

Locked-down Easter

Top macro theme(s):

- **Clear slowdown in house price growth (p. 2):** After a slowdown in house price growth in 2h20 (with local q/q declines directly after the outbreak of the pandemic), we expect house prices to stabilize in 2021.

What else caught our eye:

- **Poland announced tighter anti-pandemic restrictions**, including shutting preschools and nurseries, building materials stores and personal services. The government however stopped short of imposing strict lockdown seen in neighboring countries.
- **Registered unemployment rate** in February was unchanged (6.5%). The average enterprise employment went up by 20 thous., mainly in manufacturing (+7 thous.) and retail trade (+8 thous.), reflecting strong external demand and the (unfortunately short-lived) reopening of shopping malls. Employment in hospitality, which is hardest hit by the pandemic, has declined by 17.2% y/y compared to the -1/7% y/y decline in total employment.
- The **M3 money supply** growth in February slowed down to 16.3% y/y vs. 16.8% y/y January. The decline in term deposits is intensifying, while the growth of current deposits and cash in circulation weakened. The loan-to-deposit ratio fell to 81.3%, the lowest during the pandemic.
- StatOffice data shed some light on **industrial bottlenecks**: (1) passenger cars production declined once again in February in y/y terms, probably reflecting the shortage of components (although Brexit could have also played a role); (2) the estimated domestic steel supply in January-February also decreased. Clogging of supply chains is also confirmed by data on industrial orders, where new export orders lag behind domestic ones (in February export orders + 0.7% y/y, while total industrial orders+ 3.7% y/y).

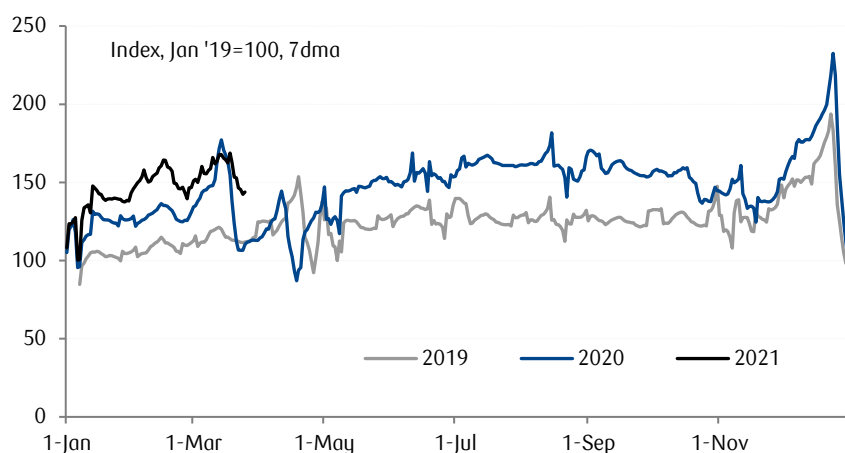
The weeks ahead:

- **CPI inflation** in March could have bounced back from its February reading of 2.4% y/y to app. 3.0% y/y on the back of higher oil prices.
- **PMI** has likely increased in March, following western counterparts, both on strong external demand and growing supply constraints.
- Next Wednesday the **NBP rates** are likely to remain flat, despite the surge in new covid cases.

Number of the week:

- **-27.1% y/y-** the decline in estimated value of the commenced investments in 4q20.

Chart of the week: Restrictions are biting the retail sales (again) –PKO BP card transactions



Source: PKO Bank Polski.

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	2020†	2021†^
Real GDP (%)	-2.7	5.1
Industrial output (%)	-1.0	10.0
Unemployment rate# (%)	6.2	5.4
CPI inflation** (%)	3.4	3.1
Core inflation** (%)	3.9	3.0
Money supply M3 (%)	16.4	10.5
C/A balance (% GDP)	3.5	2.8
Fiscal balance (% GDP)*	-9.2	-3.4
Public debt (% GDP)*	59.7	58.1
NBP reference rate## (%)	0.10	0.10
EURPLN†#	4.61	4.48

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. ^under revision.

Clear slowdown in house price growth

- After a slowdown in house price growth in 2h20 (with local q/q declines directly after the outbreak of the pandemic), we expect house prices to stabilize in 2021.
- Moderate demand for housing in an unstable environment, possible problems with the sale of a large supply of flats by developers and a downward trend in rental rates limit the upward potential of prices.
- At the same time, in the environment of extremely low interest rates for extremely long, a strong investment demand (including capital protection purpose) looks inevitable, and should strengthen the demand for housing.

After a slowdown in house price growth in 2h20 (with local q/q declines directly after the outbreak of the pandemic), we expect house prices to stabilize in 2021. The market is negatively affected by only moderate consumer demand, a downward trend in rental rates and a large portfolio of apartments under construction, which are expected to be placed on the market in 2021-2022. These negative factors are neutralized by close to zero interest rates (which will continue at least until 2022), which apart from increasing the availability of financing, trigger a new purpose of housing purchases – the protection of accumulated savings. High land prices (decreasing availability, long administrative procedures) and expected increase in cost pressure, including growing prices of building materials, should limit potential declines in housing prices. For more details on the housing market developments see the recent quarterly report (in Polish) prepared by the PKO BP housing market analysis Team - [Residential real estate market: A clear slowdown in house price growth](#)

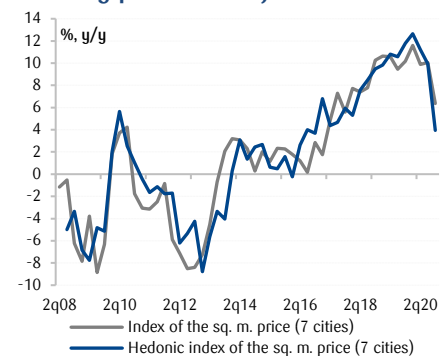
According to PKO BP internal data - in 4q20 transaction prices of apartments have continued to increase, but the y/y growth rate has slowed down significantly, especially on the secondary market in the largest agglomerations. In the case of the primary market, the upward trend has weakened more visibly in smaller provincial capitals. As compared to 3q20 on the secondary market, transaction prices in Warsaw increased by 1.6%, in the 6 largest cities prices stayed stable, and in the 9 smaller provincial capitals prices decreased by 1.7%.

Rental market has been deeply affected by the pandemic (short-term rental collapse due to low tourist traffic; falling demand for long-term rental due to remote work and study). According to Mzuri/AMRON data, rental rates in 4q20 fell in y/y terms in all 7 largest cities, with biggest declines in Krakow (-16.1%), Warsaw (-10.8%) and Wroclaw (-8%). Quotations of offer rates from January and February 2021 indicate that the downward trend continues. Rental market seems to be of key importance for future housing market trends. At the same time, historically low, real negative interest rates redirect investors' funds to the real estate market, as it is perceived as a safe protection of capital and as it is still more attractive as compared with deposits or treasury bonds - traditional financial instruments of Polish consumers. Therefore low rental rates might not discourage new apartments buyers.

The relatively small scale of the private rental market in Poland compared to the EU (EUROSTAT data) suggests that this market still has high potential to grow, as the preference for renting instead of buying (as a method of satisfying housing needs) increases. In 2019, 4.2% of home users in Poland rented flats at market prices, 0.7 pp more than in 2011 (see margin table).

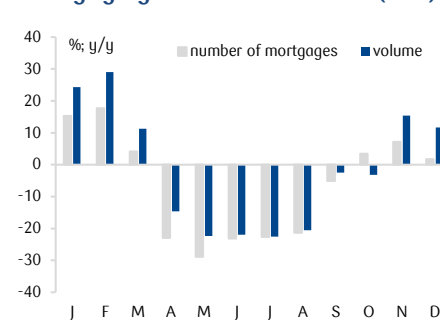
Lending recovered in 4q20 after a slowdown in 2-3q20. According to the data of the Polish Bank Association, in 4q20 the value of newly granted housing loans amounted to PLN 16.4 bn (+ 4.6% y/y vs -16.2% y/y in 3q20). In the whole 2020, the value of newly granted loans amounted to PLN 60.7 bn (-3.1% y/y). The data from the Credit Information Bureau also signal the recovery of lending - after two quarters of decline, 4q20 brought a gradual increase in the number and volume of housing loans granted.

Housing prices in major Polish cities



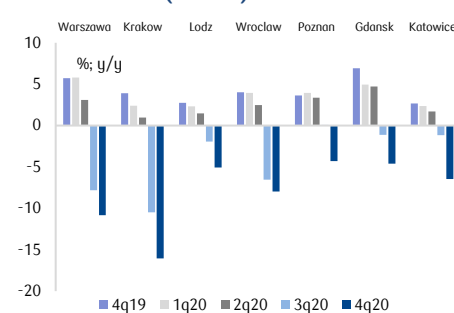
Source: NBP, PKO Bank Polski.

Mortgage growth rate in 2020 (BIK)



Source: BIK, PKO Bank Polski.

Rental rates (Mzuri)



Source: Mzuri, PKO Bank Polski.

The use of dwellings (EUROSTAT)

Title to the apartment	Poland		EU	
	2019 (%)	change 2019 vs. 2011 (pp)	2019 (%)	change 2019 vs. 2011 (pp)
Owner	84.2	2.1	69.2	-1.3
incl. owner with a mortgage	12.2	3.8	26.5	-0.9
Rental:				
- below the market rate	11.6	-2.9	8.6	-3.3
- at market rate	4.2	0.7	22.2	4.6

Source: Eurostat, PKO Bank Polski.

In 4q20, according to the housing markets monitoring by JLL, 14 thous. of dwellings (-5% q/q; -21% y/y) were sold in the largest agglomerations and 12.1 thous. of dwellings (-6.9% q/q; -31.3% y/y) were put up for sale. The size of supply amounted to 48 thous. dwellings (-2.6% q/q; -4.6% y/y). As compared to 3q20, the offer decreased in Warsaw, Krakow, Poznan and Wroclaw; it remained stable in Lodz and increased in the Tri-City. The Developers' strategy in terms of shaping the market offer supported the growth (albeit slower) in home prices.

The StatOffice housing construction results in 2020 compared to the previous 3 years suggest a gradual adjustment of housing supply to a moderate demand. With a large number of completed dwellings (7.1% y/y), the number of housing starts decreased (-5.7% y/y vs + 6.9% y/y in 2019) and the number of building permits was roughly stable (3.1% y/y vs 4.1% y/y in 2019). It seems that a very large portfolio of apartments under construction arouses investors' vigilance as far as new projects are concerned.

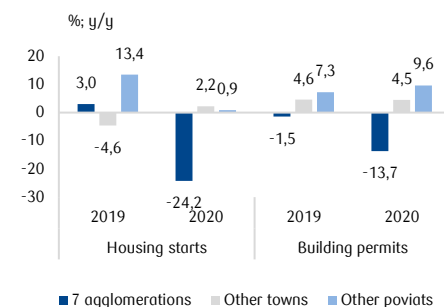
The housing starts and permits data show an increased activity outside the largest agglomerations. The number of housing starts in the 7 largest agglomerations in 2020 decreased by 24% y/y, and their share in the countrywide total decreased from 27% to 22%.

Credit applications of the PKO customers purchasing residential real estate indicate growing popularity of real estate purchases in poviats surrounding large cities and single-family houses. In both cases, an upward trend has been already visible for some years. However, in the case of suburban properties, it was 2q20 (period with most stringent anti covid restrictions) when we saw a significant increase in the share of applications for the purchase of residential properties outside large cities. The data show that while the outbreak of the pandemic have not started the growth in the propensity to buy a house or a building plot, it was probably a trigger for those undecided to take the final decision. In the last 3 quarters of 2020, we have nonetheless recorded a record share of loan applications for the purchase of a house or land for housing development. An additional motivation to buy a plot of land may not be the desire to move, but to protect capital against the rising inflation.

The prices of construction materials increased in 1q21, thus the slowdown of construction costs observed in 2020 should now reverse. According to the StatOffice in 4q20 the cost of completed dwellings increased by 2.6-3.0% y/y (compared to 2.8 - 3.2% y/y in 3q20). According to the current SEKOCENBUD cost estimates, the upward trend in construction costs (excluding the cost of land) slowed down a bit (to 3.4-4.8% y/y in the case of monitored single- and multi-family facilities).

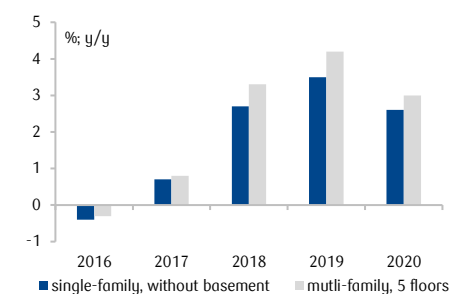
In our baseline scenario, we assume that the slowdown in housing prices will continue up to 3q21 (with possible local price drops in q/q terms) due to (1) moderate demand for housing in an unstable environment (recurring restrictions as the epidemic intensifies), (2) possible problems with the sale of a large supply of flats by the developers and (3) a downward trend in rental rates (which may be reinforced by the effects of the third wave of the epidemic). At the same time, in the environment of extremely low interest rates for extremely long, a strong investment demand (including capital protection purpose) looks inevitable, and should strengthen the demand for housing.

Regional differences in housing starts and building permits



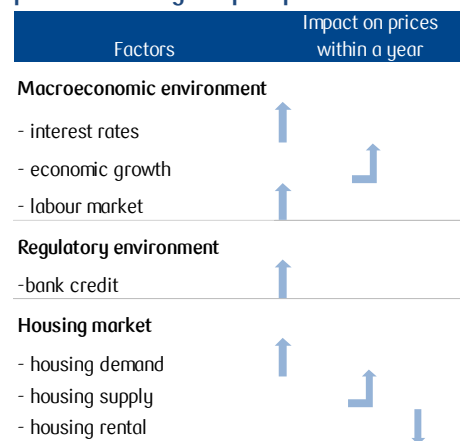
Source: StatOffice, PKO Bank Polski.

Changes in construction costs of single- and multi-family houses



Source: StatOffice, PKO Bank Polski.

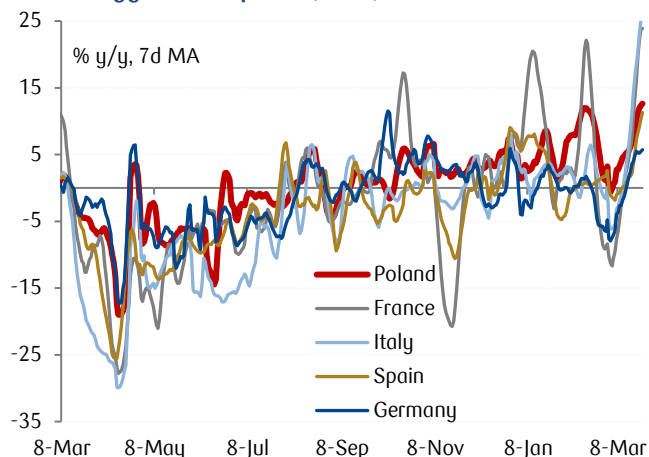
The impact of key factors on housing prices in one year perspective



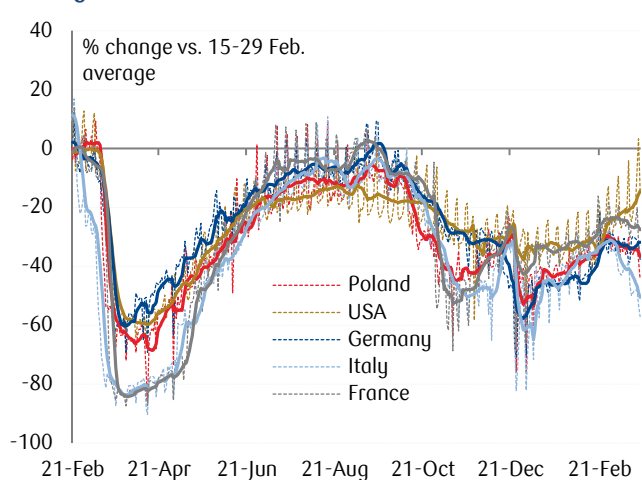
Source: PKO Bank Polski.

Macro monitoring with alternative data

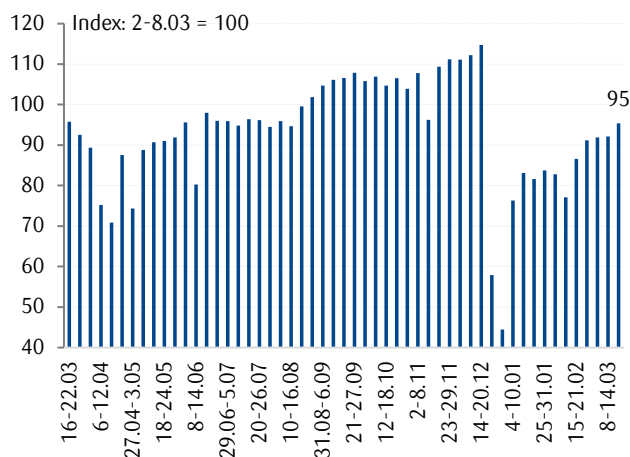
Electric energy consumption (total)



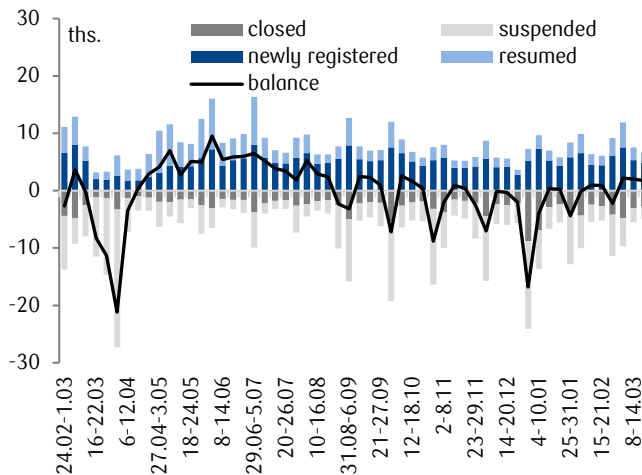
Mobility*



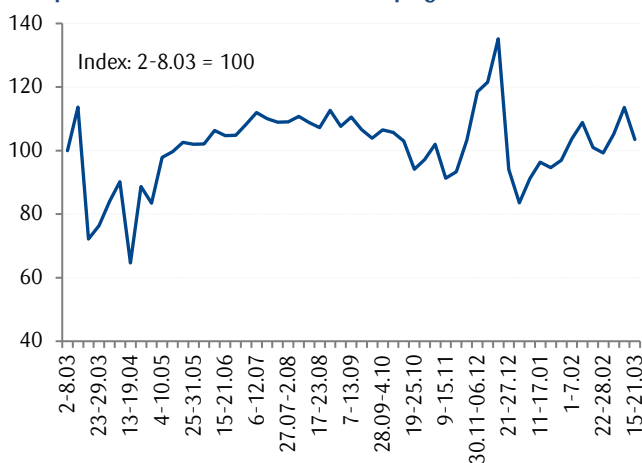
Heavy truck traffic



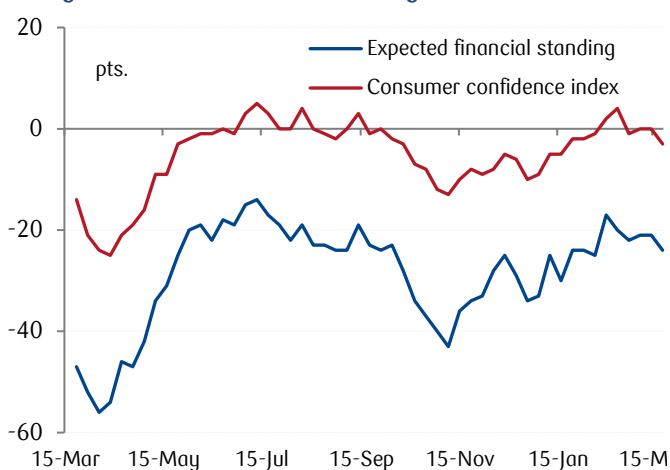
Economic activity status (acc. to CEiDG**)



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
Tuesday, 30 March						
EUR: Economic Sentiment Indicator (Mar)	10:00	pts	93.4	95	--	--
GER: CPI inflation (Mar, flash)	13:00	% y/y	1.3	1.7	--	--
GER: HICP inflation (Mar, flash)	13:00	% y/y	1.6	2	--	--
USA: Consumer confidence (Mar)	15:00	pts.	91.3	96	--	--
Wednesday, 31 March						
POL: CPI inflation (Mar, flash)	9:00	% y/y	2.4	2.8	--	CPI inflation could have bounced back to app. 3.0% y/y on the back of higher oil prices.
EUR: HICP inflation (Mar)	10:00	% y/y	0.9	1.4	--	--
Thursday, 1 April						
POL: Manufacturing PMI (Mar)	8:00	pts.	53.4	55.4	--	PMI has likely increased following western counterparts, both on strong external demand and growing supply constraints.
GER: Manufacturing PMI (Mar, final)	8:55	pts.	60.7	66.6	--	--
EUR: Manufacturing PMI (Mar, final)	9:00	pts.	57.9	62.4	--	--
USA: ISM Manufacturing (Mar)	15:00	pts.	60.8	61	--	--
Friday, 2 April						
USA: Non-Farm Payrolls (Mar)	13:30	thous.	379	650	--	--
USA: Unemployment Rate (Mar)	13:30	%	6.2	6	--	--
USA: Average Earnings (Mar)	13:30	% y/y	5.3	5.3	--	--
Monday, 5 April						
USA: Factory orders (Feb)	15:00	% m/m	2.6	-1	--	--
USA: Durable goods orders (Feb, final)	15:00	% m/m	-1.1	--	--	--
Wednesday, 7 April						
GER: Services PMI (Mar, final)	8:55	pts.	50.8	--	--	--
EUR: Services PMI (Mar, final)	9:00	pts.	48.8	--	--	--
USA: Minutes Fed ()	19:00		--	--	--	--
POL: NBP base rate (Apr)	--	%	0.1	--	0.1	We expects NBP rates to remain flat in the foreseeable future, despite the surge in new covid cases.
Thursday, 8 April						
GER: Factory orders (Feb)	7:00	% m/m	1.4	--	--	--
Friday, 9 April						
CHN: CPI inflation (Mar)	2:30	% y/y	-0.2	--	--	--
GER: Industrial production (Feb)	7:00	% m/m	-2.5	--	--	--
HUN: CPI inflation (Mar)	8:00	% y/y	3.1	--	--	--

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

Selected economic indicators and forecasts

	Dec-20	Jan-21	Feb-21	4q20	1q21†	2q21†	3q21†	2019	2020	2021†
Economic activity										
Real GDP (% y/y)	x	x	x	-2.8	-1.5	10.5	5.4	4.5	-2.7	5.1
Domestic demand (% y/y)	x	x	x	-3.4	-2.5	10.5	5.3	3.5	-3.9	4.9
Private consumption (% y/y)	x	x	x	-3.2	-1.5	16.5	2.0	4.0	-3.0	5.5
Gross fixed capital formation (% y/y)	x	x	x	-10.9	-3.0	5.4	2.4	7.2	-8.4	3.7
Inventories (pp)	x	x	x	0.6	-1.8	-1.2	2.7	-1.4	-0.9	0.1
Net exports (pp)	x	x	x	0.4	1.4	0.7	0.5	1.2	1.0	0.6
Industrial output (% y/y)	11.2	0.9	2.7	5.2	7.0	21.3	8.7	4.0	-1.0	10.0
Construction output (% y/y)	3.4	-10.0	-16.9	-2.4	-10.0	-4.4	6.0	3.6	-2.7	-1.3
Retail sales (real, % y/y)	-0.8	-6.0	-3.1	-2.8	0.2	7.4	1.3	5.4	-2.7	3.8
Nominal GDP (PLN bn)	x	x	x	650.0	564.3	598.8	633.2	2288	2317	2505
Labour market										
Registered unemployment rate‡(%)	6.2	6.5	6.5	6.2	6.3	5.8	5.4	5.2	6.2	5.4
Employment in enterprises (% y/y)	-1.0	-2.0	-1.7	-1.1	-1.8	0.9	0.9	2.7	-1.2	0.5
Wages in enterprises (% y/y)	6.6	4.6	4.5	5.9	5.2	8.0	4.2	6.6	4.8	5.4
Prices^										
CPI inflation (% y/y)	2.4	2.6	2.4	2.8	2.6	3.2	3.1	2.3	3.4	3.1
Core inflation (% y/y)	3.7	3.9	3.7	4.1	3.5	2.7	2.5	1.9	3.9	2.8
15% trimmed mean (% y/y)	2.7	2.6	2.3	2.9	x	x	x	2.0	3.2	x
PPI inflation (% y/y)	0.0	0.7	2.0	-0.2	1.2	2.1	1.8	1.2	-0.6	1.7
Monetary aggregates‡										
Money supply, M3 (PLN bn)	1822.7	1820.2	1836.6	1822.7	1864.7	1906.2	1936.3	1565.6	1822.7	2013.7
Money supply, M3 (% y/y)	16.4	16.8	16.3	16.4	14.5	9.2	9.9	8.3	16.4	10.5
Real money supply, M3 (% y/y)	14.0	14.1	13.9	14.0	11.9	6.0	6.8	4.9	14.0	7.4
Loans, total (PLN bn)	1333.9	1337.3	1336.6	1333.9	1322.3	1337.9	1358.2	1323.4	1333.9	1378.9
Loans, total (% y/y)	0.8	-0.1	-0.2	0.8	-3.3	-0.2	1.5	5.1	0.8	3.4
Deposits, total (PLN bn)	1602.2	1628.0	1644.3	1602.2	1617.1	1627.5	1646.7	1406.6	1602.2	1681.3
Deposits, total (% y/y)	13.9	13.9	13.7	13.9	8.9	0.5	1.2	8.2	13.9	4.9
Balance of payments										
Current account balance (% GDP)	3.5	3.6	3.7	3.5	3.7	3.0	3.0	0.5	3.5	2.8
Trade balance (%GDP)	2.3	2.4	2.4	2.3	2.5	2.3	2.1	0.2	2.3	1.7
FDI (% GDP)	1.0	1.0	1.0	1.0	0.9	0.8	1.1	1.6	1.0	1.7
Fiscal policy										
Fiscal balance (% GDP)	x	x	x	x	x	x	x	-0.7	-9.2	-3.4
Public debt (% GDP)	x	x	x	x	x	x	x	46.0	59.7	58.1
Monetary policy‡										
NBP reference rate (%)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.50	0.10	0.10
NBP lombard rate (%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	2.50	0.50	0.50
NBP deposit rate (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00
WIBOR 3M ^x (%)	0.21	0.21	0.21	0.21	0.20	0.20	0.20	1.71	0.21	0.20
Real WIBOR 3M ^x (%) [#]	-2.19	-2.49	-2.49	-2.59	-2.20	-2.80	-2.70	-1.69	-3.19	-2.90
Exchange rates^{x,‡}										
EUR-PLN	4.61	4.54	4.51	4.61	4.55	4.53	4.50	4.26	4.61	4.48
USD-PLN	3.76	3.75	3.73	3.76	3.79	3.74	3.66	3.80	3.76	3.61
CHF-PLN	4.26	4.21	4.27	4.26	4.17	4.11	4.09	3.92	4.26	4.05
EUR-USD	1.23	1.21	1.21	1.23	1.23	1.24	1.25	1.12	1.23	1.27

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	4.8	"Polish MPC would rethink easy-money preferences only on outlook for long-term lasting inflation above 4% (...) Polish MPC will likely stick to bias for "lowest possible interest rates" and "weak zloty;" chances for rate normalization "near zero" (26.01.2021, PAP)
E. Gatnar	4.5	"While in the March projection inflation path is higher than the November one (...) in my opinion, it is still too cautious (...) What we are observing now is a return to inflation or reflation. (...) but in this [PAP: MPC's] term, there are rather no chances for rate hikes; the majority of the Council won't make such a decision" (08.03.2021, Biznes 24, PAP)
L. Hardt	4.2	"Our maneuvering room is limited (...) In a situation of high inflation and the need to rebuild the economy after the pandemic, a more fine-tuned, targeted policy would be more efficient. (PAP, 17.03.2021)
J. Kropiwnicki	3.2	"I'm not particularly alarmed by higher inflation, at least in the first half of the year, as supply and cost factors are the main reasons for higher price growth, and monetary policy has no big impact on them" (10.03.2021, Biznes 24, Bloomberg).
C. Kochalski	2.2	"In the current conditions, that is amid rebounding economy [PAP: and] with inflation within the target range, rate stabilization is the right approach, I believe," (10.02.2021, PAP).
R. Sura	2.1	"I would not exclude such a scenario [PKO: rate cuts] in the future (...) [PKO: while] inflation in 2021 will be approaching the middle of the inflation target tolerance band, (...) and economic developments and expert opinions delivered to us parallelly and analyzed by us should point at a possibility of a further rate cut, with concurrent demonstration of positive effects for the real economy. (...) As of today I do not see such a need and the current rate regime appears "optimal." (30.12.2020, PAP).
G. Ancyparowicz	1.8	"I think that at the moment further interest rate cuts will not make credit cheaper, so there are no arguments for further rate cuts" (25.01.2021, Reuters)
A. Glapinski	1.5	"Our task is to increase the chances of a return to rapid economic growth after the pandemic, while maintaining price stability and macroeconomic balance. This means that we must continue our current monetary policy measures. (...) We must ensure low financing costs for all sectors. We can't allow any sudden changes in the exchange rate or bond yields to limit our growth prospects." (23.03.2021, Dziennik Gazeta Prawna daily).
J. Zyzynski	1.5	"The interest rates in the next several quarter should remain on an unchanged level, but the Council has still not renounced a possibility of potential rate cuts - the likelihood of such a move has neither increased nor fallen of late. Nonetheless, it would not be a big stimulus for the economy, as the room for cuts is only 0.1 ppt for the reference rate. At the same time, discussions about tightening the monetary policy are out of the question - there are too many unknowns surrounding the functioning of the economy after the pandemic" (18.02.2021, PAP)
E. Lon	1.1	"As for postulates for hiking Polish interest rates, I believe there will be no such need at least until the end of the current MPC term " (08.03.2021, wgospodarce.pl, PAP)

*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).

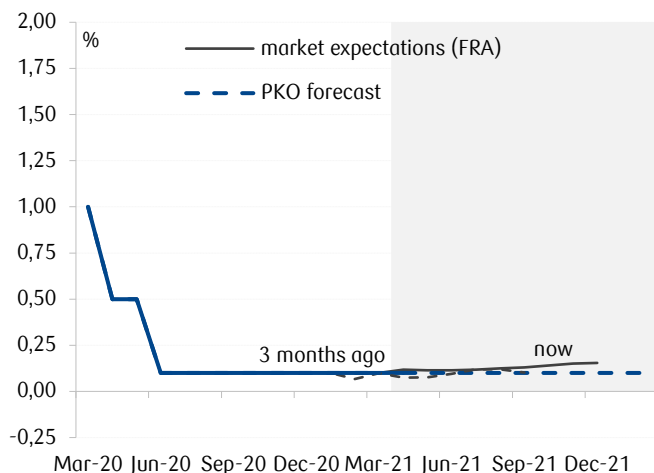
Interest rates – PKO BP forecasts vs. market expectations

		1M	2M	3M	4M	5M	6M	7M	8M	9M
Date	25-Mar	25-Apr	25-May	25-Jun	25-Jul	25-Aug	25-Sep	25-Oct	25-Nov	25-Dec
WIBOR 3M/FRA†	0.21	0.23	0.22	0.23	0.23	0.24	0.24	0.25	0.26	0.27
implied change (b. p.)		0.02	0.01	0.02	0.02	0.03	0.03	0.04	0.05	0.06
MPC Meeting	3-Mar	7-Apr	5-May	9-Jun	8-Jul	-	8-Sep	6-Oct	3-Nov	8-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*		0.12	0.11	0.12	0.12	0.13	0.13	0.14	0.15	0.16

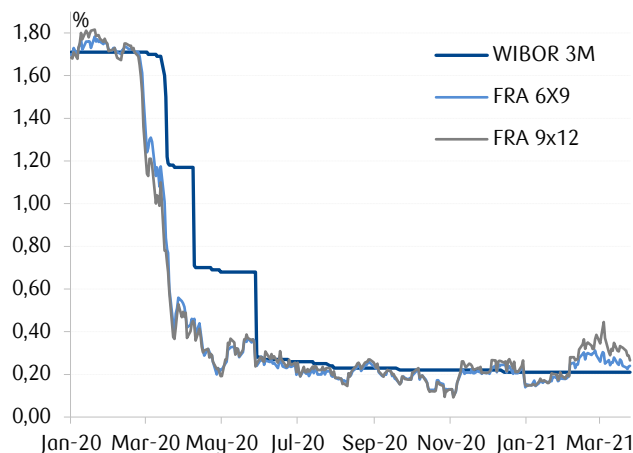
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, *PKO BP forecast of the NBP reference rate.

Poland macro chartbook

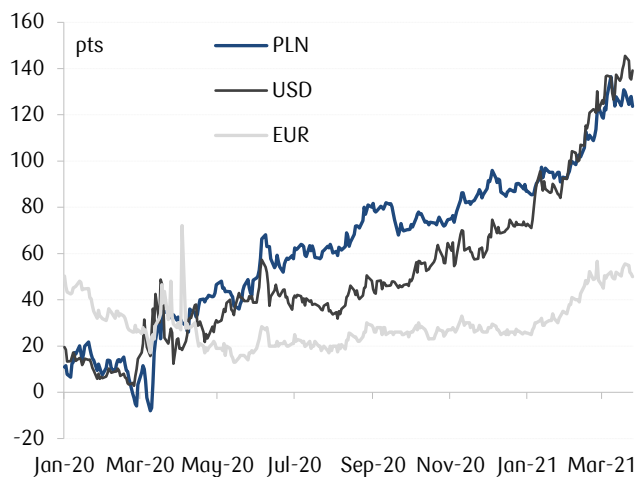
NBP policy rate: PKO BP forecast vs. market expectations



Short-term PLN interest rates



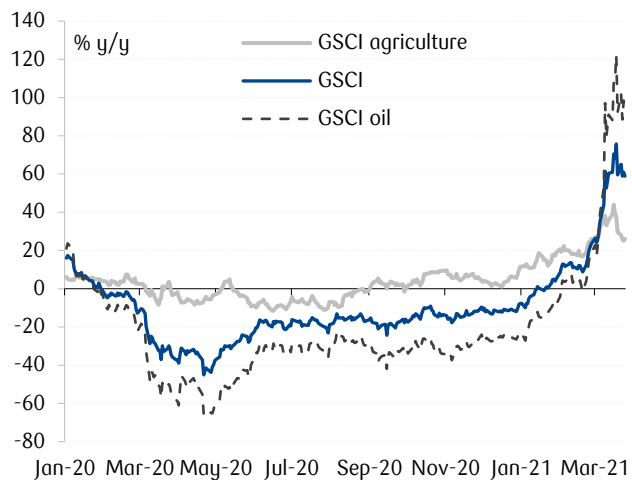
Slope of the swap curve (spread 10Y-2Y)*



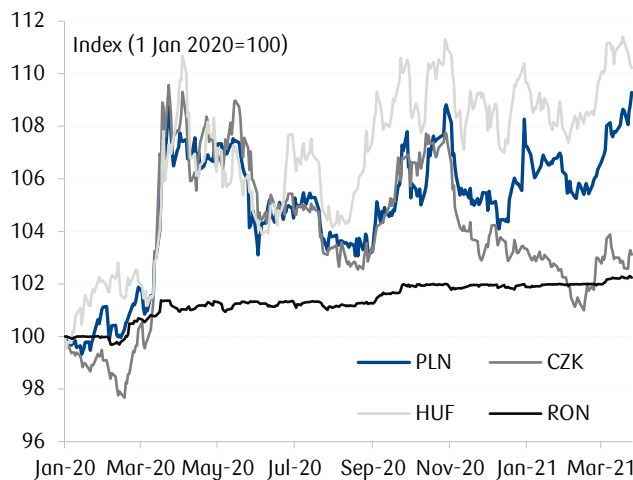
PLN asset swap spread



Global commodity prices (in PLN)

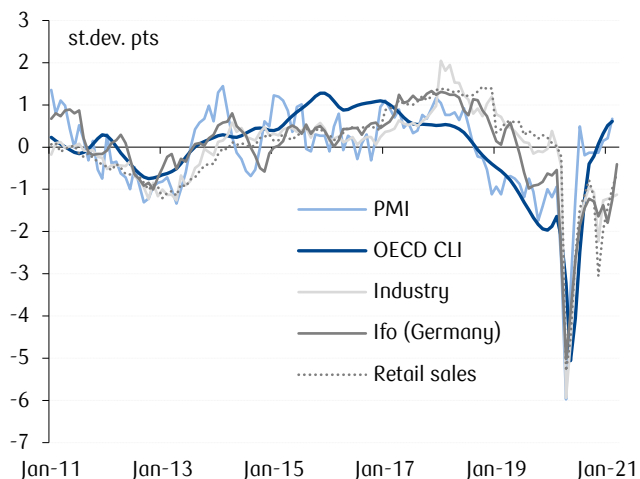


Selected CEE exchange rates against the EUR

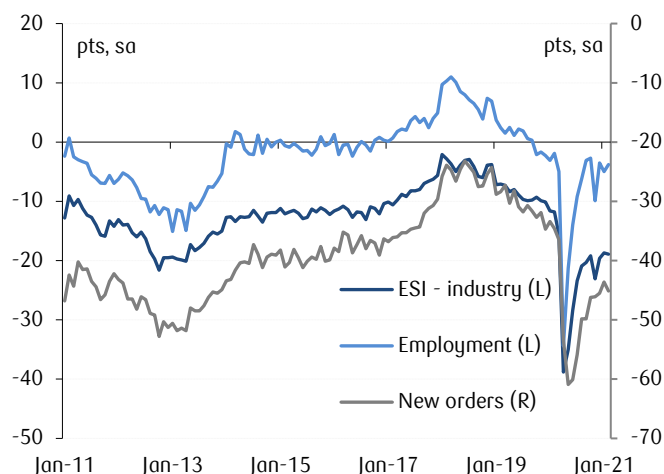


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

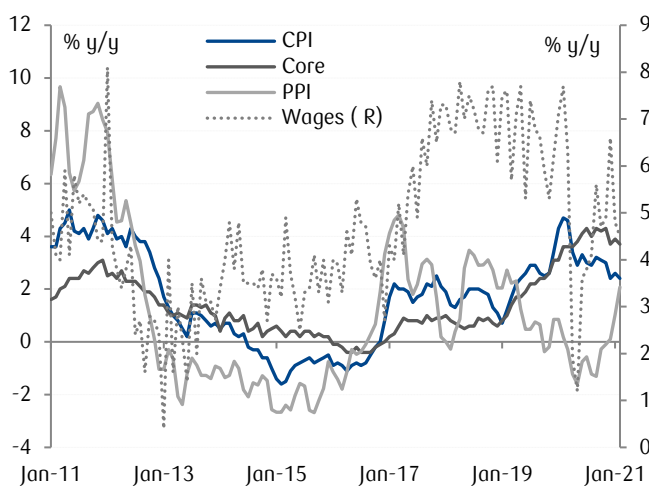
Economic sentiment indicators



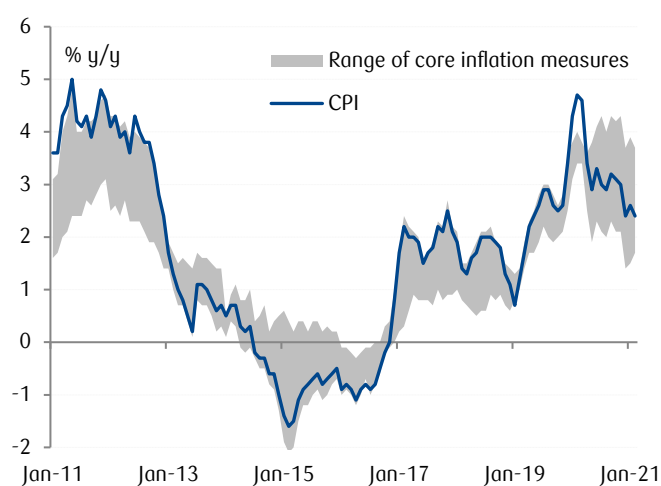
Poland ESI for industry and its components



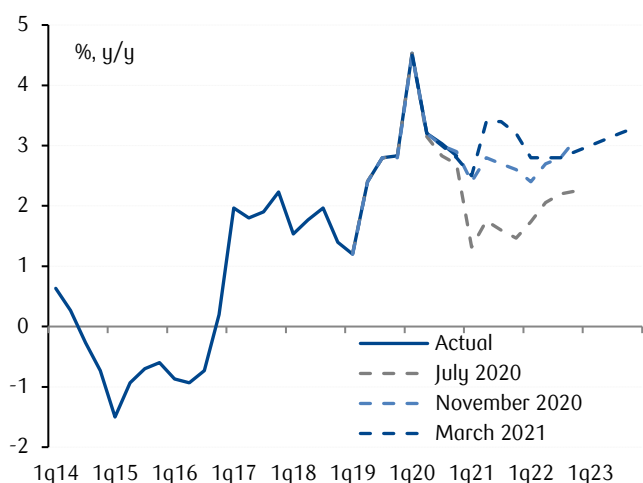
Broad inflation measures



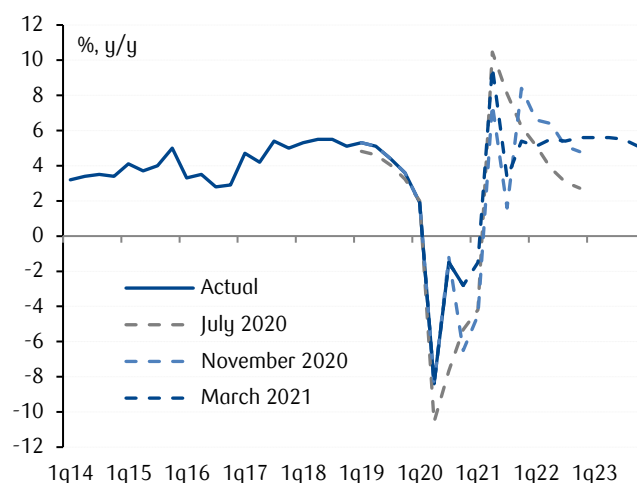
CPI and core inflation measures



CPI inflation - NBP projections vs. actual

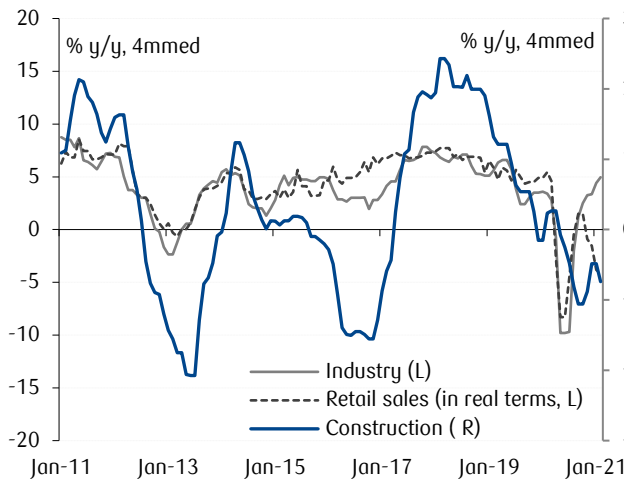


Real GDP growth - NBP projections vs. actual

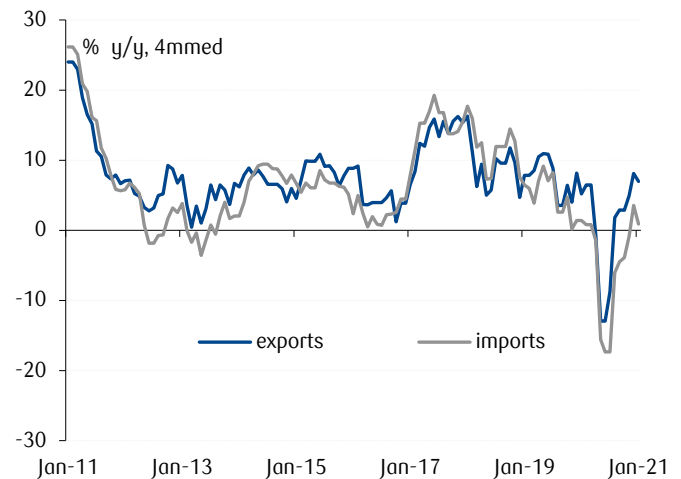


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

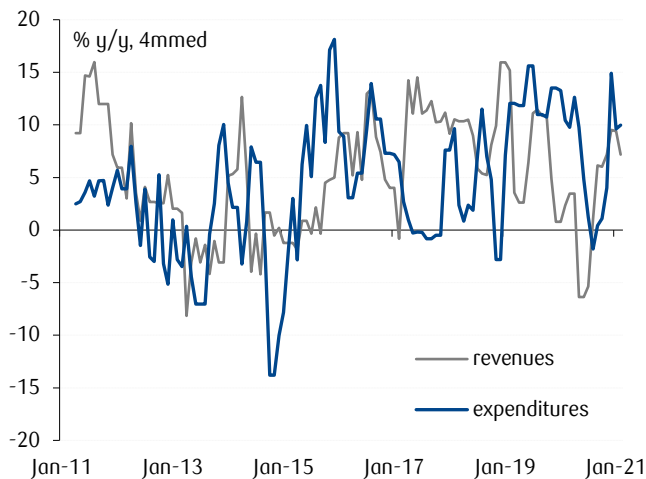
Economic activity indicators



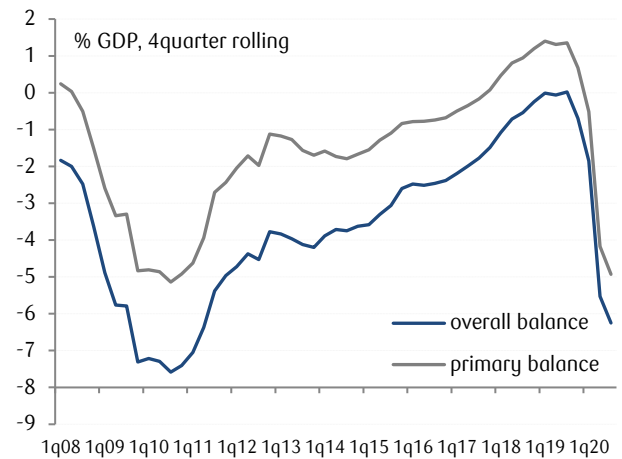
Merchandise trade (in EUR terms)



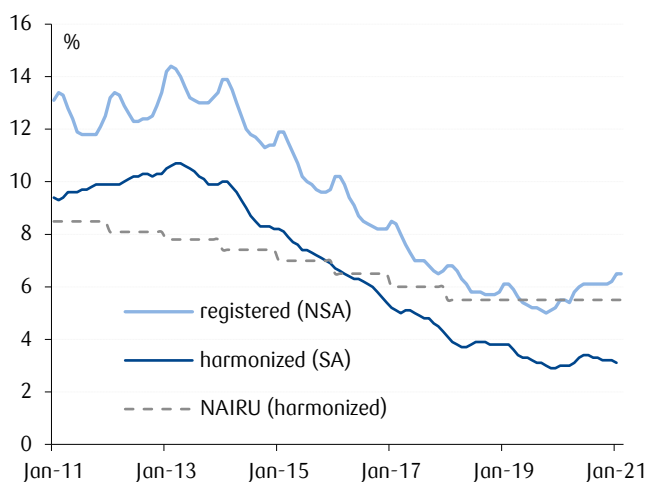
Central government revenues and expenditures*



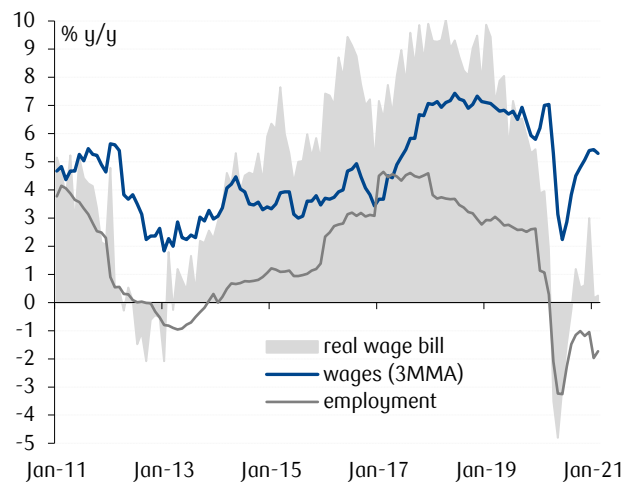
General government balance (ESA2010)



Unemployment rate

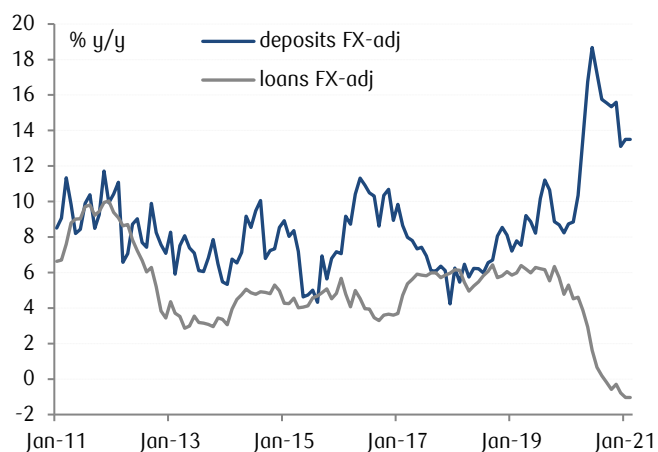


Employment and wages in the enterprise sector

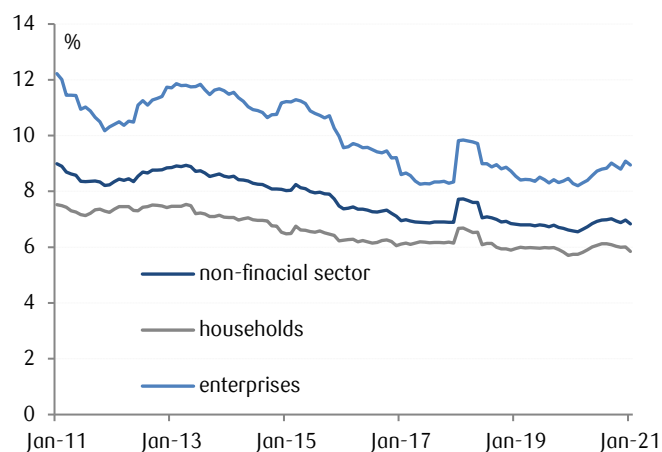


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

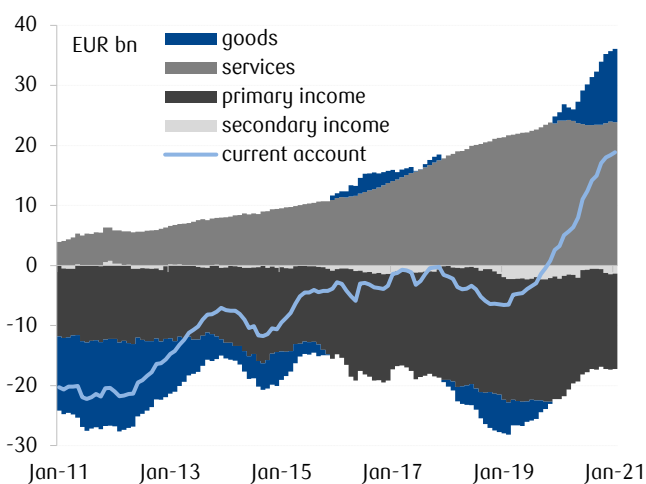
Loans and deposits



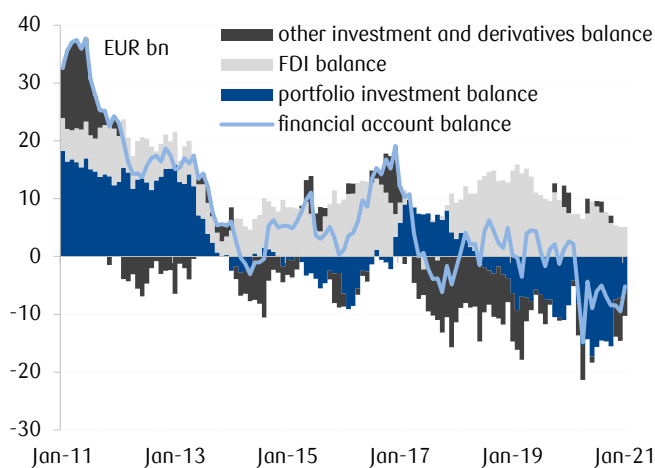
Non-performing loans (NPLs) - by sectors*



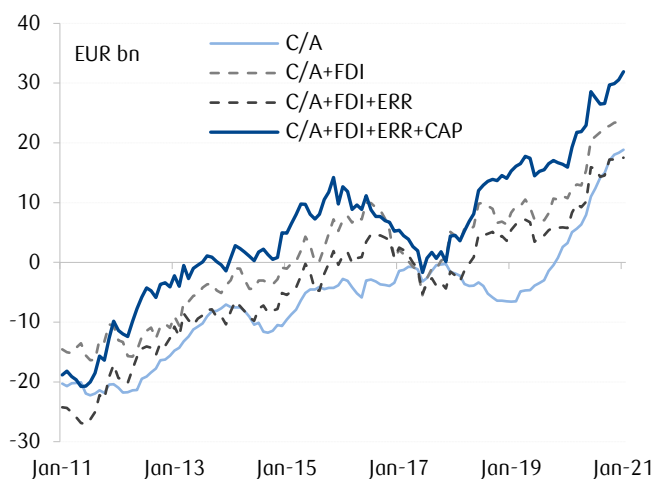
Current account balance



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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- [Choke points in focus](#) (Mar 12, 2021)
- [Blueprint for Recovery](#) (Mar 5, 2021)
- [This time is \(really\) different](#) (Feb 26, 2021)
- [Bottlenecks, winter and lockdowns](#) (Feb 19, 2021)
- [Green fiscal island](#) (Feb 12, 2021)
- [Spotlight: fiscal stance](#) (Feb 5, 2021)
- [2020 better than feared, bounce back ahead](#) (Jan 29, 2021)
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- [The worst is over](#) (Jun 19, 2020)

Poland's macro in a nutshell

	2020	2021 [†]	Comment
Real economy			
- real GDP (%)	-2.7	5.1	We forecast that in 2021 the Polish economy will grow by over 5%, after a decrease of close to 3% in 2020. The main trigger for such a strong rebound will be an improvement in the epidemic situation. Thanks to the anti-crisis measures, the fundamental structure of the economy has been preserved, which enables a fast recovery. Last but not least, in our opinion the fiscal policy will support GDP growth in 2021 even stronger than in 2020.
Prices			
- CPI inflation (%)	3.4	3.1	Inflation will remain close to the upper inflation target band (3.5%). Strong economic recovery shortens the pandemic-related disinflationary period, and, combined with regulatory changes (power levy, trade tax, sugar levy), pushes CPI inflation above 3%.
Monetary aggregates			
- M3 money supply (%)	16.4	10.5	With the rebound of the economic growth, we expect credit demand to increase slowly, fueling a moderate bank lending expansion. Smaller scale of asset purchases will result in a deceleration of money supply growth.
External balance			
- current account balance (% GDP)	3.5	2.8	The balance of payments has become the main strength of Poland's macroeconomic fundamentals. Polish companies are successfully gaining the market share in global trade and Polish exports are breaking new records on a regular basis. Poland has become a net exporter, which is a hugely important structural change, that increases the room for maneuver in both monetary and fiscal policy.
Fiscal policy			
- fiscal balance (% GDP)	-9.2	-3.4	We see no threat to the sustainability of the public finances. In our view Poland, as a competitive economy with high GDP growth potential and moderate inflation, will begin to quickly 'outgrow' the public debt, which has increased due to pandemic.
Monetary policy			
- NBP reference rate (%)	0.10	0.10	Despite high inflation NBP monetary policy will not be exciting. In our baseline scenario we still assume that NBP interest rates will remain unchanged even after 2021, and that the MPC will continue its asset purchases program. Nevertheless, as the economy recovers and relatively high inflation persists, the market might start to expect that monetary policy normalization will start in Poland even before the major central banks will start to tighten their policies.

Source: GUS, NBP, Eurostat, PKO Bank Polski. [†] under revision.

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