

## Surplus economy

### Top macro theme(s):

- **Pandemic surplus (p. 2):** On a 12-month rolling basis, Poland's current account surplus amounts to 3.5% of GDP and is the highest since the mid-90s. This is mainly driven by an all-time high trade surplus.

### What else caught our eye:

- **The government announced new restrictions related to COVID-19** for the period between December 28<sup>th</sup> and January 17<sup>th</sup>, including a curfew on New Year's Eve, all with the likely intention to flatten the expected 3<sup>rd</sup> wave resulting from Christmas meetings. We expect the restrictions to come at a relatively low economic cost, as this is a period of traditionally low economic activity.
- **The NBP has likely intervened on the FX market in an attempt to weaken PLN**, a bold move following the signals from several recent MPC minutes pointing at a lack of a visible and more durable PLN FX rate adjustment to the pandemic shock and NBP's monetary policy easing.
- **Industrial output in November rose stronger-than-expected, by 5.4% y/y** and returned above its prepandemic trend, mostly on export-oriented production.
- **Labour market showed further signs of resilience to the 2<sup>nd</sup> wave of the pandemic.** Corporate employment growth declined to -1.2% y/y in November from -1.0% in October, but was stable on a m/m basis (despite restrictions), whilst wage growth accelerated to 4.9% y/y from 4.7% a month earlier.
- **CPI inflation in November inched down to 3.0% y/y** (vs. 3.1% in October), due to falling food prices (yet another month below the seasonal pattern). **Core inflation accelerated to 4.3% y/y** from 4.2% in October with service prices inflation accelerating further to 7.8% y/y (vs. 7.3% y/y a month earlier).

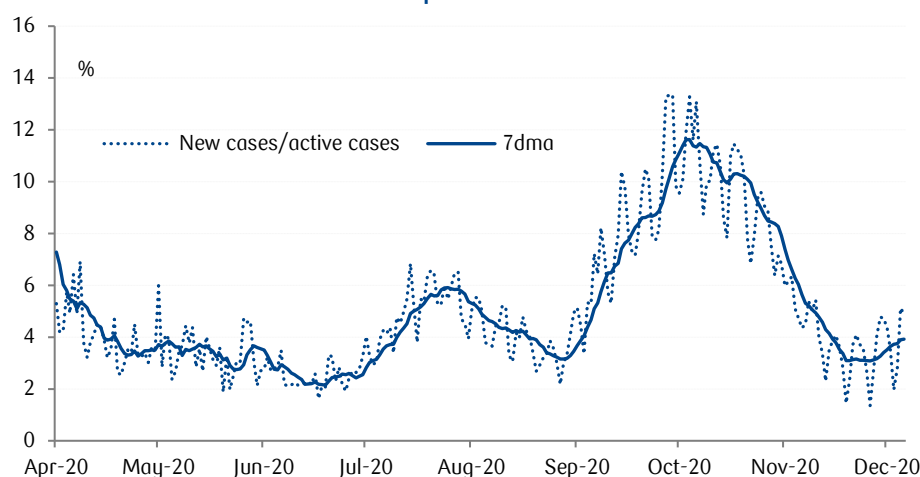
### The weeks ahead:

- **Retail sales for November will be the key local macro figure next week.** Antiepidemic restrictions (incl. closed stores in malls) have likely resulted in a visible decrease of retail sales (PKOe: -7.3% y/y vs. -2.3% y/y in October).
- **Other releases should not gain that much attention.** Construction output likely declined by 5.4% y/y in November (vs. -5.9% in October). **Unemployment rate might have remained flat in November (6.1%)** as suggested by MinLab, proving that the labour market remains well protected from the pandemic. **A slight deceleration of M3 growth is expected for November (16.8% y/y vs. 17.0% y/y in October).**
- **Manufacturing PMI for December might have actually improved**, as consumer spending spree could have boosted new orders.
- **CPI inflation likely declined in December** on big high base effect.

### Number of the week:

- **PLN 104.3 bn** – Polish monthly exports exceeding PLN 100bn the first time ever.

### Chart of the week: Is a 3<sup>rd</sup> wave of the pandemic on the horizon?



Source: MinHealth, PKO Bank Polski.

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	2020†	2021†
Real GDP (%)	-2.8	5.1
Industrial output (%)	-3.3	8.3
Unemployment rate# (%)	6.4	5.4
CPI inflation** (%)	3.3	3.1
Core inflation** (%)	3.8	2.9
Money supply M3 (%)	16.5	7.5
C/A balance (% GDP)	3.4	2.9
Fiscal balance (% GDP)*	-9.2	-3.4
Public debt (% GDP)*	59.7	58.1
NBP reference rate## (%)	0.10	0.10
EURPLN#	4.52	4.40

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.

## Pandemic surplus

- On a 12-month rolling basis, Poland's current account surplus rose to 3.5% of GDP and is the highest since mid-90s. This is mainly driven by an all-time high trade surplus mirroring strong exports and downbeat imports.
- Poland has become a net exporter, a hugely important structural change, which increases room for manoeuvre in both monetary and fiscal policy.

Poland recorded a 14<sup>th</sup> straight monthly current account surplus in October (EUR 2.241bn vs. EUR 1.072bn in September), much above consensus (EUR 1.155bn). On a 12-month rolling basis, the surplus amounted to 3.5% of GDP reaching the highest level since mid-90s, when it recorded a 3.7% of GDP surplus in 1995, mostly due to the cancellation of bonds by Paris and London clubs. The main driver of CA improvement this year is the trade in goods with a surplus hitting an all-time high of 2.1% of GDP on a 12 month rolling basis. The trade surplus mirrors both sound exports (in November, monthly exports exceeded PLN 100bn for the first time on record), and somewhat downbeat imports (among others due to falling purchases and prices of oil).

Exports remained upbeat in October increasing by 3.7% y/y (vs. 4.6% y/y), despite negative calendar effect, with car batteries and engines indicated as the leaders of expansion for yet another month in a row. As the newly established Mercedes-Benz factory in Jawor continues to increase its production capacity, we expect this factor to lift the growth of exports for many months ahead. Other goods enumerated by the NBP point at a stable consumer demand in Western Europe (TV sets, wireless communication devices, clothing). As the export-oriented sectors have been increasing their production capacity, we perceive this factor as supportive for the maintenance of the trade (and CA) surplus in the years ahead.

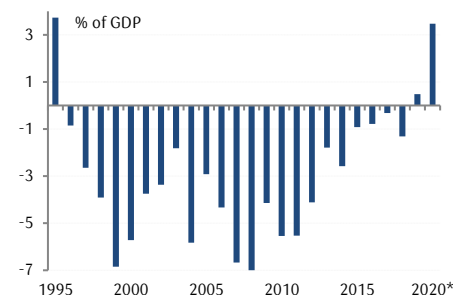
Imports decreased by 3.5% y/y (vs. 1.5% y/y a month earlier). For the first time since the COVID19 outbreak the growth (y/y) of new car imports has been recorded, proving that Polish private consumption remains robust. As we expect investment growth (characterised by higher import intensity than in the case of consumption) to rebound next year, we see Polish imports accelerating, and in the end, rising faster than exports. Nonetheless, we expect trade in goods surplus to be maintained next year (albeit on a somewhat lower level though).

The services surplus has stabilised at 4.3% of GDP. The income from tourism fell almost by 50% y/y. On the other hand, the export of transportation services increased by 10% y/y proving that the international trade in the EU (dominated by Polish forwarding agents) is back on track.

Lower income of foreign investors, which is another factor improving Polish CA in 2020, drives down (via profit reinvestments) the FDIs. As a result, FDI balance decreased to 0.7% of GDP from 1.1% of GDP after September. A surplus of 2.4% of GDP on the capital account (up from 2.3% of GDP after September) is on the highest level (on a 12-month rolling basis) since early 2016, implying a faster inflow of EU funds due to the approaching conclusion (base term) of the Multiyear Financing Framework 2014-2020.

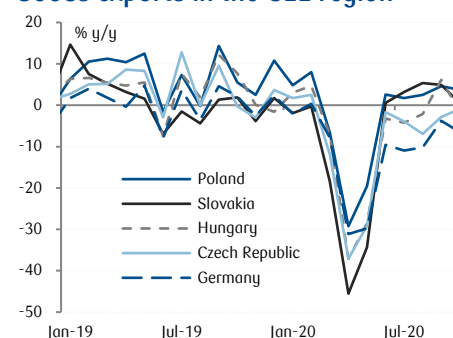
All in all, a trade surplus (goods & services combined) of 6.4% of GDP underlies the structural change that has happened in the Polish economy during the last 8 years. The next exporter status will support a constant reduction of the external debt (both in nominal and relative terms). It is a hugely important structural change that increases room for manoeuvre in both monetary and fiscal policy.

### Current account balance



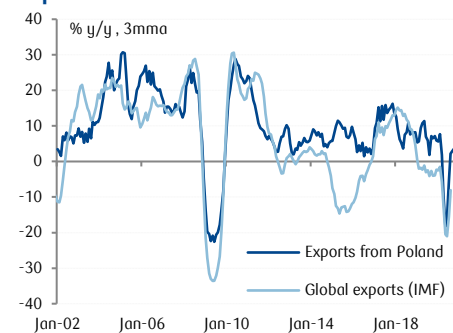
Source: NBP, GUS, PKO Bank Polski. \* Xi 2019 - X 2020.

### Goods exports in the CEE region



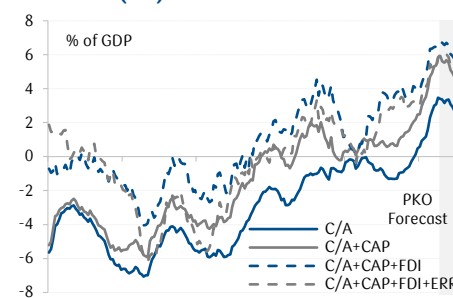
Source: NBP, Reuters Datastream, PKO Bank Polski.

### Exports: Poland vs. world



Source: NBP, Reuters Datastream, PKO Bank Polski.

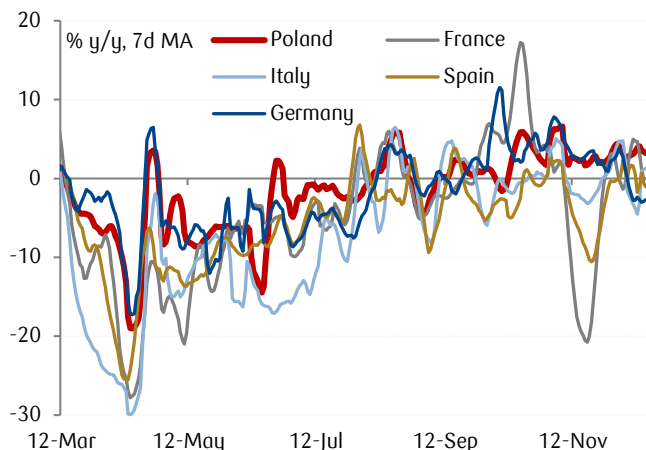
### External (im)balance measures



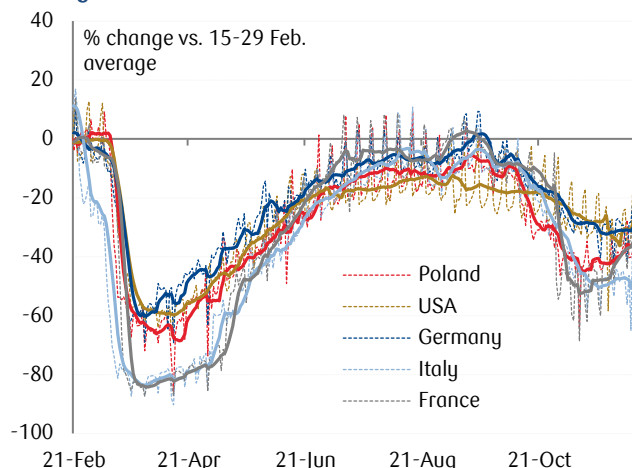
Source: NBP, GUS, PKO Bank Polski.

## Macro monitoring with alternative data<sup>^</sup>

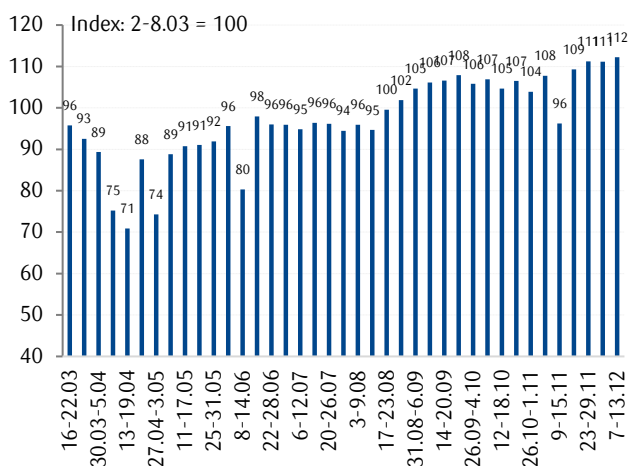
Electric energy consumption (total)



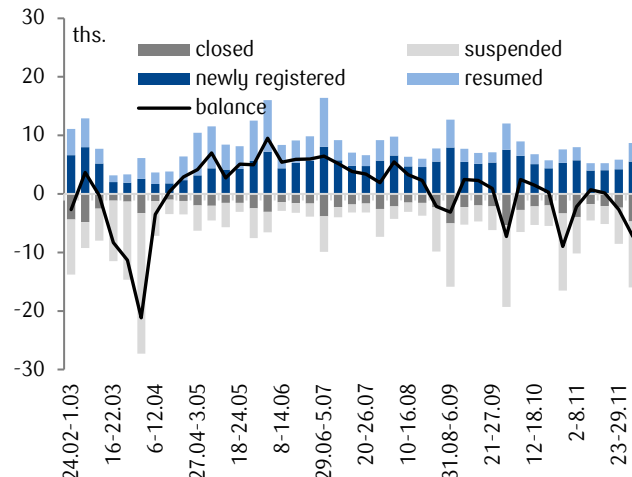
Mobility\*



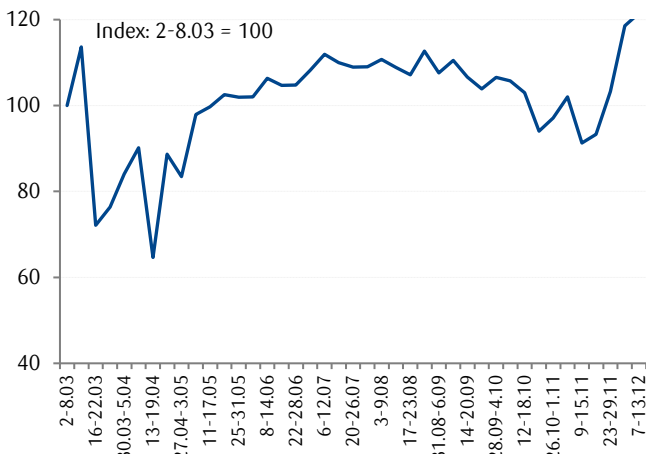
Heavy truck traffic



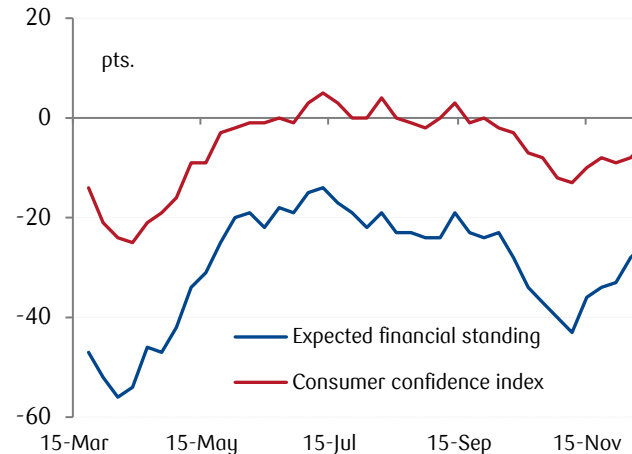
Economic activity status (acc. to CEiDG\*\*)



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, 21 December</b>						
POL: Construction output (Nov)	9:00	% y/y	-5.9	-5.2	-5.4	No signs of investment boom yet. Antipandemic restrictions (incl. closed stores in malls) have likely resulted in a visible decrease of retail sales.
POL: Retail sales (Nov)	9:00	% y/y	-2.3	-7.4	-7.3	
<b>Tuesday, 22 December</b>						
POL: Money Supply M3 (Nov)	13:00	% y/y	17.0	16.8	16.7	Our ATM cash withdrawals data does not show any dash for cash in November.
USA: GDP growth (3q)	13:30	% q/q saar	-31.4	33.1	--	--
USA: Consumer confidence (Dec)	15:00	pts.	96.1	97.5	--	--
<b>Wednesday, 23 December</b>						
POL: Unemployment Rate (Nov)	9:00	%	6.1	6.2	6.1	The labour market remains well protected from the pandemic
USA: Durable goods orders (Nov, flash)	13:30	% m/m	1.3	0.6	--	--
USA: Personal Income (Nov)	13:30	% m/m	-0.7	-0.3	--	--
USA: Personal spending (Nov)	13:30	% m/m	0.5	-0.1	--	--
USA: Core PCE inflation (Nov)	13:30	% y/y	1.4	1.4	--	--
USA: University of Michigan sentiment (Dec, final)	15:00	pts.	81.4	80.9	--	--
<b>Monday, 4 January</b>						
CHN: Manufacturing PMI (Dec)	1:45	pts.	54.9	55.2	--	--
POL: Manufacturing PMI (Dec)	8:00	pts.	50.8	--	--	Consumer spending spree could have boosted new orders
GER: Manufacturing PMI (Dec, final)	8:55	pts.	57.8	58.6	--	--
EUR: Manufacturing PMI (Dec, final)	9:00	pts.	53.8	55.5	--	--
<b>Tuesday, 5 January</b>						
EUR: M3 money supply (Nov)	9:00	% y/y	10.5	--	--	--
USA: ISM Manufacturing (Dec)	15:00	pts.	57.5	--	--	--
<b>Wednesday, 6 January</b>						
GER: CPI inflation (Dec, flash)	13:00	% y/y	-0.3	-0.4	--	--
USA: ADP National Employment (Dec)	13:15	thous.	307.0	--	--	--
USA: Factory orders (Nov)	15:00	% m/m	1.0	--	--	--
USA: Durable goods orders (Nov, final)	15:00	% m/m	--	--	--	--
USA: Minutes Fed (Dec)	19:00	--	--	--	--	--
<b>Thursday, 7 January</b>						
GER: Factory orders (Nov)	7:00	% y/y	1.8	--	--	--
POL: CPI inflation (Dec, flash)	9:00	% y/y	3.0	--	--	High base effects likely pushed inflation down.
EUR: Retail sales (Nov)	10:00	% y/y	4.3	--	--	--
EUR: Economic Sentiment Indicator (Dec)	10:00	pts.	87.6	--	--	--
EUR: CPI inflation (Dec)	10:00	% y/y	-0.3	-0.3	--	--
EUR: Core inflation (Dec, flash)	10:00	% y/y	0.2	--	--	--
<b>Friday, 8 January</b>						
GER: Exports (Nov)	7:00	% m/m	0.8	--	--	--
GER: Imports (Nov)	7:00	% m/m	0.3	--	--	--
GER: Industrial output (Nov)	7:00	% y/y	-3.0	-2.1	--	--
USA: Non-Farm Payrolls (Dec)	13:30	thous.	245.0	--	--	--
USA: Unemployment Rate (Dec)	13:30	%	0.1	--	--	--

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

## Selected economic indicators and forecasts

	Sep-20	Oct-20	Nov-20	1q20	2q20	3q20	4q20	2019	2020	2021
<b>Economic activity</b>										
Real GDP (% y/y)	x	x	x	1.9	-8.4	-1.5	-3.3	4.5	-2.8	5.1
Domestic demand (% y/y)	x	x	x	1.0	-9.9	-3.2	-3.7	3.5	-3.8	4.9
Private consumption (% y/y)	x	x	x	1.2	-10.8	0.4	-2.5	4.0	-2.9	5.5
Gross fixed capital formation (% y/y)	x	x	x	0.9	-10.7	-9.0	-9.2	7.2	-7.9	3.7
Inventories (pp)	x	x	x	-0.3	-2.0	-2.3	-0.7	-1.3	-1.2	0.1
Net exports (pp)	x	x	x	0.9	1.1	0.7	0.3	1.1	0.8	0.5
Industrial output (% y/y)	5.9	1.0	5.4	0.9	-13.6	3.2	2.3	4.0	-1.9	9.1
Construction output (% y/y)	-9.8	-5.9	-5.4	5.0	-2.8	-10.9	x	3.6	x	x
Retail sales (real, % y/y)	2.5	-2.3	-7.3	0.8	-10.7	1.0	x	5.4	x	x
Nominal GDP (PLN bn)	x	x	x	556.4	528.2	582.5	637.4	2279	2304	2493
<b>Labour market</b>										
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)	-1.2	-1.0	-1.2	0.8	-2.0	-1.9	-1.2	2.7	-1.2	1.0
Wages in enterprises (% y/y)	5.6	4.7	4.9	7.0	2.1	4.3	4.1	6.6	4.3	5.6
<b>Prices^</b>										
CPI inflation (% y/y)	3.2	3.1	3.0	4.6	3.2	3.0	2.7	2.3	3.4	3.1
Core inflation (% y/y)	4.3	4.2	4.3	3.4	3.8	4.2	4.2	1.9	3.9	3.0
15% trimmed mean (% y/y)	3.2	3.1	3.0	3.4	3.4	3.2	x	2.0	x	x
PPI inflation (% y/y)	-1.6	-0.4	-0.2	0.2	-1.3	-1.2	-0.6	1.2	-0.7	0.3
<b>Monetary aggregates‡</b>										
Money supply, M3 (PLN bn)	1762.2	1782.6	1801.7	1624.9	1746.2	1762.2	1819.5	1565.6	1819.5	1955.9
Money supply, M3 (% y/y)	17.0	17.0	16.8	11.8	18.1	17.0	16.5	8.3	16.5	7.5
Real money supply, M3 (% y/y)	13.8	13.9	13.8	7.2	14.9	14.0	13.8	5.0	13.8	4.0
Loans, total (PLN bn)	1337.7	1345.8	x	1366.6	1341.1	1337.7	1353.2	1323.7	1353.2	1417.1
Loans, total (% y/y)	0.5	1.3	x	6.5	3.1	0.5	2.2	5.1	2.2	4.7
Deposits, total (PLN bn)	1627.3	1631.7	x	1485.1	1618.7	1627.3	1609.9	1406.6	1609.9	1683.7
Deposits, total (% y/y)	15.8	16.3	x	11.2	19.5	15.8	14.5	8.2	14.5	4.6
<b>Balance of payments</b>										
Current account balance (% GDP)	3.1	3.4	3.4	1.1	2.3	3.1	3.4	0.5	3.4	2.9
Trade balance (%GDP)	1.8	2.1	2.2	0.4	1.2	1.8	2.2	0.2	2.0	1.6
FDI (% GDP)	1.1	0.7	0.9	1.4	1.6	1.1	1.1	1.6	1.1	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	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 <sup>x</sup> (%)	0.22	0.22	0.22	1.17	0.26	0.22	0.25	1.71	0.25	0.25
Real WIBOR 3M <sup>x</sup> (%) <sup>#</sup>	-2.98	-2.88	-2.78	-3.43	-3.04	-2.78	-2.40	-1.69	-2.40	-3.25
<b>Exchange rates*‡</b>										
EUR-PLN	4.53	4.62	4.48	4.55	4.46	4.53	4.52	4.26	4.52	4.40
USD-PLN	3.87	3.95	3.74	4.15	3.98	3.87	3.90	3.80	3.90	3.67
CHF-PLN	4.19	4.32	4.14	4.30	4.18	4.19	4.22	3.92	4.22	4.04
EUR-USD	1.17	1.17	1.20	1.11	1.12	1.17	1.16	1.12	1.16	1.20

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	4.9	"The latest inflation and GDP projection is based on the optimistic assumption that Poland will deal with Covid-19 problems next year, "so it doesn't show any need to reduce interest rates (...), unfortunately, negative interest rates still cannot be ruled out. (...) it's possible that it [PKO: asset purchase program] will become a permanent tool." (24.11.2020, ISB News, Bloomberg)
E. Gatnar	4.7	"Monetary policy, once the pandemic is curbed, should start to take into account the inflation situation again (...) if the price growth is still elevated as it currently is, then interest rates will have to be raised as quickly as possible to the level of 0.5%" (20.11.2020, 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 [monetary] policy were to be normalized next year, I would rather speak in favor of more finessed normalization, and not a simple rate hike." (08.12.2020, PAP)
G. Ancyparowicz	2.5	"As of today, if the optimistic economic scenario for the next year becomes a reality, interest rates should inch up, perhaps to 0.50%. (...) 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. The monetary policy has to be strongly adaptive, but at the same time we cannot forget about our basic mandate, which is taking care of the price stability, and inflation in Poland is at this moment the highest in the European Union." (08.12.2020, PAP)
C. Kochalski	2.4	"Interest rates are at the proper level. Given the negative impact of the pandemic, monetary policy needed to be eased and the central bank did just that. The durability and pace of the improvement in conditions after the shock from the pandemic is marked by uncertainty. The likely low level of inflation pressure and the limited possibilities for a quick recovery in economic activity are arguments against taking action on interest rates. As long as this remains the case, interest rates should not be changed." (21.09.2020, PAP, Refinitiv).
J. Kropiwnicki	2.4	"In 2h21 we will need to start mulling if we should not launch gradual interest rate hikes" (19.11.2020, Refinitiv).
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	"(...) current interest rate level should be considered as appropriate (...) And, as I believe, this level will be appropriate for a very long time. (...) The idea for NBP to subsidize banks, private banks, through providing them with repo operations at a lower cost than it itself borrows from banks by issuing money bills has no justification" (10.12.2020, PAP).
J. Zyzynski	1.9	"I see no prospects for monetary policy tightening in the current MPC term, that is until neighborhood of 2022 (...) and should the economy need further support in the crisis, rather lean on its asset purchase program to grease government rescue efforts." (26.10.2020, PAP)
E. Lon	1.0	"According to my conviction, there is a rather considerable likelihood that interest rates will remain at the current level to the end of the current MPC term. I believe that potential return to the interest rates level from before the pandemic would be possible after the end of the current MPC term" (08.12.2020, 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

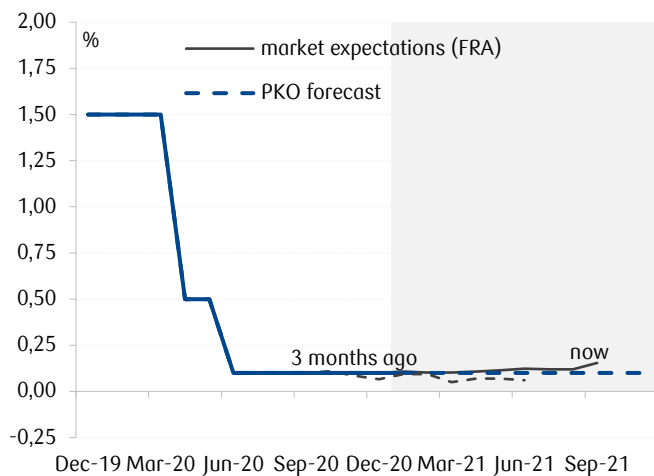
		1M	2M	3M	4M	5M	6M	7M	8M	9M
<b>Date</b>	17-Dec	17-Jan	17-Feb	17-Mar	17-Apr	17-May	17-Jun	17-Jul	17-Aug	17-Sep
<b>WIBOR 3M/FRA†</b>	0,21	0,22	0,21	0,21	0,22	0,22	0,23	0,23	0,23	0,26
<b>implied change (b. p.)</b>		0,01	0,00	0,00	0,01	0,01	0,02	0,02	0,02	0,05
<b>MPC Meeting</b>	2-Dec	13-Jan	3-Feb	3-Mar	7-Apr	5-May	9-Jun	8-Jul	-	8-Sep
<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>		0,11	0,10	0,10	0,11	0,11	0,12	0,12	0,12	0,15

†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.

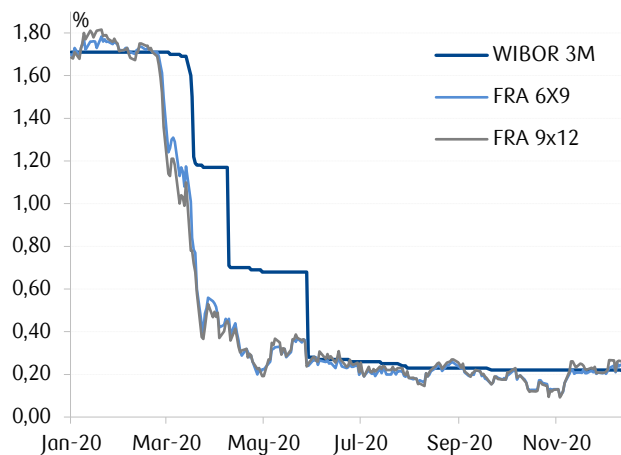


## Poland macro chartbook

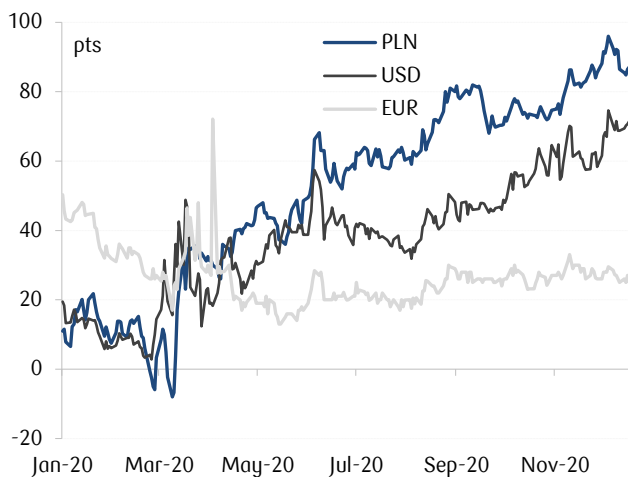
NBP policy rate: PKO BP forecast vs. market expectations



Short-term PLN interest rates



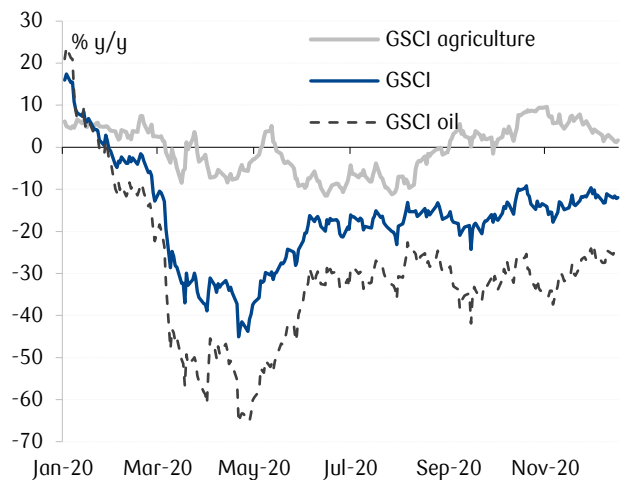
Slope of the swap curve (spread 10Y-2Y)\*



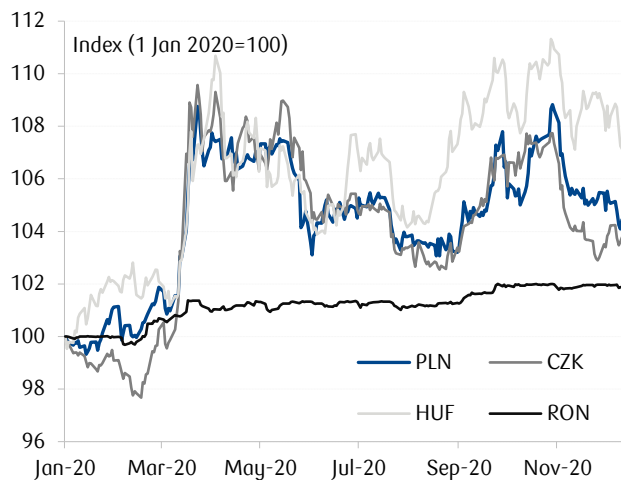
PLN asset swap spread



Global commodity prices (in PLN)

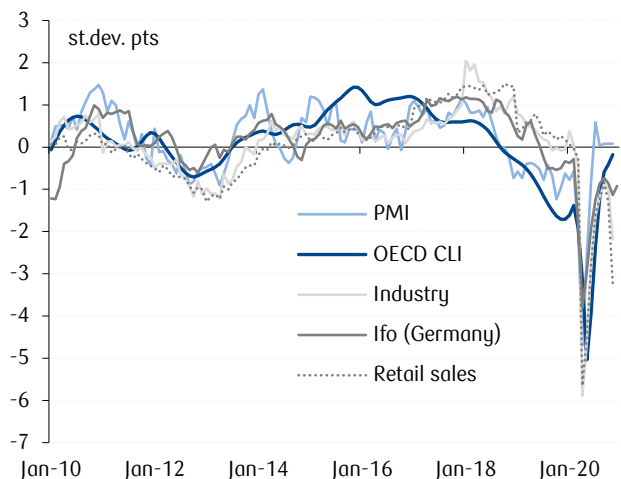


Selected CEE exchange rates against the EUR

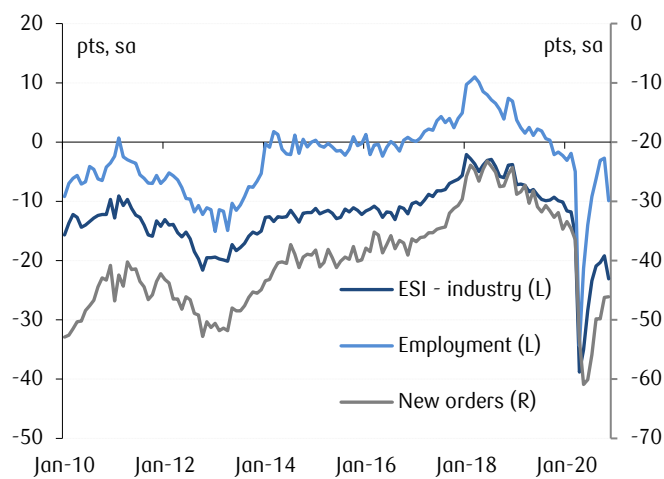


Source: Datastream, NBP, PKO Bank Polski. \*for PLN, and EUR 6M, for USD 3M.

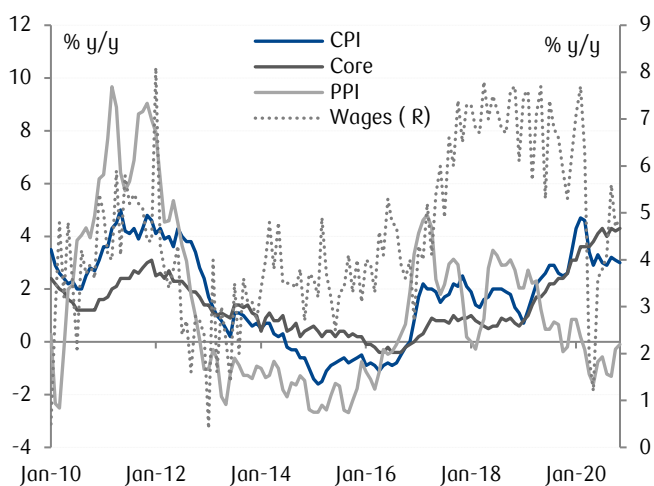
Economic sentiment indicators



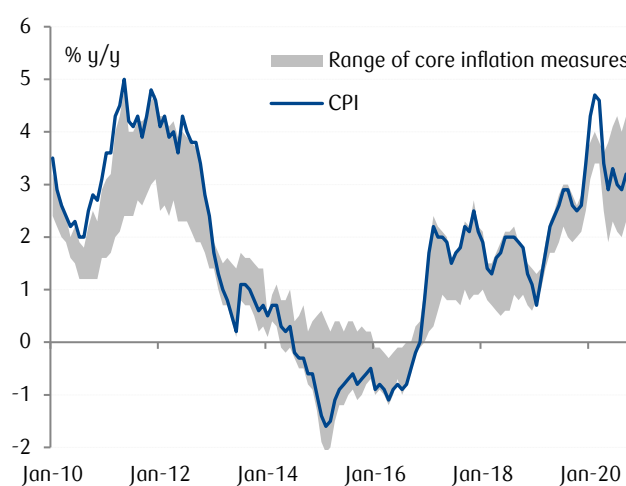
Poland ESI for industry and its components



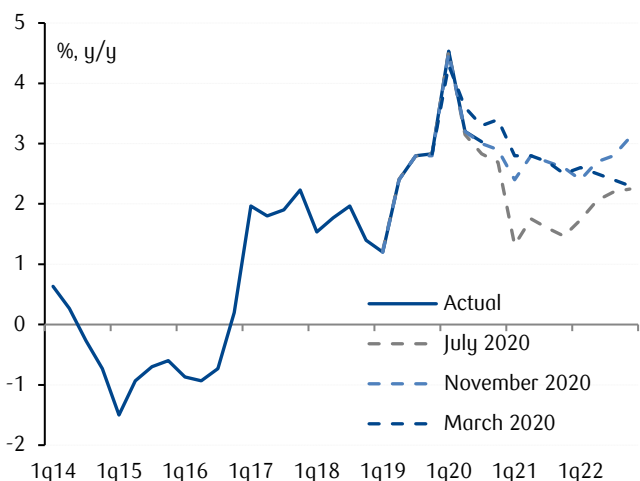
Broad inflation measures



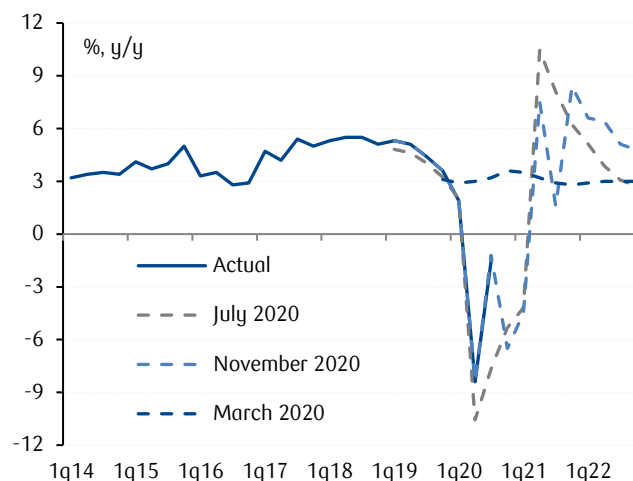
CPI and core inflation measures



CPI inflation - NBP projections vs. actual



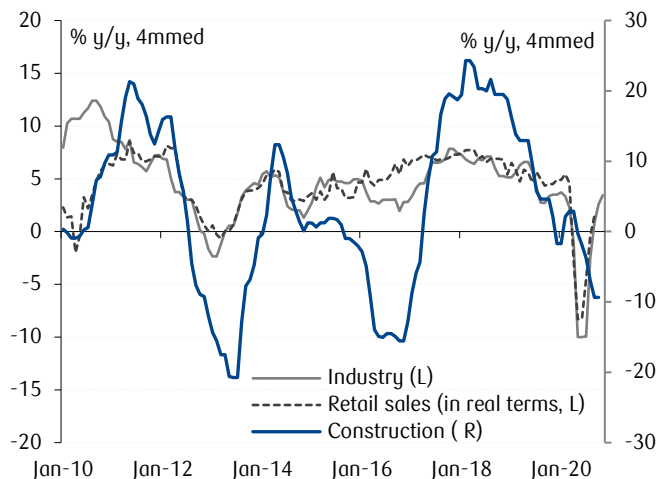
Real GDP growth - NBP projections vs. actual



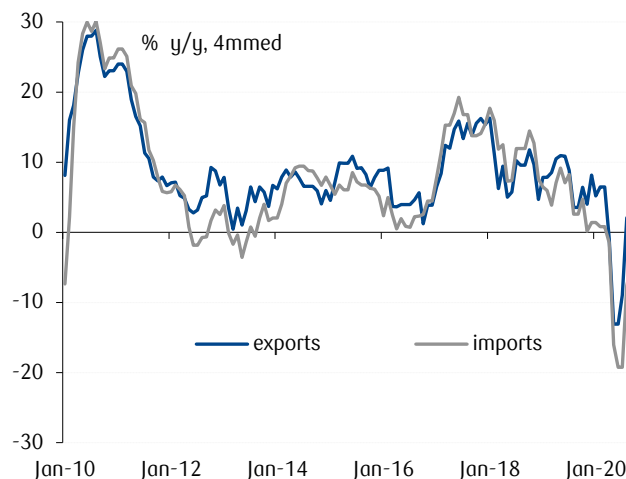
Source: Datastream, GUS, EC, NBP, PKO Bank Polski.



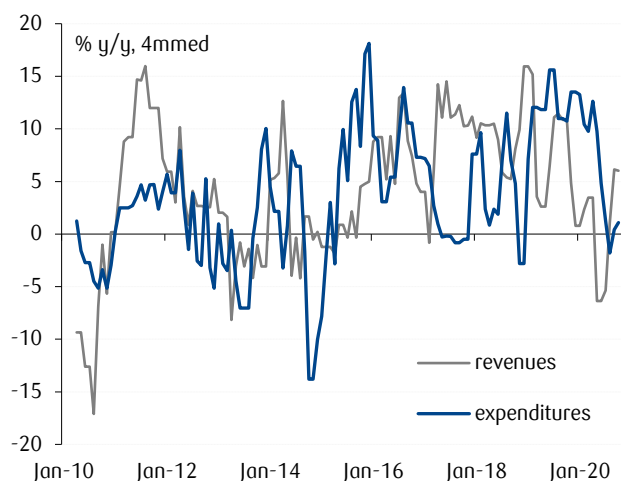
Economic activity indicators



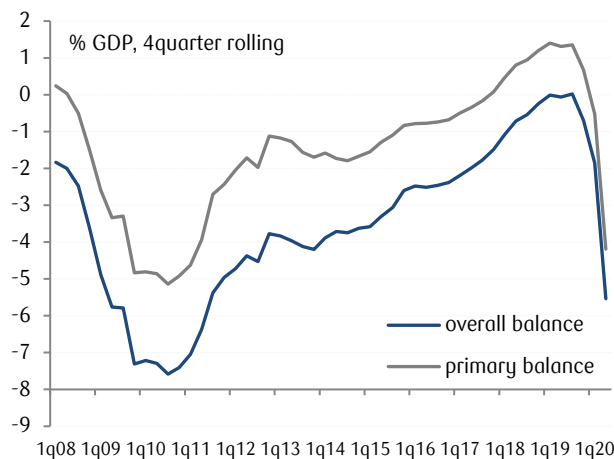
Merchandise trade (in EUR terms)



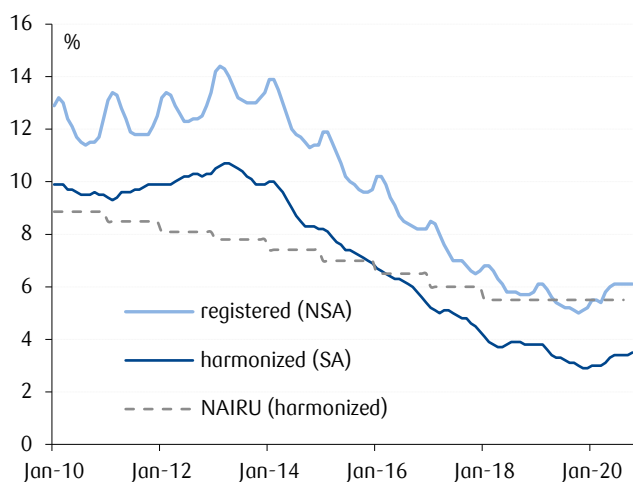
Central government revenues and expenditures\*



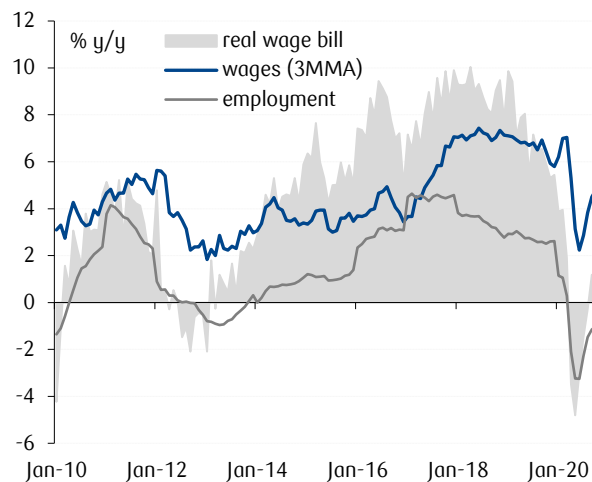
General government balance (ESA2010)



Unemployment rate

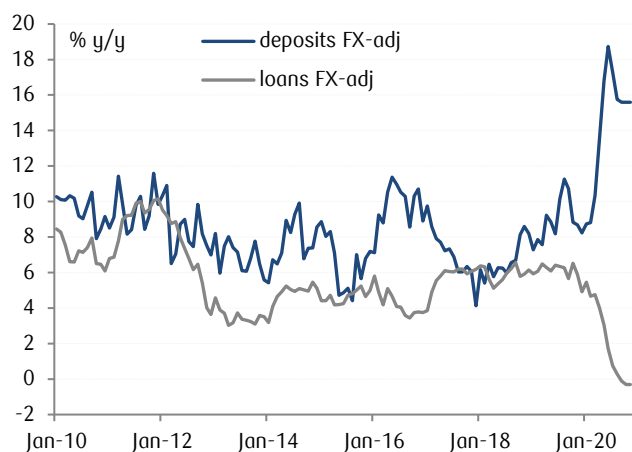


Employment and wages in the enterprise sector

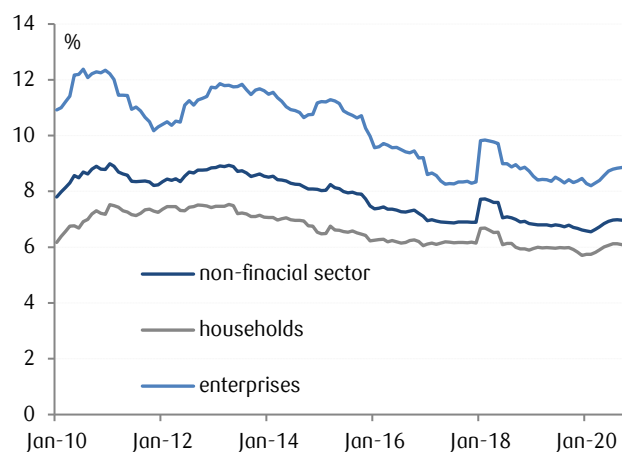


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. \*break in series in 2010 due to methodological changes.

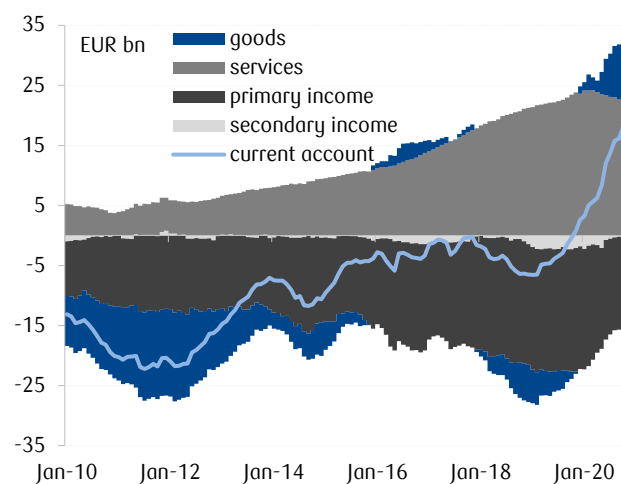
## Loans and deposits



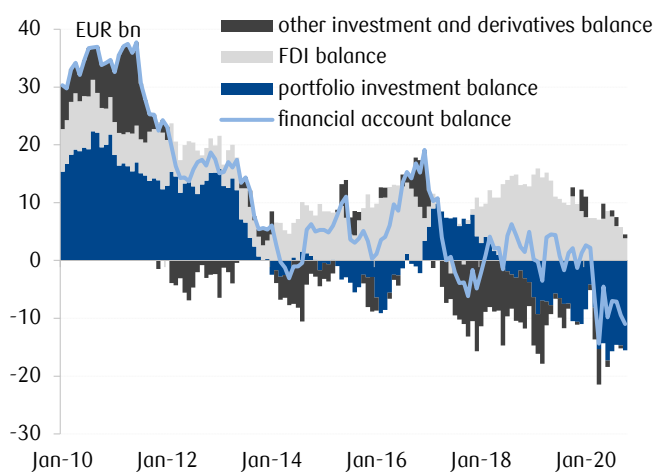
## Non-performing loans (NPLs) - by sectors\*



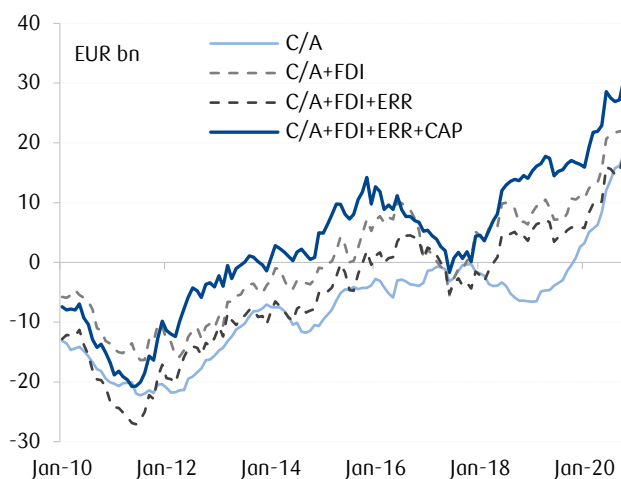
## Current account balance



## 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)
- [Lockdown 1.5](#) (Nov 6, 2020)
- [Fiscal space](#) (Oct 30, 2020)
- [Fearless?](#) (Oct 23, 2020)
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- [Inflation is not letting go](#) (Oct 2, 2020)
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- [Pandemonics](#) (Mar 13, 2020)
- [Polish MPC not infected](#) (Mar 6, 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 (%)	16.5	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)	3.4	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 manoeuvre 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.

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