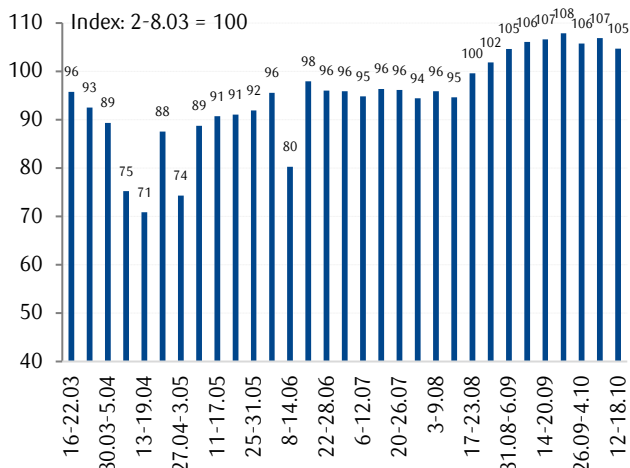
Electric energy consumption (total)



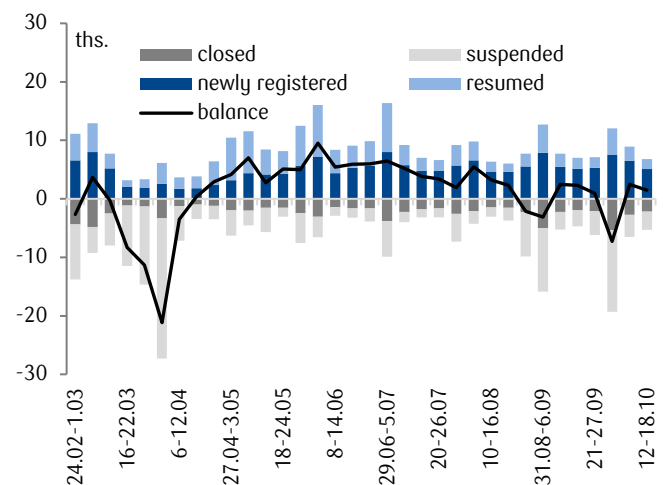
Mobility*



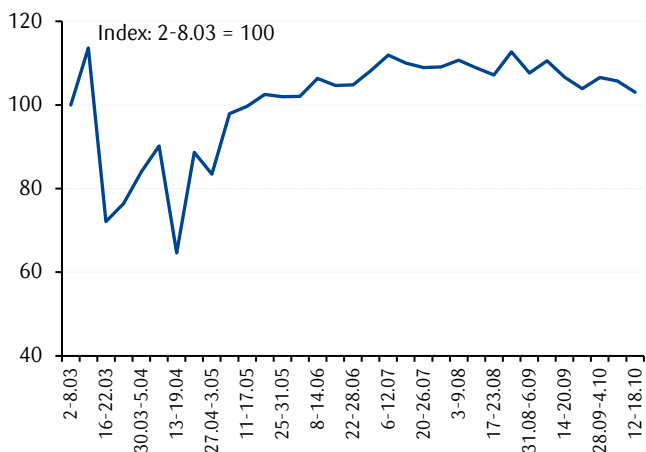
Heavy truck traffic



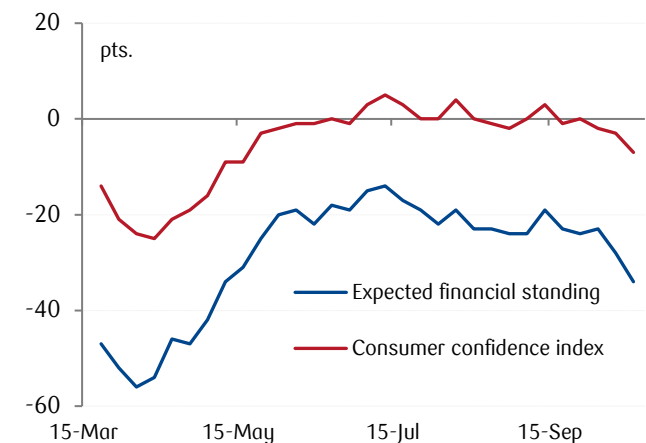
Economic activity status (acc. to CEiDG**)



Consumption based on PKO BP card payments



Weekly consumer confidence survey



Source: PSE, Apple, Google, GDDKiA, CEiDG, Kantar, PKO Bank Polski, *weighted with market share of iOS and Android, no new google data available, 7DMA, **Central Registration and Information on Business.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday, 26 October						
GER: Ifo Business Climate Index (Oct)	9:00	pts.	93.4	--	--	--
USA: New home sales (Sep)	14:00	thous.	1011	990	--	--
Tuesday, 27 October						
EUR: M3 money supply (Sep)	9:00	% y/y	9.5	--	--	--
USA: Durable goods orders (Sep, flash)	12:30	% m/m	0.5	0.4	--	--
USA: S&P CoreLogic CS 20-City (Aug)	13:00	% y/y	4.0	--	--	--
USA: Consumer confidence (Oct)	14:00	pts.	101.8	102.8	--	--
Thursday, 29 October						
JAP: BoJ meeting (Oct)	--	%	-0.10	-0.10	-0.10	--
EUR: Economic Sentiment Indicator (Oct)	10:00	pts.	91.1	90.0	--	--
USA: GDP growth (3q)	12:30	q/q saar	-31.4	32.0	--	--
USA: Personal consumption (3q)	12:30	q/q saar	-33.2	38.5	--	--
EUR: ECB Refinancing Rate (Oct)	12:45	%	0.00	0.00	0.00	--
GER: CPI inflation (Oct, flash)	13:00	% y/y	-0.2	--	--	--
Friday, 30 October						
GER: GDP growth (3q)	7:00	% y/y	-11.3	--	--	--
POL: CPI inflation (Oct, flash)	9:00	% y/y	3.2	3.2	~3.0	Headline inflation likely to moderate, but the core inflation may be the source of an upside surprise again.
EUR: GDP growth (3q)	10:00	% y/y	-14.7	--	--	--
EUR: CPI inflation (Oct)	10:00	% y/y	-0.3	--	--	--
EUR: Core inflation (Oct, flash)	10:00	% y/y	0.2	--	--	--
USA: Personal Income (Sep)	12:30	-% m/m	-2.7	0.3	--	--
USA: Personal spending (Sep)	12:30	% m/m	1.0	1.0	--	--
USA: Core PCE inflation (Sep)	12:30	% y/y	1.6	1.7	--	--
USA: University of Michigan sentiment (Oct, fin.)	14:00	pts.	80.4	81.2	--	--

Source: GUS, NBP, Parkiet, PAP, Bloomberg, Reuters, PKO Bank Polski. Parkiet for Poland, Bloomberg, Reuters for others.

Selected economic indicators and forecasts

	Jul-20	Aug-20	Sep-20	1q20	2q20	3q20	4q20	2019	2020	2021
Economic activity										
Real GDP (% y/y)	x	x	x	1.9	-8.4	-1.7	-3.3	4.5	-2.9	4.3
Domestic demand (% y/y)	x	x	x	1.0	-9.9	-2.2	-3.9	3.5	-3.5	4.5
Private consumption (% y/y)	x	x	x	1.2	-10.8	2.2	-2.0	4.0	-2.3	4.3
Gross fixed capital formation (% y/y)	x	x	x	0.9	-10.7	-7.4	-4.3	7.2	-5.6	3.7
Inventories (pp)	x	x	x	-0.3	-2.0	-2.8	-2.2	-1.3	-1.7	0.5
Net exports (pp)	x	x	x	0.9	1.1	0.4	0.3	1.1	0.4	0.1
Industrial output (% y/y)	1.1	1.5	5.9	0.9	-13.6	3.2	-2.3	4.0	-3.3	7.3
Construction output (% y/y)	-10.9	-12.1	-9.8	5.0	-2.8	-10.9	x	3.6	x	x
Retail sales (real, % y/y)	3.0	0.5	2.5	0.8	-10.7	1.0	x	5.4	x	x
Nominal GDP (PLN bn)	x	x	x	556.4	528.2	567.3	628.3	2279	2263	2404
Labour market										
Registered unemployment rate‡(%)	6.1	6.1	6.1	5.4	6.1	6.1	6.4	5.2	6.4	5.4
Employment in enterprises (% y/y)	-2.3	-1.5	-1.2	0.8	-2.0	-1.9	-2.4	2.7	-1.6	1.0
Wages in enterprises (% y/y)	3.8	4.1	5.6	7.0	2.1	4.3	3.9	6.6	4.3	4.7
Prices^										
CPI inflation (% y/y)	3.0	2.9	3.2	4.6	3.2	3.0	2.4	2.3	3.4	1.9
Core inflation (% y/y)	4.3	4.0	4.3	3.4	3.8	4.2	3.8	1.9	3.8	1.7
15% trimmed mean (% y/y)	3.3	3.2	3.2	3.4	3.4	3.2	x	2.0	x	x
PPI inflation (% y/y)	-0.6	-1.2	-1.6	0.2	-1.3	-1.2	0.7	1.2	-0.3	1.9
Monetary aggregates‡										
Money supply, M3 (PLN bn)	1740.8	1744.1	1762.2	1624.9	1746.2	1762.2	1778.9	1565.6	1778.9	1912.3
Money supply, M3 (% y/y)	16.8	16.2	17.0	11.8	18.1	17.0	13.9	8.3	13.9	7.5
Real money supply, M3 (% y/y)	13.8	13.3	13.8	7.2	14.8	13.8	11.4	4.9	10.6	5.6
Loans, total (PLN bn)	1330.5	1331.2	1337.7	1366.6	1341.1	1337.7	1353.2	1323.7	1353.2	1417.1
Loans, total (% y/y)	1.4	0.3	0.5	6.5	3.1	0.5	2.2	5.1	2.2	4.7
Deposits, total (PLN bn)	1611.3	1615.9	1627.3	1485.1	1618.7	1627.3	1609.9	1406.6	1609.9	1683.7
Deposits, total (% y/y)	17.4	15.5	15.8	11.2	19.5	15.8	14.5	8.2	14.5	4.6
Balance of payments										
Current account balance (% GDP)	2.8	3.0	2.9	1.1	2.3	2.9	3.0	0.5	3.0	2.8
Trade balance (%GDP)	1.7	1.6	1.7	0.4	1.2	1.7	2.0	0.2	2.0	1.4
FDI (% GDP)	1.5	1.1	1.1	1.4	1.6	1.1	1.3	1.6	1.3	1.8
Fiscal policy										
Fiscal balance (% GDP)	x	x	x	x	x	x	x	-0.7	-11.1	-4.4
Public debt (% GDP)	x	x	x	x	x	x	x	46.0	62.3	63.0
Monetary policy‡										
NBP reference rate (%)	0.10	0.10	0.10	1.00	0.10	0.10	0.10	1.50	0.10	0.10
NBP lombard rate (%)	0.50	0.50	0.50	1.50	0.50	0.50	0.50	2.50	0.50	0.50
NBP deposit rate (%)	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.50	0.00	0.00
WIBOR 3M ^x (%)	0.23	0.23	0.23	1.17	0.26	0.22	0.25	1.71	0.25	0.25
Real WIBOR 3M ^x (%) [#]	-2.77	-2.67	-2.67	-3.43	-3.04	-2.78	-2.15	-1.69	-3.05	-1.65
Exchange rates*‡										
EUR-PLN	4.41	4.40	4.53	4.55	4.46	4.53	4.52	4.26	4.52	4.40
USD-PLN	3.72	3.73	3.87	4.15	3.98	3.87	3.90	3.80	3.90	3.67
CHF-PLN	4.09	4.10	4.19	4.30	4.18	4.19	4.22	3.92	4.22	4.04
EUR-USD	1.18	1.19	1.17	1.11	1.12	1.17	1.16	1.12	1.16	1.20

Source: GUS, NBP, PKO Bank Polski.

^xPKO BP Market Strategy team forecasts,^{*}period averages for quarterly and yearly data,[#]deflated with current CPI inflation,[‡]period end values,[†]under revision.

Monetary policy monitor

MPC Members	Hawk-o-meter*	Recent policy indicative comments
K. Zubelewicz	4.9	"I'm afraid a majority on the MPC will be focused on economic growth and ready to tolerate inflation around 3.5% for longer," he said. "A rate hike would be a nice surprise, but I don't expect it." (21.07.2020, Bloomberg)
E. Gatnar	4.7	"If the economy keeps the current pace of returning to the path of growth, inflation will also be elevated. In such conditions, with the current level of control over the pandemic situation, a gradual normalization of monetary policy from the beginning of next year should be considered" (02.09.2020, Reuters)
L. Hardt	4.1	"Inflation in Poland is the highest in the EU at the moment (...) In Poland, ... in a longer perspective, we should not forget about inflation, as it is NBP mandate. (...) I believe we cut rates too much and it's a petty we did not resort to more non-standard measures, taking into account the high inflation" (23.07.2020, PAP)
G. Ancyparowicz	2.5	"Unless very strong arguments come forward, I am in favor of maintaining interest rates at an unchanged level at least until the end of this crisis (...) When everything returns to normal, then MPC of the next term, certainly not the current one, at some point will hike interest rates; in this term in office I certainly don't see prospects for interest rate hikes" (20.10.2020, PAP)
C. Kochalski	2.4	"There are many arguments in favor of keeping such rates, while at the same time taking up other non-standard actions in the current conditions (...) The council reacts adequately to the situation, is looking at monetary easing in a broader context; interest rate cut is one of elements of realization of a broader package of monetary actions. (...) We cannot allow for inflation to go down below the inflation target mid-term (...) The decline of economic activity worldwide, including in Poland, weakening of demand, low commodity prices - these are only some arguments in favor of not allowing for the risk of inflation decline below the target to materialize." (03.06.2020, PAP).
J. Kropiwnicki	2.4	"Let's keep the ultra-low rate for a while. But then, in mid-2021, let's consider gradually returning it toward 1.5%" (30.09.2020, Bloomberg).
R. Sura	2.2	"Of course, the open question remains what the coming months will bring. However, for the time being the economy is functioning rather normally, we witness only punctual closures of some sectors so for now any actions when it comes to interest rates are out of question. The policy is well calibrated; I say it also in the context of some postulates concerning the possibility of introducing negative nominal interest rates. (...) Monetary policy has to remain loose longer-term to enable economic recovery." (14.10.2020, PAP).
A. Glapinski	1.9	"Although the worst is behind us, in the coming quarters we still need to support the economy and to keep accommodative monetary policy. The economic activity is still below the potential, unemployment is higher than before the crisis and further progress in the economic recovery could be more difficult to achieve than to date. (...) At the current level of interest rates, banks do not encounter limitations in developing lending." (18.09.2020, Dziennik Gazeta Prawna daily).
J. Zyzyński	1.9	"Interest rates are very close to zero, it would be hard to cut them even further, it would not be very effective. I do not support cutting rates to the bare zero, although obviously such an option theoretically cannot be ruled out, but it is better to keep that slight margin of potential cuts for the future. I would personally prefer for monetary policy to have buffers in case circumstances appear that require an additional impulse in the form of cutting the interest rate to zero." (24.07.2020, PAP)
E. Lon	1.0	"In my opinion, the level of interest rates should remain at their current level to the end of the term of the current Monetary Policy Council (...) I don't rule out that should a significant threat of strong decline in consumer moods arise, it would be possible that I would submit a motion for a reduction in interest rates of our central bank" (07.09.2020, PAP, Refinitiv)

*the higher the indicator the more hawkish views. Due to the fact that the new MPC has not voted yet on interest rates changes, the positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5).

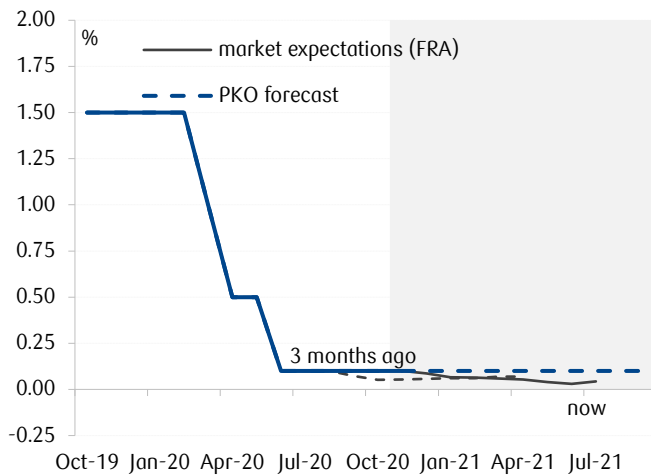
Interest rates – PKO BP forecasts vs. market expectations

		1M	2M	3M	4M	5M	6M	7M	8M	9M
Date	22-Oct	22-Nov	22-Dec	22-Jan	22-Feb	22-Mar	22-Apr	22-May	22-Jun	22-Jul
WIBOR 3M/FRA†	0.22	0.22	0.21	0.19	0.18	0.18	0.17	0.16	0.15	0.16
implied change (b. p.)		0.00	-0.01	-0.04	-0.04	-0.04	-0.05	-0.06	-0.07	-0.06
MPC Meeting	7-Oct	4-Nov	2-Dec	-	-	-	-	-	-	-
PKO BP forecast*	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
market pricing*		0.10	0.09	0.07	0.06	0.06	0.05	0.04	0.03	0.04

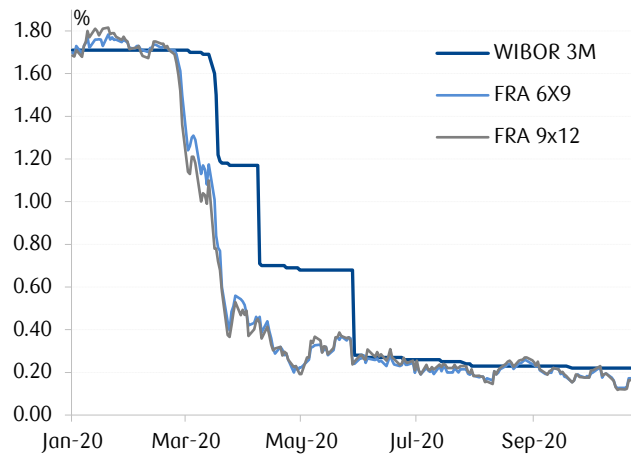
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, *PKO BP forecast of the NBP reference rate.

Poland macro chartbook

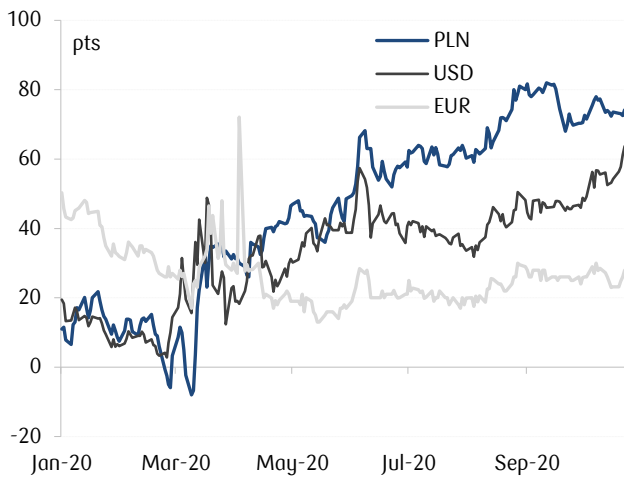
NBP policy rate: PKO BP forecast vs. market expectations



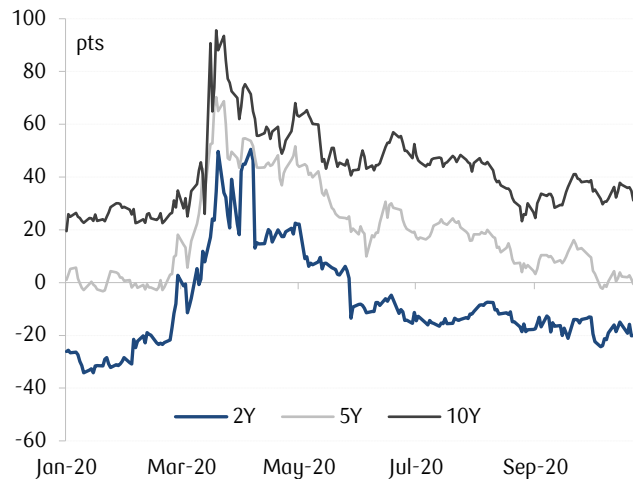
Short-term PLN interest rates



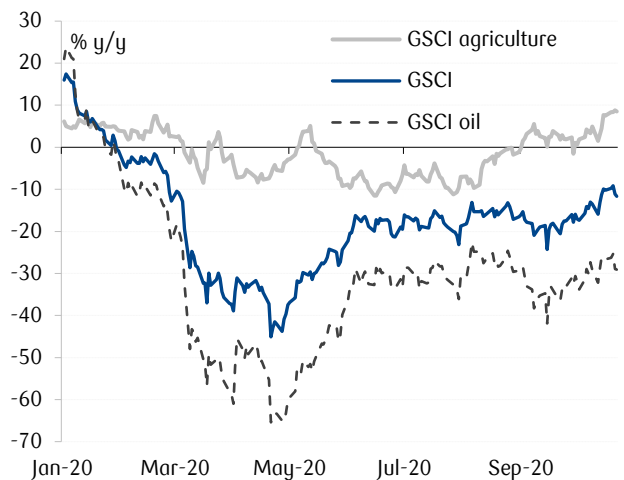
Slope of the swap curve (spread 10Y-2Y)*



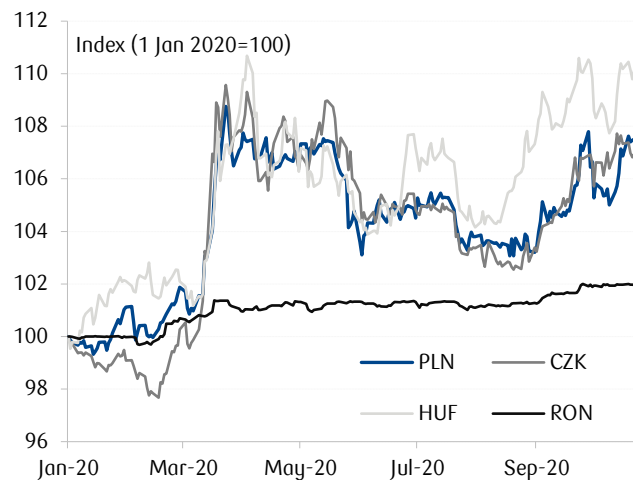
PLN asset swap spread



Global commodity prices (in PLN)

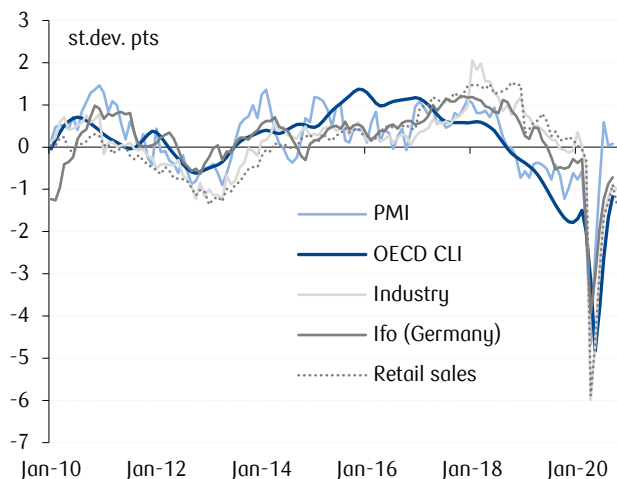


Selected CEE exchange rates against the EUR

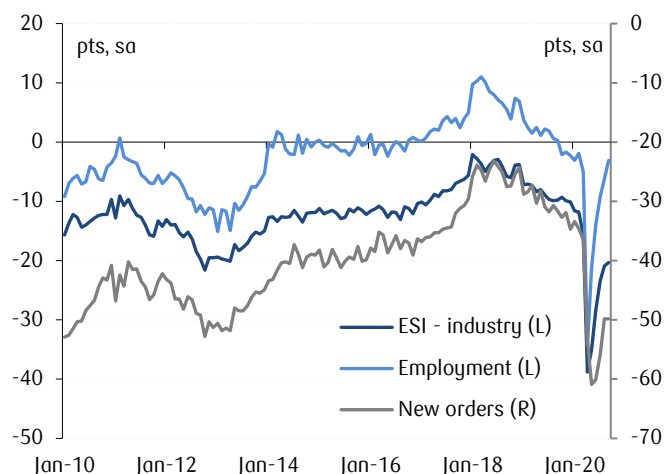


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

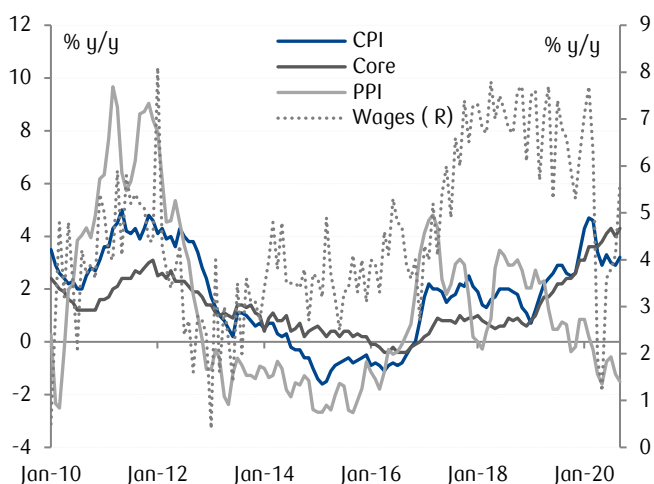
Economic sentiment indicators



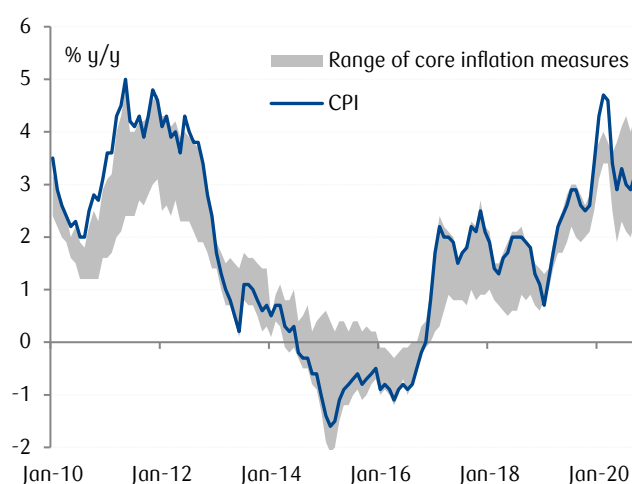
Poland ESI for industry and its components



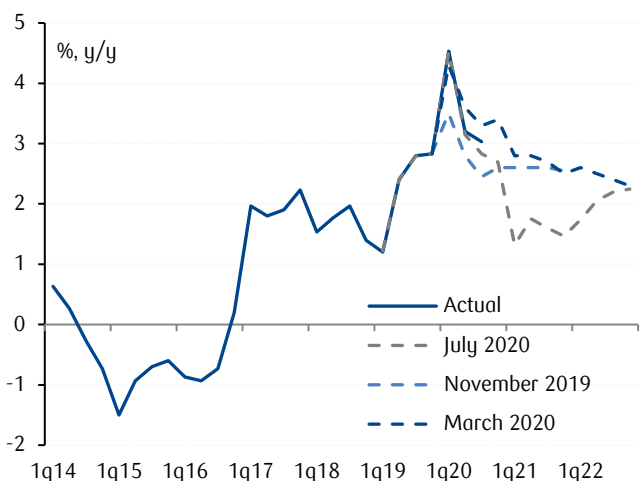
Broad inflation measures



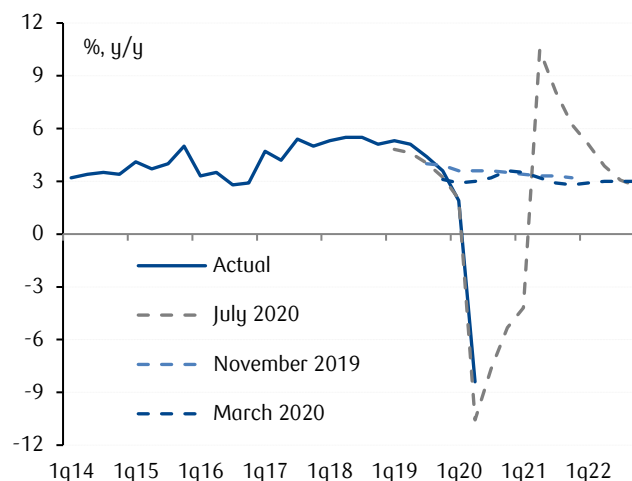
CPI and core inflation measures



CPI inflation - NBP projections vs. actual

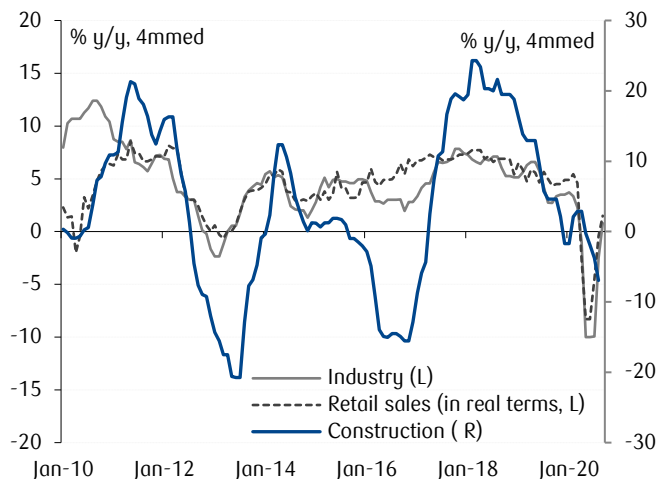


Real GDP growth - NBP projections vs. actual

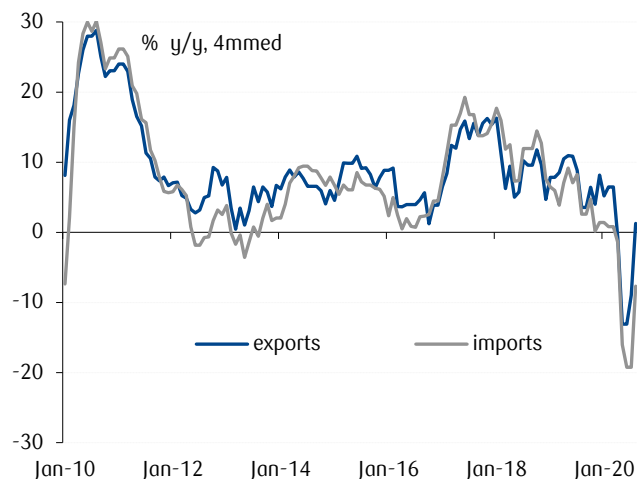


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

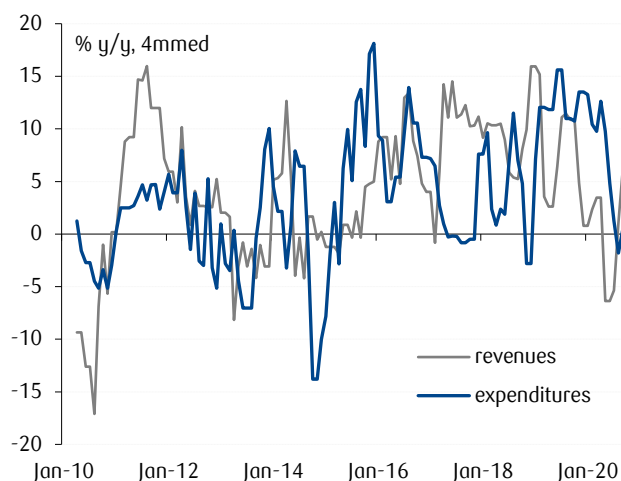
Economic activity indicators



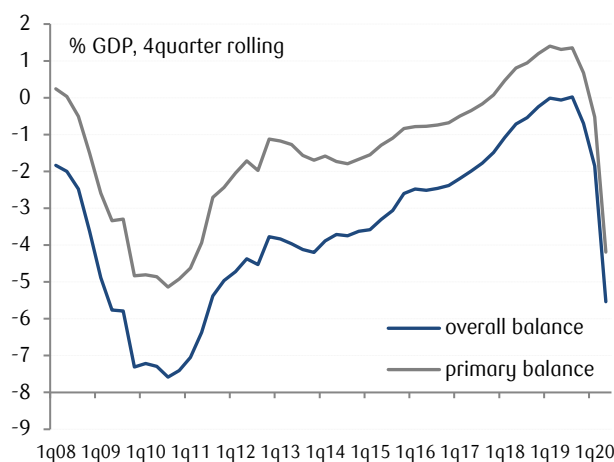
Merchandise trade (in EUR terms)



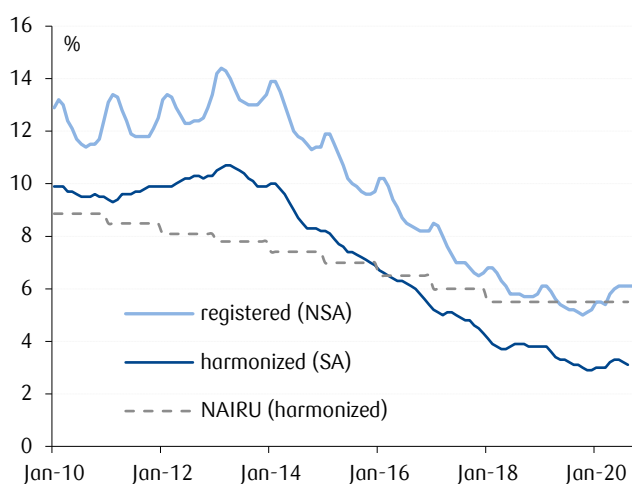
Central government revenues and expenditures*



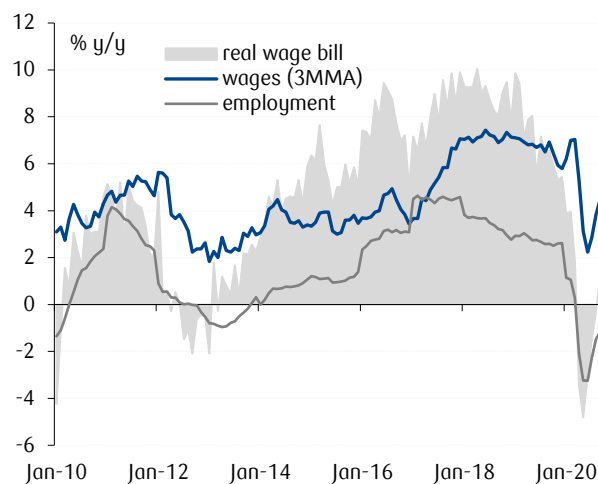
General government balance (ESA2010)



Unemployment rate

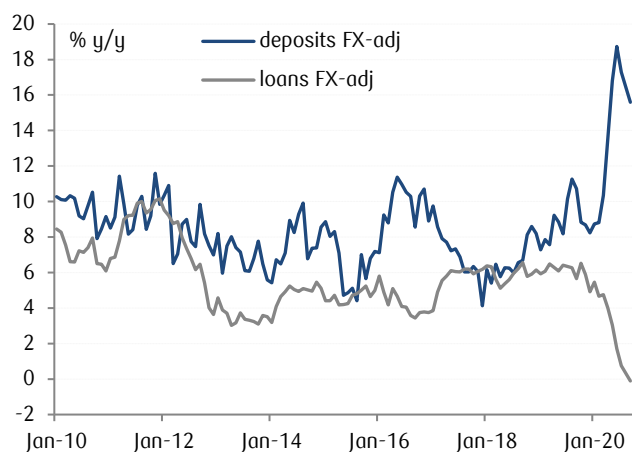


Employment and wages in the enterprise sector

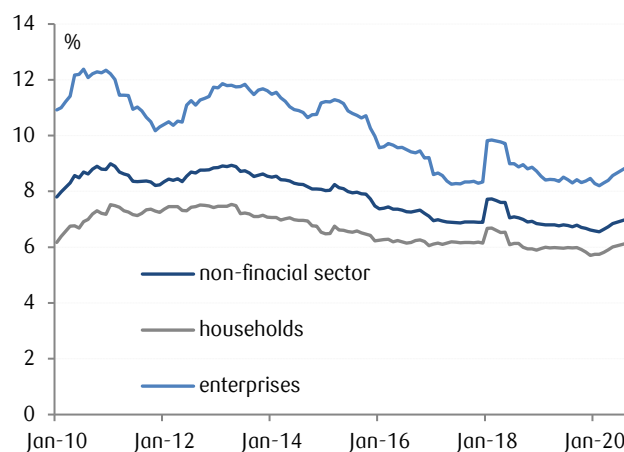


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

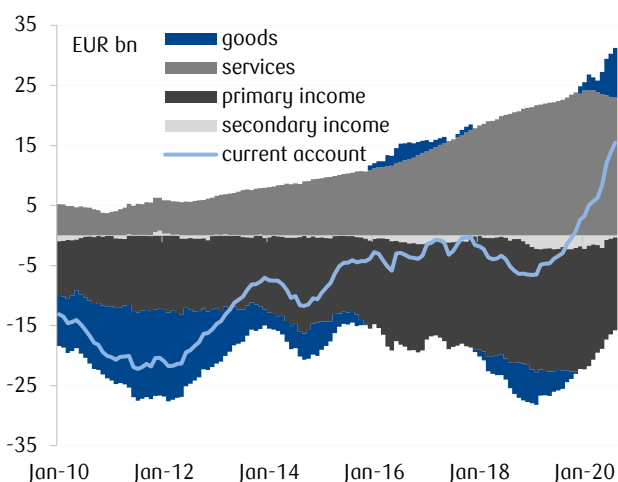
Loans and deposits



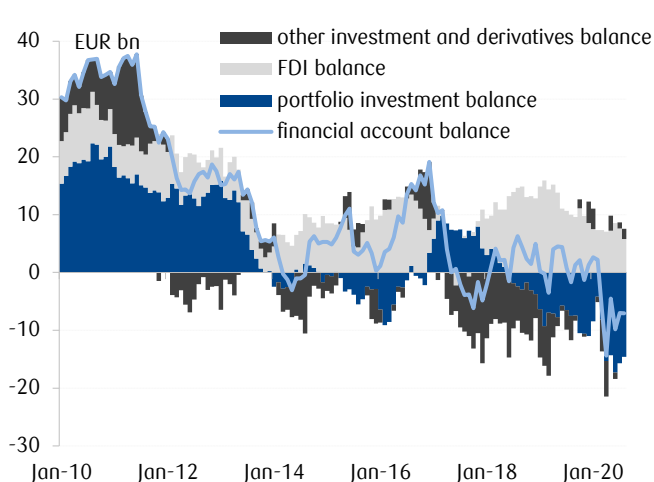
Non-performing loans (NPLs) - by sectors*



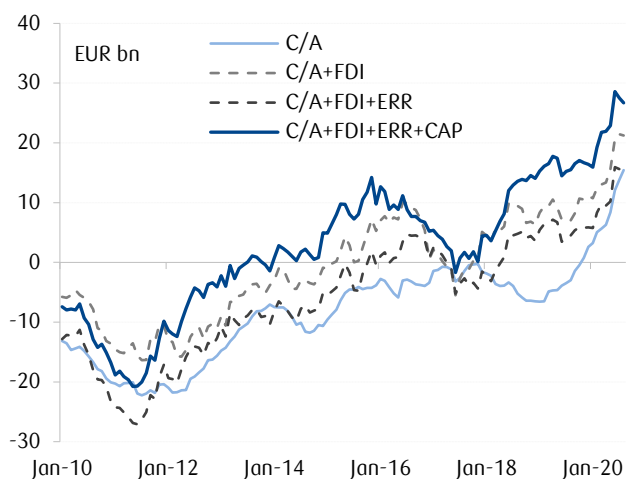
Current account balance



Financial account balance



External imbalance measures



NBP FX reserves (in EUR terms)



Source: NBP, PKO Bank Polski. *break in series in Jan2018 due to methodological changes.

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- [Property prices on the rise](#) (Jan 17, 2020)
- [MPC unfazed by inflation shots](#) (Jan 10, 2020)

Poland's macro in a nutshell

	2019	2020	Comment
Real economy			
- real GDP (%)	4.5	-2.9	GDP bottomed out in 2q20 falling by 8.2% y/y. Both private consumption and investment declined by double-digit rates. High-frequency data points at significant rebound of economic activity in 3q. that said, the new wave of covid-19 infections may disturb the V-shaped recovery at year-end. We pencil in a second dip of the recession, this time much shallower than under lockdown conditions in Spring.
Prices			
- CPI inflation (%)	2.3	3.3	Disinflationary forces will prevail in subsequent quarters, but due to specific factors, inflation in Poland will not fall as much as in many other economies. As the supply-side factors related to the pandemic expire, core inflation will be affected by weaker demand. Administrative factors will also play an important role (postponed entry into force of the power fee and sugar tax, increase in the RTV subscription).
Monetary aggregates			
- M3 money supply (%)	8.3	13.9	Despite government guarantees, credit growth is likely to decelerate in the medium-term due to lower bank profitability resulting from lower rates. M3 will accelerate due to sovereign debt purchase of the central bank.
External balance			
- current account balance (% GDP)	0.5	3.0	A clear reduction of primary income deficit (lower FDI profits and remittances of Ukrainians) should support increasing net exports of goods. Thus, CA surplus will visibly widen. As the stimulus package proposed by the EC unwinds, it will also improve capital account balance, leading to further decline of the foreign debt to GDP ratio.
Fiscal policy			
- fiscal balance (% GDP)	-0.7	-11.1	The cost of the fiscal anti-crisis shield (incl. off-balance spending of the State Development Bank and the Polish Development Fund) and fiscal revenues loss caused by the recession will significantly widen the fiscal deficit. Strong fiscal stance in 2019 means that there exists a fiscal space when it comes to both deficit and debt.
Monetary policy			
- NBP reference rate (%)	1.50	0.10	The MPC cut NBP interest rates in three moves in March-May (key policy rate to 0.10%). Dovish and moderate MPC members claim NIRP is not an option for now. Our baseline scenario assumes that rates will remain flat until at least end-2021.

Source: GUS, NBP, Eurostat, PKO Bank Polski.

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