

### Spotlight: fiscal stance

#### Top macro theme(s):

- **Spotlight: fiscal stance (p. 2):** General government (ESA) deficit in 3q20 (4q rolling) rose to 6.3% of GDP (vs. 5.6% of GDP in 2q20) amid recovering revenues and easing expenditures growth rates. We point at: (1) an upside for fiscal results in 2021, (2) strong effective fiscal impulse (effects of delayed anticrisis money spending), and (3) pandemic fiscal effort already taken to be highly effective.

#### What else caught our eye:

- **MPC has left monetary policy unchanged.** The post-meeting statement has barely changed as compared to January giving us no new clues as to further policy actions. Governor A.Glapinski said in an online interview that 'flat rates for long' is still the most likely scenario (even though minutes of the MPC meeting in January suggest majority of Polish rate-setters would support a rate cut, if needed) and one cannot exclude further FX interventions. What is important, NBP governor has taken more constructive stance around the issue of FX mortgages conversion.
- **Manufacturing PMI in January edged up to 51.9** (from 51.7 in December) and revealed that manufacturers strain to keep up with rising demand and exports which expanded at the fastest pace in 3 years. Bottlenecks in the global manufacturing chains also transferred into higher output prices what should prop up CPI inflation with some lag.
- Fresh [NBP business sentiment survey](#) in 1q21 is mostly in line with our baseline scenario for 2021. We expect the situation of companies to improve, too, as soon as the pandemic is under control. This should also trigger an investment demand. We assume labour market to stay relatively 'calm' as compared to the period before the pandemic, not overheating immediately after the restrictions are eased. Contrary to the survey, we expect stronger inflationary pressures, both at producer and consumer level. CPI data for January will allow us to verify that assumption. Our CPI inflation forecast for January (2.7% y/y) is among the highest.

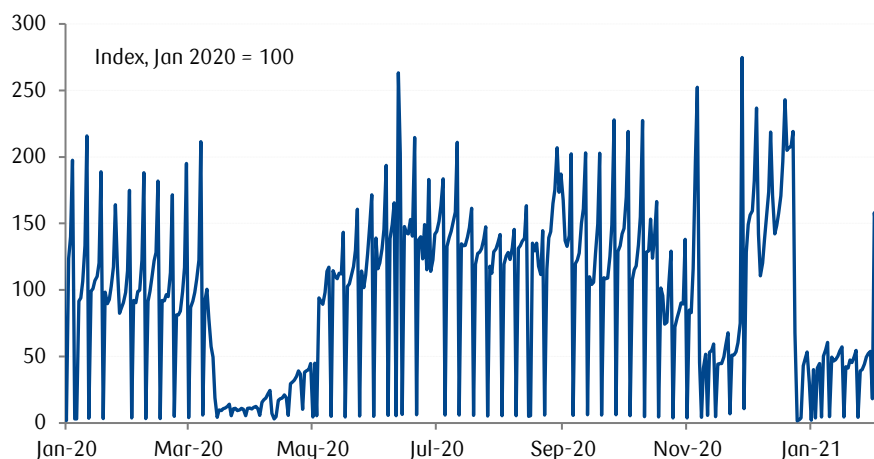
#### The week ahead:

- Tentative full-year data imply that **GDP in 4q20** alone fell by -3.0/-3.3% y/y (PKO:-3.0%), which will be verified on Friday with flash reading.

#### Number of the week:

- 6.5% – **unemployment rate** in January, as per early MinLab estimates (implying no changes vs December in seasonally adjusted terms).

#### Chart of the week: Card transactions: clothing and footwear purchases



Source: PKO Bank Polski.

#### Chief Economist

**Piotr Bujak**

piotr.bujak@pkobp.pl  
tel. +48 22 521 80 84

#### Macro Research Team

[@PKO\\_Research](#)

**Marta Petka-Zagajewska**

Senior Economist

marta.petka-zagajewska@pkobp.pl  
tel. +48 22 521 67 97

**Marcin Czaplicki**

Economist

marcin.czaplicki@pkobp.pl  
tel. +48 22 521 54 50

**Urszula Krynska**

Economist

urszula.krynska@pkobp.pl  
tel. +48 22 521 51 32

**Michal Rot**

Economist

michal.rot@pkobp.pl  
tel. +48 22 580 34 22

	2020†	2021†
Real GDP (%)	-2.8	5.1
Industrial output (%)	-1.0	10.0
Unemployment rate# (%)	6.2	5.4
CPI inflation** (%)	3.4	3.1
Core inflation** (%)	3.9	2.9
Money supply M3 (%)	16.4	7.5
C/A balance (% GDP)	3.6	2.9
Fiscal balance (% GDP)*	-9.2	-3.4
Public debt (% GDP)*	59.7	58.1
NBP reference rate### (%)	0.10	0.10
EURPLN†#	4.61	4.45

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.

## Spotlight: fiscal stance

- General government (ESA) deficit in 3q20 (4q rolling) rose to 6.3% of GDP (vs. 5.6% of GDP in 2q20) amid recovering revenues and easing expenditures growth rates.
- We also point at: (1) an upside for fiscal results in 2021, (2) strong fiscal impulse (effects of delayed anticrisis money spending), and (3) pandemic fiscal effort already taken to be highly effective.

General government (ESA) deficit in 3q20 (4q rolling) rose to 6.3% of GDP (see chart 1, vs. the deficit of 5.6% of GDP in 2q20). The fiscal result for 3q20 reflects the combination of (1) a rapid rebound from the pandemic bottom in spring, which resulted in an improvement of public sector revenues, (2) the anti-crisis transfers in 2q20, which shielded labour market and allowed a smooth transition of the economy from lockdown to activity as well as (3) the anti-crisis transfers in 3q20.

Public sector (ESA) revenues in 3q20 were up by 6.2% y/y (vs 4.4% y/y in 2q20) with all major items recording annual increases (incl. VAT up by 13.5% y/y) and positively contributing to total revenues growth rate (see chart 2). Taxes related to the labour market (income taxes and social contributions) recorded modest increases as the labour market hibernated throughout the second half of the year – i.e. employment losses were not so much pronounced as working hour losses (labour hoarding means the efficiency of labour declined) and additionally an idle employment was partially subsidized.

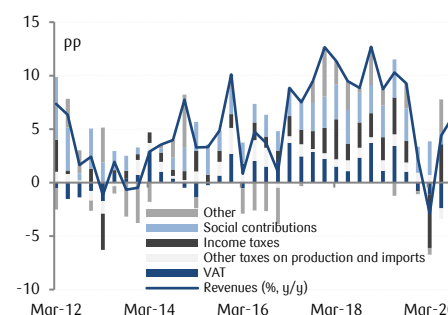
On the expenditure side, a total growth rate of expenditures cooled somewhat (13.6% y/y in 3q20 vs. 40.9% y/y in 2q20) with ‘other’ expenditures (they include anti-crisis transfers) reducing contribution considerably (to 10.1pp in 3q vs 32.7pp in 2q20, see chart 3). It is noteworthy that the anti-crisis shields were mainly of a ‘non-Keynesian’ stimulus type. Subsidies for enterprises have not resulted in direct government purchases and will be (hopefully) spent by beneficiaries later. This means that the actual impact of govt. spending on GDP growth will be visible as soon as the pandemic is over and corporates start spending. That is why we see the primary structural deficit only at -0.8% of GDP in 2020 and at a much higher level in 2021 (-6.6% of GDP, chart 4, below). On the other hand, ‘classical’ Keynesian spending - on infrastructure - held up well in Poland in 3q, hitting 2.0% of GDP (4q rolling). New capital spending (i.e. outlays exceeding the consumption of public capital) in relation to GDP was also one of the highest in the EU (chart 5).

### 1. Public sector (ESA) deficit



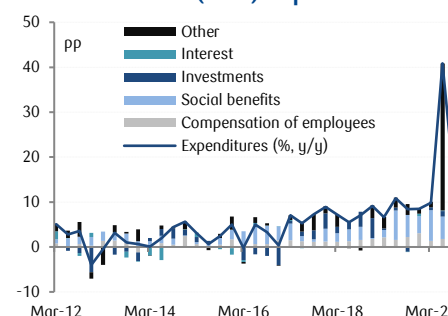
Source: Eurostat, PKO Bank Polski.

### 2. Public sector (ESA) revenues



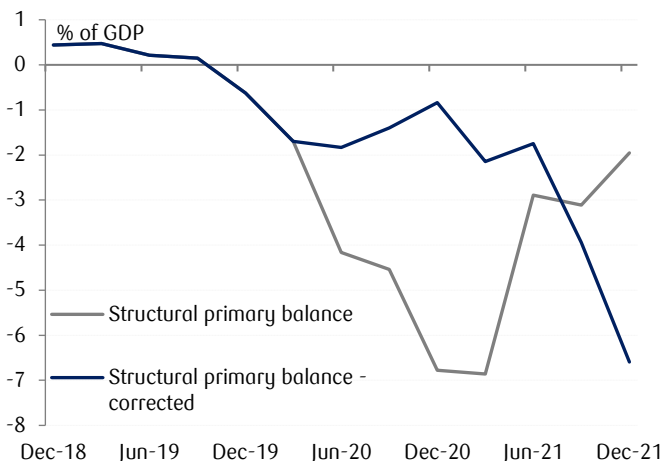
Source: Eurostat, PKO Bank Polski.

### 3. Public sector (ESA) expenditures



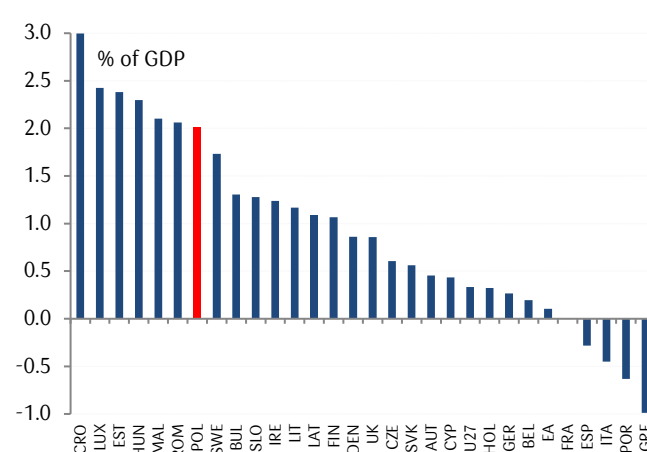
Source: Eurostat, PKO Bank Polski.

### 4. Adjusted primary structural deficit



Source: Eurostat, PKO Bank Polski.

### 5. Public sector new investments\*



Source: Eurostat, PKO Bank Polski. \*public investments exceeding the consumption of fixed capital.

Given (1) the fiscal (ESA) results for 3q20, (2) state budget deficit data (a deficit of approx. PLN 84 bn in 2020, as per the Prime Minister M.Morawiecki recent comments - chart 6), and (3) local govt. results after November (fiscal balance improved by PLN 6 bn y/y) we keep our 2020 deficit (ESA) estimate at 9.2% of GDP. Our macroeconomic scenario also implies that there is an upside in major state budget items (vs 2021 budget plan, see margin table) which means that the state budget deficit may fall below PLN 60 bn in 2021 (vs PLN 82.3 bn planned). This, together with infrastructure spending (a new wave of the NGEU funds also to be kicked off this year), a switch to stimulus mode by the local govt. (as indicated in recent multiyear plans' updates) allows us to keep 2021 ESA deficit forecast at 3.4% of GDP.

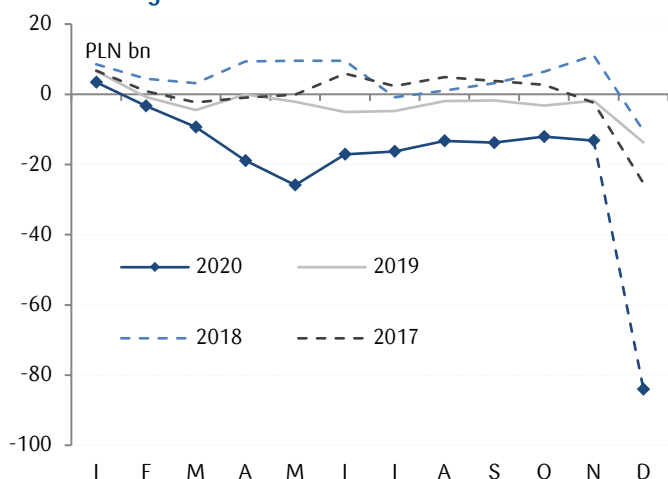
Last but not least, it's noteworthy that the rapid fiscal response to the pandemic (approx. 4.2% of GDP increase in the corrected fiscal deficit in 1q20-3q20, with majority of fiscal effort taken in 2q20, see also our Poland Macro Weekly: [Fiscal space](#), Oct 30, 2020 and charts 7, 8 below) has effectively shielded the local labour market in the midst of the pandemic (chart 9).

## State budget (2021) main items - forecasts

PLN bn	PKOe (2021)	Budget 2021	Diff 2021
VAT	195	181	14.3
CIT	42	37	5.4
PIT	67	68	-1.6
Non-tax revenues	40	33	7.0
Total			25.2
Total (% of GDP)			1.1

Source: MinFin, PKO Bank Polski.

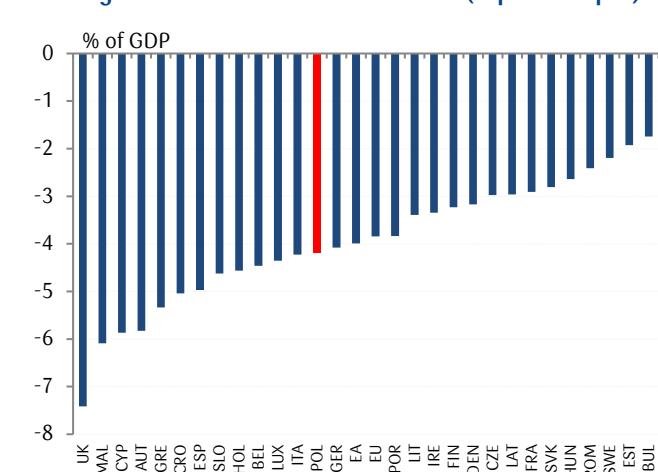
## 6. State budget deficit



Source: MinFin, PKO Bank Polski.

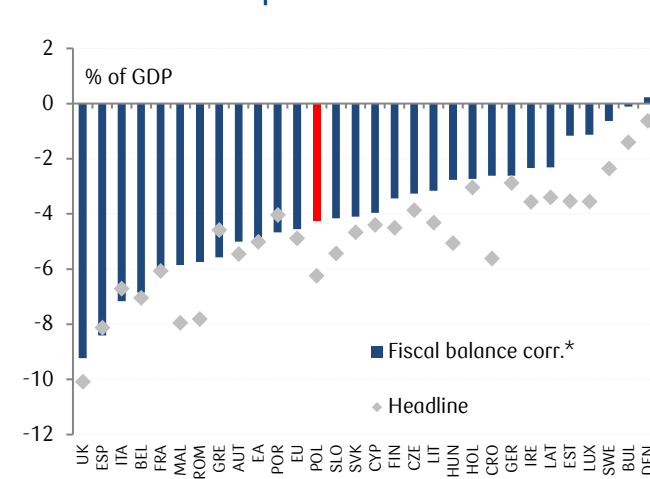
Source: MinFin, PKO Bank Polski.

## 8. Change in corrected\* fiscal balance (3q20 vs 1q20)



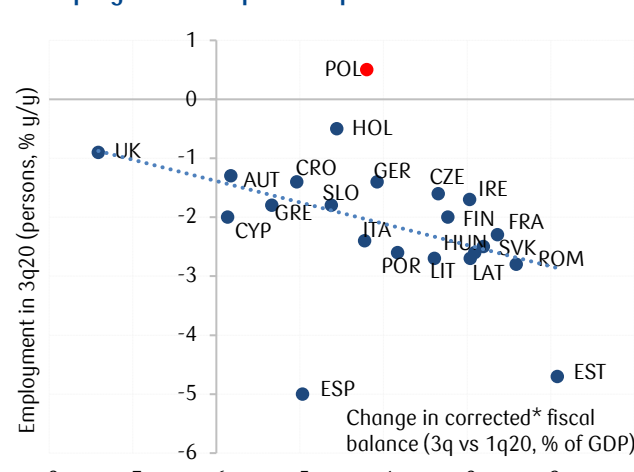
Source: Eurostat, PKO Bank Polski. \*correction for public investments exceeding the consumption of fixed capital.

## 7. Fiscal balance in 3q20: headline vs corrected\*



Source: Eurostat, PKO Bank Polski. \*correction for public investments exceeding the consumption of fixed capital.

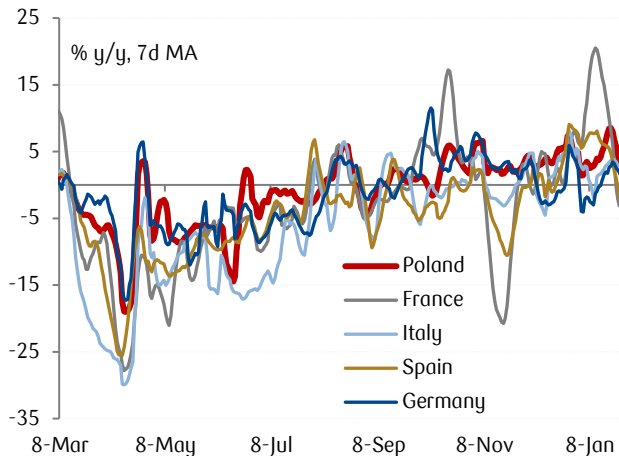
## 9. Employment in 3q20 vs a pandemic fiscal effort



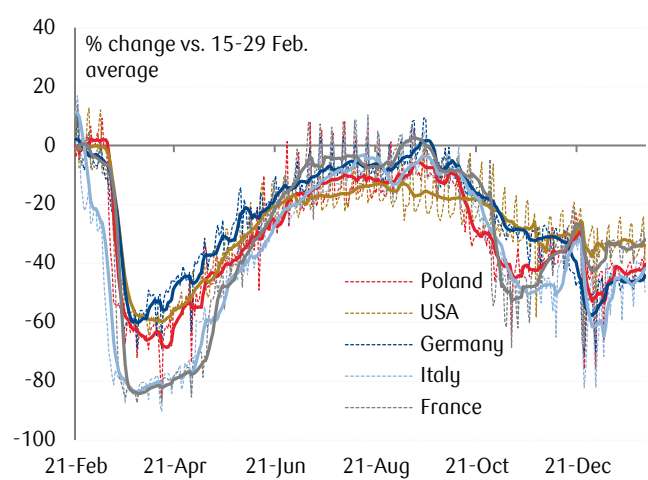
Source: Eurostat, PKO Bank Polski. \*correction for public investments exceeding the consumption of fixed capital.

## Macro monitoring with alternative data

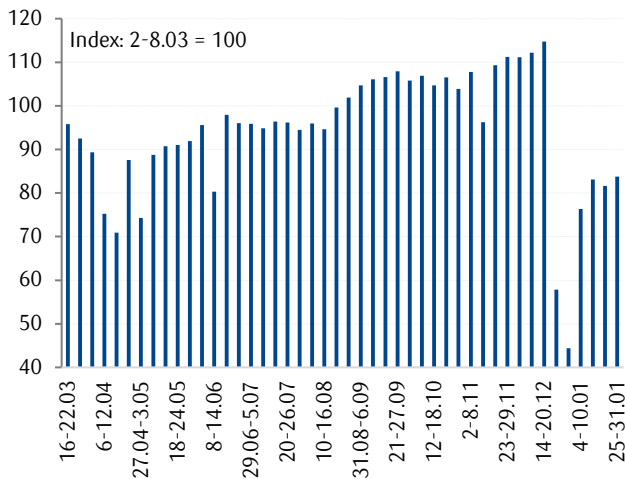
Electric energy consumption (total)



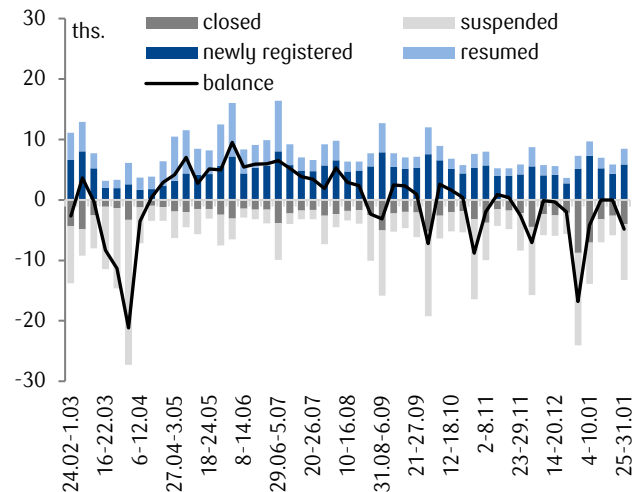
Mobility\*



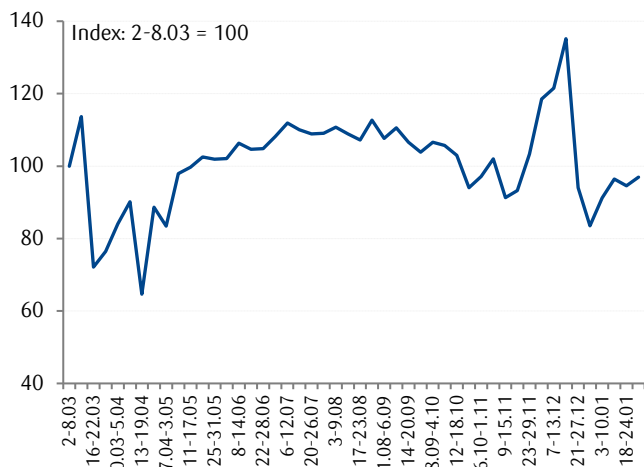
Heavy truck traffic



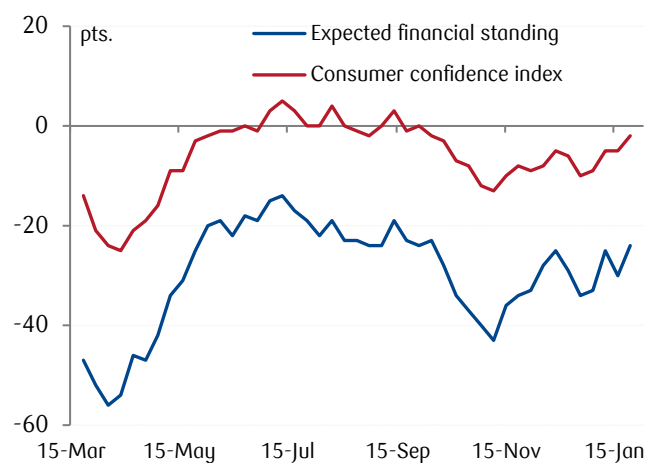
Economic activity status (acc. to CEiDG\*\*)



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
<b>Monday, 8 February</b>						
GER: Industrial output (Dec)	7:00	y/y	-2.6	--	--	--
<b>Tuesday, 9 February</b>						
GER: Trade Balance (Dec)	7:00	EUR bn	16.4	--	--	--
GER: Exports (Dec)	7:00	% m/m	2.2	--	--	--
GER: Imports (Dec)	7:00	% m/m	4.7	--	--	--
USA: JOLTS Report (Dec)	15:00	thous.	6527	6450	--	--
<b>Wednesday, 10 February</b>						
CHN: CPI inflation (Jan)	1:30	% y/y	0.2	-0.2	--	--
GER: CPI inflation (Jan, final)	7:00	% y/y	-0.3	1.0	--	--
GER: HICP inflation (Jan, final)	7:00	% y/y	-0.7	1.6	--	--
SWE: Riksbank meeting	8:30	%	0.00	0.00	0.00	--
USA: CPI inflation (Jan)	13:30	% y/y	1.4	1.5	--	--
USA: Core inflation (Jan)	13:30	% y/y	1.6	1.5	--	--
<b>Thursday, 11 February</b>						
USA: Initial Jobless Claims	13:30	thous.	779	--	--	--
<b>Friday, 12 February</b>						
CZE: CPI inflation (Jan)	8:00	% y/y	2.3	--	--	--
HUN: CPI inflation (Jan)	8:00	% y/y	2.7	--	--	--
<b>POL: GDP growth (4q, flash)</b>	<b>9:00</b>	<b>% y/y</b>	<b>-1.5</b>	<b>-3.0</b>	<b>-3.0</b>	<b>Growth rate declined on the second wave of the pandemic and lockdowns that followed.</b>
EUR: Industrial production (Dec)	10:00	% y/y	-0.6	--	--	--
USA: University of Michigan sentiment (Feb, flash)	15:00	pts.	79.0	80.7	--	--

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

## Selected economic indicators and forecasts

	Nov-20	Dec-20	Jan-21	3q20	4q20	1q21	2q22	2019	2020	2021
<b>Economic activity</b>										
Real GDP (% y/y)	x	x	x	-1.5	-3.0	-0.5	9.9	4.5	-2.8	5.1
Domestic demand (% y/y)	x	x	x	-3.2	-3.4	-1.6	10.2	3.5	-3.7	4.9
Private consumption (% y/y)	x	x	x	0.4	-3.1	0.5	15.9	4.0	-3.0	5.5
Gross fixed capital formation (% y/y)	x	x	x	-9.0	-10.8	2.8	4.3	7.2	-8.4	3.7
Inventories (pp)	x	x	x	-2.3	0.8	-2.9	-0.9	-1.4	-0.8	0.1
Net exports (pp)	x	x	x	0.7	-0.1	0.9	0.9	1.2	0.8	0.6
Industrial output (% y/y)	5.4	11.2	-0.7	3.2	5.2	5.6	21.3	4.0	-1.0	10.0
Construction output (% y/y)	-4.9	3.4	-9.7	-10.9	-2.4	-18.0	-4.4	3.6	-2.7	-1.3
Retail sales (real, % y/y)	-5.3	-0.8	-5.7	1.0	-2.8	0.1	8.3	5.4	-2.7	1.2
Nominal GDP (PLN bn)	x	x	x	582.5	639.3	566.8	596.0	2288	2306	2505
<b>Labour market</b>										
Registered unemployment rate‡(%)	6.1	6.2	6.5	6.1	6.2	6.3	5.6	5.2	6.2	5.4
Employment in enterprises (% y/y)	-1.2	-1.0	-1.5	-1.9	-1.1	-1.4	2.2	2.7	-1.2	1.0
Wages in enterprises (% y/y)	4.9	6.6	5.3	4.3	5.4	4.5	8.1	6.6	4.8	5.6
<b>Prices^</b>										
CPI inflation (% y/y)	3.0	2.4	2.7	3.0	2.8	2.4	3.0	2.3	3.4	3.1
Core inflation (% y/y)	4.3	3.7	3.7	4.2	4.1	3.8	3.0	2.0	3.9	2.9
15% trimmed mean (% y/y)	3.0	2.7	x	3.2	2.9	x	x	2.0	3.2	x
PPI inflation (% y/y)	-0.1	0.0	0.5	-1.2	-0.2	1.5	2.7	1.2	-0.6	2.3
<b>Monetary aggregates‡</b>										
Money supply, M3 (PLN bn)	1790.7	1822.7	1808.8	1762.2	1822.7	1832.0	1842.3	1565.6	1822.7	1967.5
Money supply, M3 (% y/y)	16.1	16.4	16.1	17.0	16.4	12.5	5.5	8.3	16.4	7.5
Real money supply, M3 (% y/y)	13.1	14.0	13.4	14.0	14.0	9.9	2.3	4.9	14.0	4.4
Loans, total (PLN bn)	1338.8	1333.9	x	1337.7	1333.9	1366.3	1381.4	1323.4	1333.9	1414.6
Loans, total (% y/y)	0.4	0.8	x	0.5	0.8	0.0	3.0	5.1	0.8	4.5
Deposits, total (PLN bn)	1639.4	1602.2	x	1627.3	1602.2	1637.2	1639.1	1406.6	1602.2	1683.7
Deposits, total (% y/y)	15.8	13.9	x	15.8	13.9	10.2	1.3	8.2	13.9	4.6
<b>Balance of payments</b>										
Current account balance (% GDP)	3.7	3.6	3.4	3.1	3.6	3.6	2.9	0.5	3.6	2.9
Trade balance (%GDP)	2.4	2.5	2.3	1.8	2.5	2.6	2.4	0.2	2.5	1.6
FDI (% GDP)	1.2	1.4	1.4	1.1	1.4	1.0	1.1	1.6	1.4	1.7
<b>Fiscal policy</b>										
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
<b>Monetary policy‡</b>										
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 <sup>x</sup> (%)	0.22	0.21	0.21	0.22	0.21	0.20	0.20	1.71	0.21	0.20
Real WIBOR 3M <sup>x</sup> (%) <sup>#</sup>	-2.78	-2.19	-2.49	-2.78	-2.59	-2.20	-2.80	-1.69	-3.19	-2.90
<b>Exchange rates<sup>x,‡</sup></b>										
EUR-PLN	4.48	4.61	4.54	4.53	4.61	4.50	4.48	4.26	4.61	4.45
USD-PLN	3.74	3.76	3.75	3.87	3.76	3.66	3.61	3.80	3.76	3.50
CHF-PLN	4.14	4.26	4.21	4.19	4.26	4.17	4.11	3.92	4.26	4.05
EUR-USD	1.20	1.23	1.21	1.17	1.23	1.23	1.24	1.12	1.23	1.27

Source: GUS, NBP, PKO Bank Polski.

<sup>x</sup>PKO BP Market Strategy team forecasts,<sup>‡</sup>period averages for quarterly and yearly data,<sup>#</sup>deflated with current CPI inflation,<sup>‡</sup>period end values,<sup>‡</sup>under revision.

## Monetary policy monitor

MPC Members	Hawk-o-meter*	Recent policy indicative comments
K. Zubelewicz	4.7	"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	4.6	"I am completely surprised because both [PAP: NBP] chief and the whole dovish wing of the MPC repeatedly talked about stabilization of interest rates at this historically minimal level close to zero. (...) In my opinion, interest rates in Poland should gradually return to pre-pandemic levels... starting with [a hike to] the level of 0.5% already next year" (31.12.2020, PAP)
L. Hardt	4.1	"As of today, if the optimistic economic scenario for the next year becomes a reality, interest rates should inch up, perhaps to 0.50%, (...) If the [PAP: monetary] policy were to be normalized next year, I would rather speak in favor of more finessed normalization, and not a simple rate hike. (...) Normalization means to me coming back to 0.50%, along with simultaneous continuation of the asset purchase program, perhaps launching long repo operations and keeping the rate on the bill discount credit at the current level" (08.12.2020, PAP)
J. Kropiwnicki	3.6	"The NBP management board could support growth with actions in the sphere of the FX exchange rate policy and supporting the exports of Polish goods and service" (04.01.2021, PAP).
R. Sura	2.2	"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	2.1	"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)
C. Kochalski	2.1	"Taking into account the current data and information on the economic situation, it is appropriate to stabilise interest rates at the current level until the economy enters the path of sustainable development (..) I treat the question of whether I allow for the possibility of negative interest rates as hypothetical, based rather on low probability from the point of view of the current and forecast condition and results of the Polish economy (...) The reference rate is currently 0.1%. The space for its reduction, so that is not a negative... is small, but it exists." (20.01.2021, Reuters).
A. Glapinski	1.9	"If the pandemic and economic situation will develop in line with the base scenario for a stabilization of the epidemic situation and gradual improvement in economic trends, then no change in monetary policy parameters should be necessary in the coming quarters. Shortly speaking, with the current high level of uncertainty concerning future economic situation nothing is predetermined and we have to be ready for different scenarios" (05.01.2021, PAP, obserwatorfinansowy.pl).
J. Zyzynski	1.6	"Cutting NBP interest rates, maybe even to zero, which would make credits a bit cheaper as market interest rates would go down, would likely be advisable." (30.12.2020, PAP)
E. Lon	1.0	"A rate cut below zero would only become possible upon cumulation of many negative factors such as threat of deflation or risk of major deterioration or consumer sentiment and PMI (...) otherwise, need for monetary policy easing could be remedied via purchases of various assets, which "could simply become a standard modus operandi for the Polish central bank, especially but not exclusively in periods of crisis" (25.01.2021, 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).

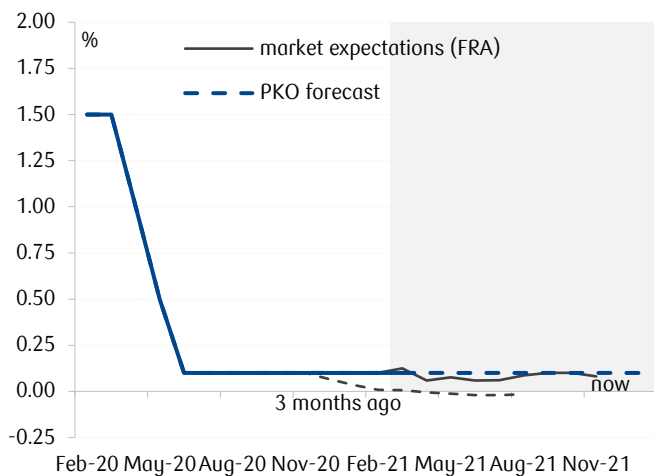
### Interest rates – PKO BP forecasts vs. market expectations

		1M	2M	3M	4M	5M	6M	7M	8M	9M
<b>Date</b>	4-Feb	4-Mar	4-Apr	4-May	4-Jun	4-Jul	4-Aug	4-Sep	4-Oct	4-Nov
<b>WIBOR 3M/FRA†</b>	0.21	0.23	0.17	0.19	0.17	0.17	0.20	0.21	0.21	0.19
<b>implied change (b. p.)</b>		0.02	-0.04	-0.02	-0.04	-0.04	-0.01	0.00	0.00	-0.02
<b>MPC Meeting</b>	3-Feb	3-Mar	7-Apr	5-May	9-Jun	8-Jul	-	8-Sep	6-Oct	3-Nov
<b>PKO BP forecast*</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
<b>market pricing*</b>		0.12	0.06	0.08	0.06	0.06	0.09	0.10	0.10	0.08

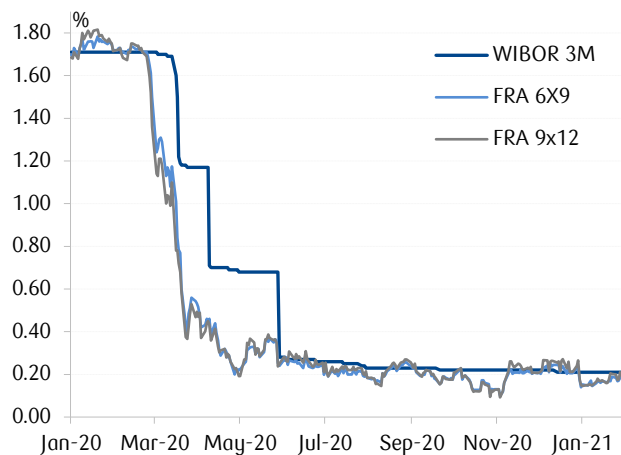
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, \*PKO BP forecast of the NBP reference rate.

## Poland macro chartbook

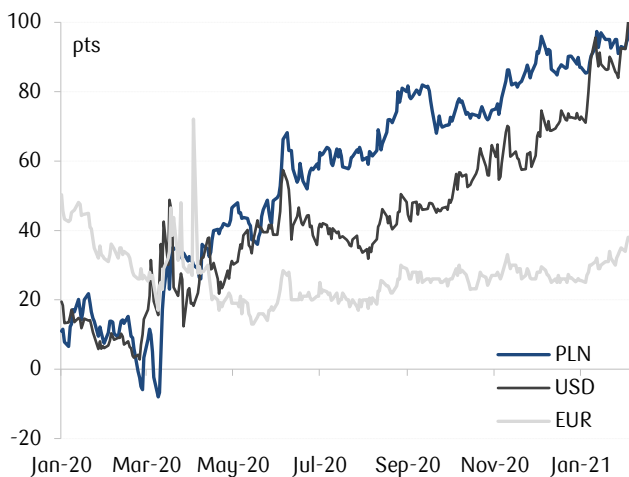
NBP policy rate: PKO BP forecast vs. market expectations



Short-term PLN interest rates



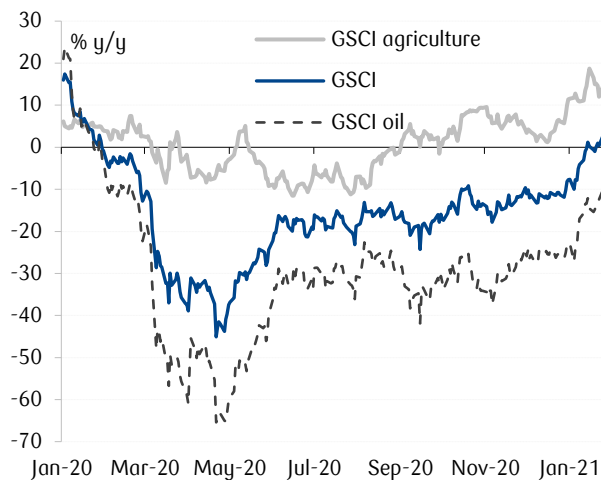
Slope of the swap curve (spread 10Y-2Y)\*



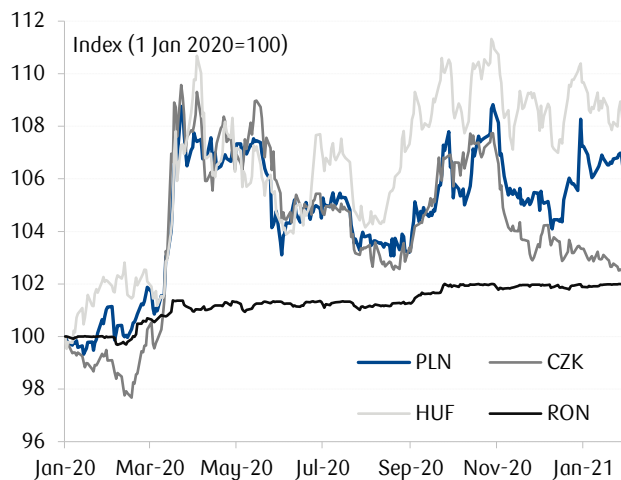
PLN asset swap spread



Global commodity prices (in PLN)



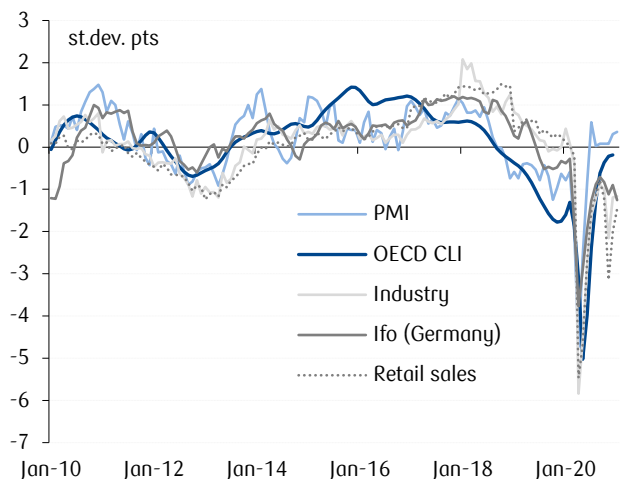
Selected CEE exchange rates against the EUR



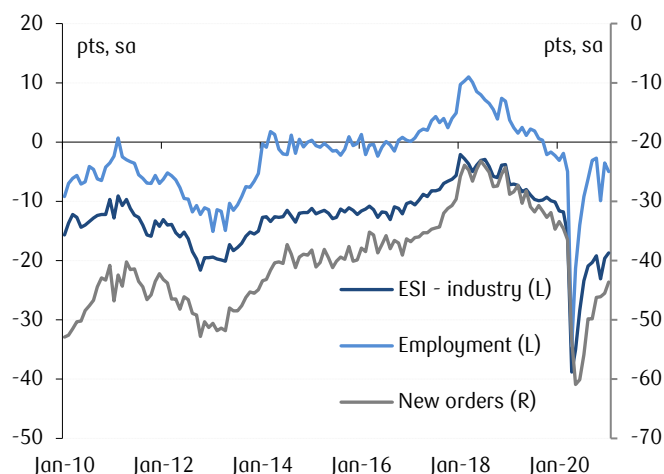
Source: Datastream, NBP, PKO Bank Polski. \*for PLN, and EUR 6M, for USD 3M.



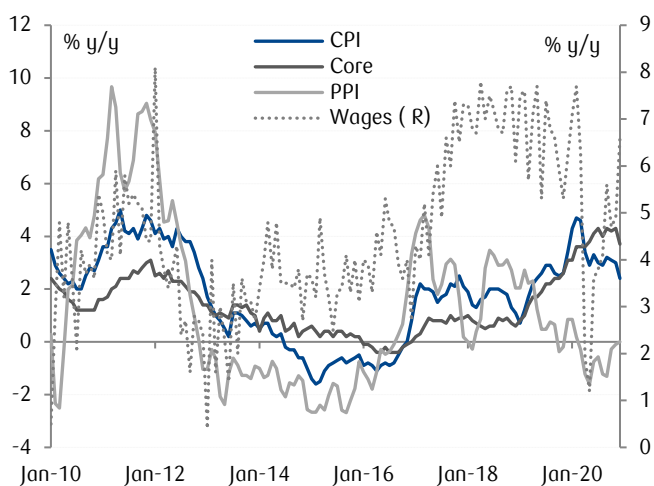
Economic sentiment indicators



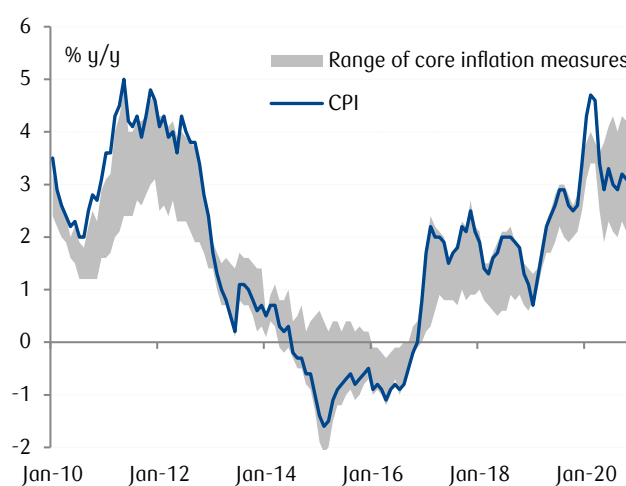
Poland ESI for industry and its components



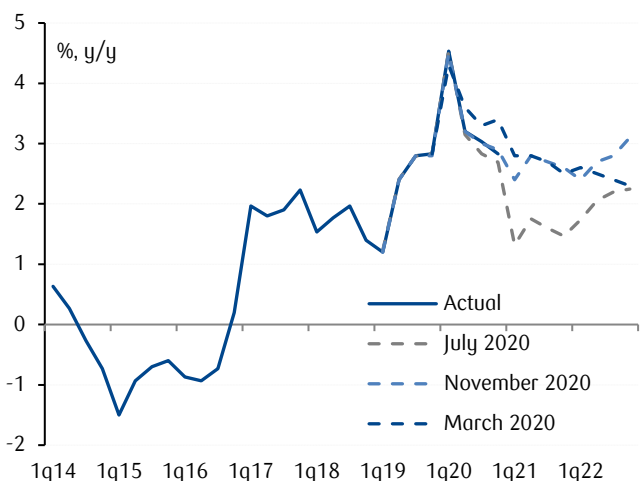
Broad inflation measures



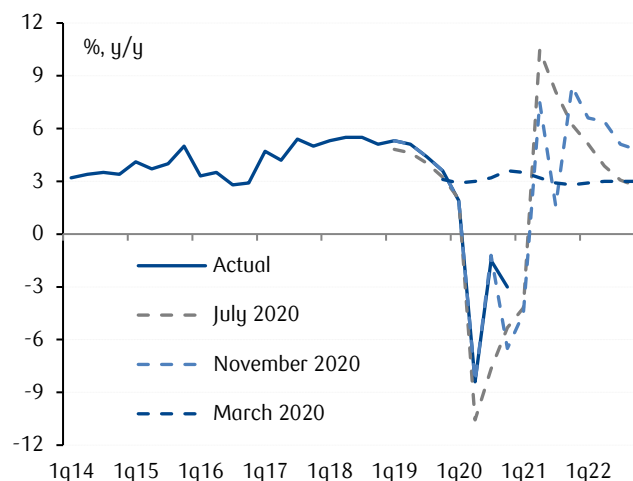
CPI and core inflation measures



CPI inflation - NBP projections vs. actual

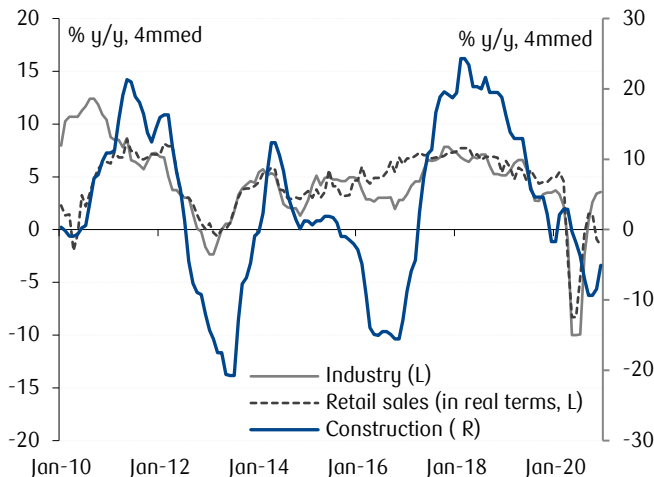


Real GDP growth - NBP projections vs. actual

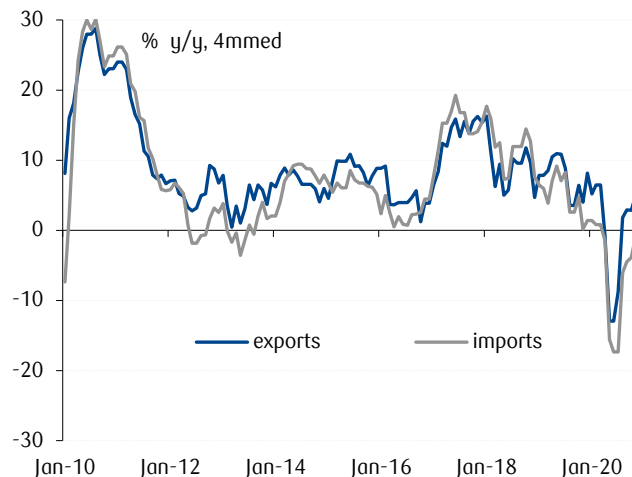


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

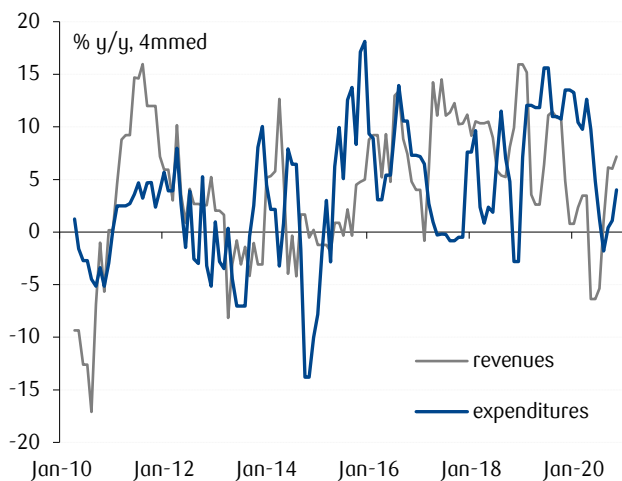
Economic activity indicators



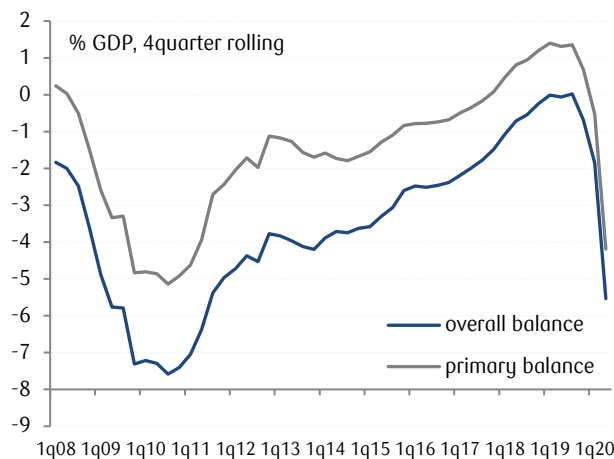
Merchandise trade (in EUR terms)



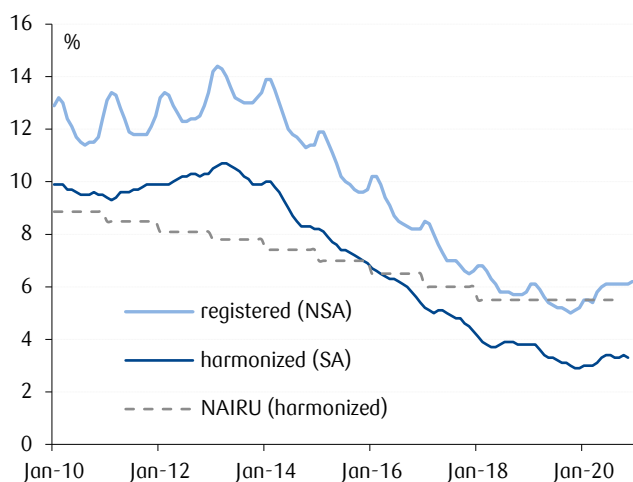
Central government revenues and expenditures\*



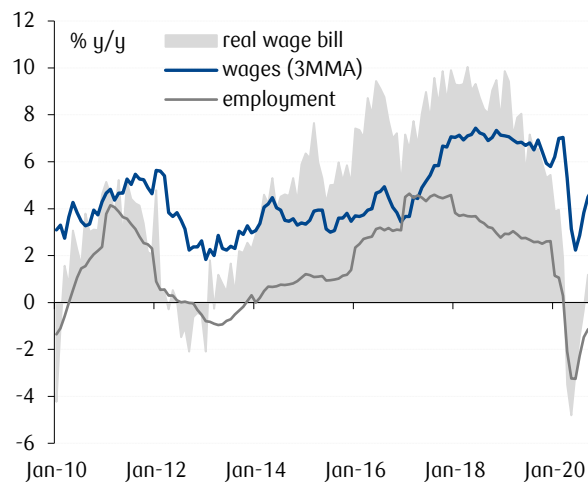
General government balance (ESA2010)



Unemployment rate

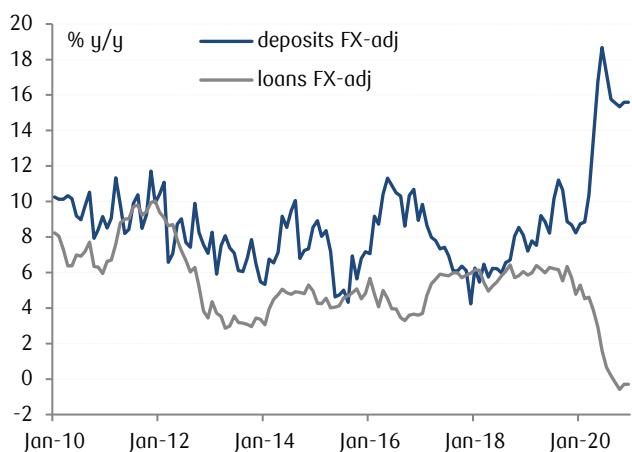


Employment and wages in the enterprise sector

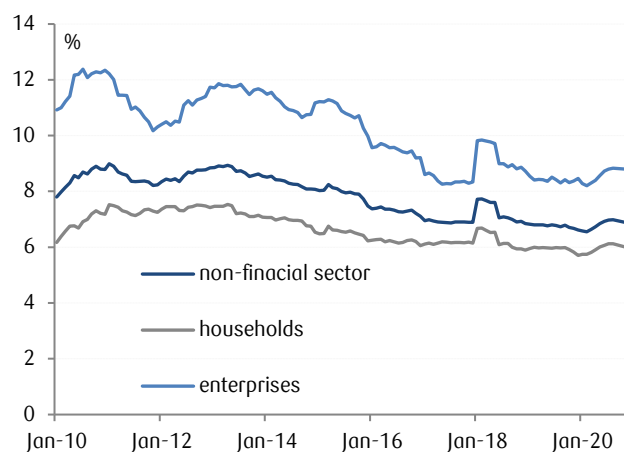


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. \*break in series in 2010 due to methodological changes.

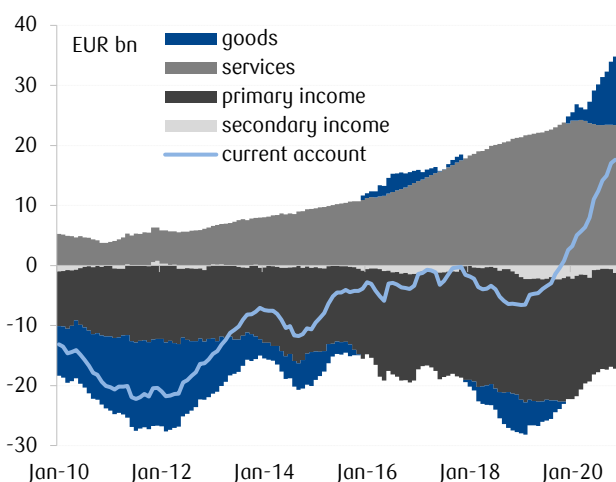
Loans and deposits



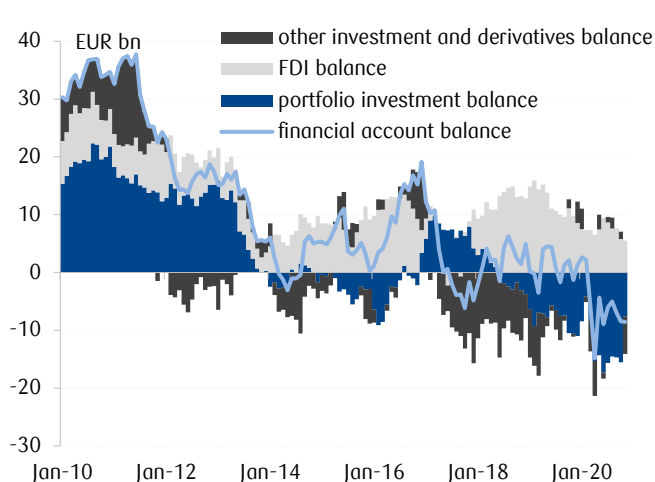
Non-performing loans (NPLs) - by sectors\*



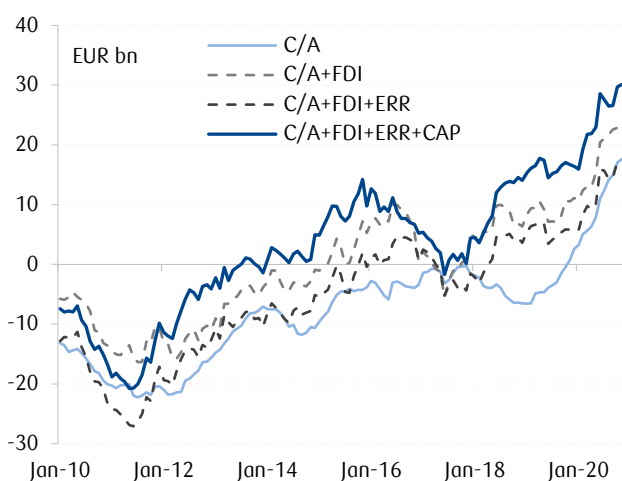
Current account balance



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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- [Bumpy road to recovery](#) (Dec 4, 2020)
- [A tipping point](#) (Nov 27, 2020)
- [Reflections on the pandemic and inflation](#) (Nov 20, 2020)
- [Shadow rate below zero](#) (Nov 13, 2020)
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- [A postcard from a lost world](#) (Apr 17, 2020)

## Poland's macro in a nutshell

	2020	2021	Comment
<b>Real economy</b>			
- real GDP (%)	-2.8	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.
<b>Prices</b>			
- 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%.
<b>Monetary aggregates</b>			
- M3 money supply (%)	16.4	7.5	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.
<b>External balance</b>			
- current account balance (% GDP)	3.6	2.9	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.
<b>Fiscal policy</b>			
- 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.
<b>Monetary policy</b>			
- 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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