

## Hawkish Governor in front of a hawkish MPC

### Top macro theme(s):

- **March Inflation Report – a turning point ahead? (p.2):** The inflation path in the new macroeconomic NBP projection has been substantially revised upward – in 2022 CPI should rise to 10.8% (from assumed 5.8% previously), in 2023 to 9% (from 3.7%) and in 2024 inflation will only mildly decrease, to 4.3%. GDP growth path has been only slightly reduced.

### What else caught our eye:

- **The MPC raised interest rates by 75bps pushing the reference rate up to 3.5% – the highest level since March 2013.** Stronger move than during previous meetings (75 vs 50bps) was anticipated by the market because of the recent pressure on the PLN. The sudden rise of risk aversion triggered by the Russian invasion on Ukraine has temporarily pushed the EURPLN towards 5.00, as the PLN – like other CEE currencies – has become a *proxy trade* for geopolitical risks. We wrote more about the MPC decision in our Macro Flash: [In defence of zloty](#). The NBP Governor A.Glapiński said on a traditional presser that the whole MPC is very hawkish and determined to squash inflation as fast as possible. According to A.Glapiński zloty is strongly undervalued and NBP shall do its best in order to make the currency appreciate. The Governor informed that the NBP is in talks with Fed, ECB and SNB concerning currency swap lines. We wrote more about the press conference in our Macro Flash: [Quite a hawkish message from the NBP](#). We forecast that the key NBP rate will terminate at 4.5% after two 50bps moves in April and May.

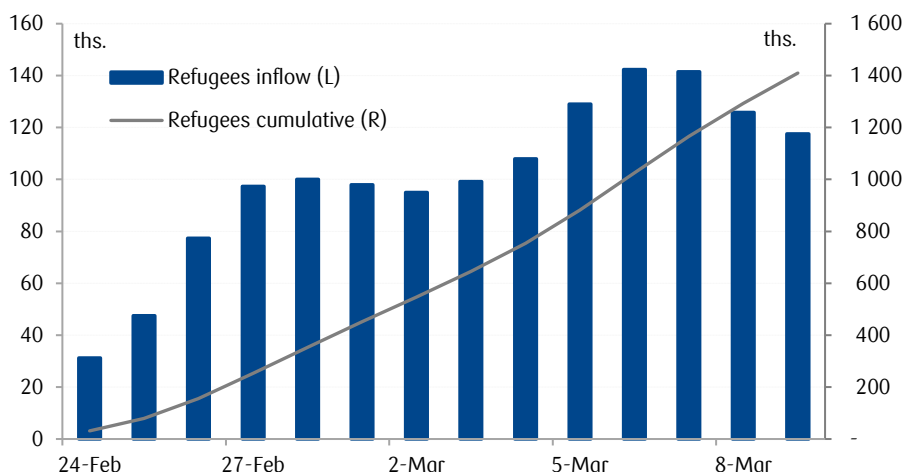
### The week ahead:

- **CPI inflation has likely dropped to 8.2% y/y in February.** The extension of Anti-inflationary Shield has on our estimates cut inflation by app. 2-3pp but higher fuel and food prices reduced its disinflationary effect. The CPI for January will be likely revised (from 9.2%, we expect additional 0.1-0.2pp) due to the CPI basket recalculation. Core inflation will likely rise to 6.1% y/y in January and 6.3% y/y in February.
- **Industrial production** has likely continued a strong upward trend in February and grew by 17.1% y/y, with strong inflationary pressure intact (PPI inflation at 15.3% y/y in Feb). The **labor market** data should indicate more and more tightening with wages growing by close to 10% y/y.
- **EU fund inflows** should improve the current account balance in January.

### Number of the week:

- **5.845** – market quotation of WIBOR 3M rates in 6 months (FRA 6x9).

### War refugees from Ukraine who has found asylum in Poland since 24<sup>th</sup> February



Source: Border Guard, 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

### Urszula Krynska

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

### Kamil Pastor

Economist  
kamil.pastor@pkobp.pl  
tel. +48 22 521 81 08

### Michał Rot

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

|                          | 2021 <sub>†</sub> | 2022 <sub>†</sub> |
|--------------------------|-------------------|-------------------|
| Real GDP (%)             | 5.7               | 3.3               |
| Industrial output (%)    | 15.4              | 10.6              |
| Unemployment rate* (%)   | 5.4               | 4.8               |
| CPI inflation** (%)      | 5.1               | 9.3               |
| Core inflation** (%)     | 4.1               | 7.6               |
| Money supply M3 (%)      | 8.9               | 5.6               |
| C/A balance (% GDP)      | -0.9              | -0.2              |
| Fiscal balance (% GDP)*  | -2.4              | -1.7              |
| Public debt (% GDP)*     | 56.3              | 53.2              |
| NBP reference rate** (%) | 1.75              | 4.50              |
| EURPLN <sub>††</sub>     | 4.60              | 4.55              |

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

## March Inflation Report – a turning point ahead?

- March Inflation Report – a turning point ahead? (p.2):** The inflation path in the new macroeconomic NBP projection has been substantially revised upward – in 2022 CPI should rise to 10.8% (from assumed 5.8% previously), in 2023 to 9% (from 3.7%) and in 2024 inflation will only mildly decrease, to 4.3%. GDP growth path has been only slightly reduced.

Fresh NBP projections differ significantly from the November estimates, especially on the side of CPI inflation, which was revised upwards again, clearly above the scenario presented in November. As we expected then (see our comment [“Fresh inflation projection already obsolete”](#)) inflation once again jumped above the inflation fan-chart (the range in which it is projected to be with 90% probability). In terms of economic growth, the NBP projection has also changed – after a robust recovery in 2021, GDP growth will slow down and in 4q22 it will be below 3%.

The new projection, taking into account the information released until March 7<sup>th</sup> (a cut-off date for the projection assumptions), brought a clear increase in CPI inflation forecasts. Acc. to it inflation is to hit 12.1% in 3q22 and stay at double-digit levels until mid-2023. Then comes a moderation, but throughout the whole forecast horizon inflation does not fall below the upper limit of the permissible volatility band around the NBP target (3.5%). The time span of the anti-inflationary shield is an important assumption for the inflation path here – the NBP assumed the actual state of affairs as of today, i.e. the shield will stay in place until August. The NBP also assumes that the peak in global energy and agricultural commodity prices will be reached in 2q22, and that the following quarters will bring a drop in these prices. Our assessment of inflation processes is similar, but in the short term we differ on the timing of the shield – we think that it will be extended at least until the end of 2022, which will move the inflation peak to 1q23. In the longer term, we see chances for a deeper decline in inflation (including core inflation) than assumed by the NBP, mainly due to weakening fundamental price pressure.

**Weakening inflationary pressure will be the result of sudden changes in the domestic labor market** (the effect of record-high immigration). In our opinion, it may slightly disturb the trajectory of wage growth, but the underlying trend will stabilize at a level close to the NBP expectations. However, we differ in the assessment of private consumption – according to the NBP by the end of 2024 the consumption growth rate will slow down to ~2%, clearly below our expectations. We reiterate our assessment that investment growth so far has been moderate and – unlike the NBP – we assume that the surge in risk aversion will spark a rapid correction of investment demand after the outbreak of the war in Ukraine. As a result, GDP growth will deteriorate as soon as in 2q22 (and not gradually, as assumed by the NBP projection). Importantly, starting from 3q22, the GDP growth in the NBP's forecast fluctuates close to the level of 3%, i.e. the level at which the economy was losing jobs historically. If it comes true, with the repetition of the historical pattern of the labor market reaction, it may mean a significant change in the function of the MPC's reaction (which is now struggling with inflation, similarly to other central banks in the region and in the world).

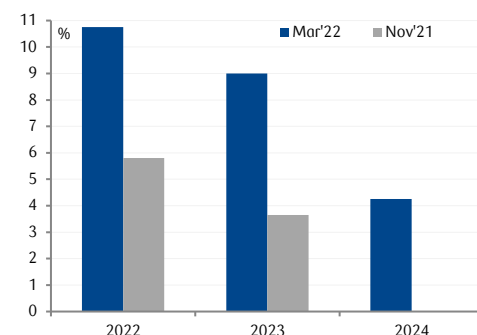
The March NBP projection supports our interest rate scenario (hikes in April and May by 50 bp and then the end of the cycle). A data-driven MPC has not yet recorded a downturn in the economic situation – the first signs of a negative surprise should appear along with the “hard” data for March (to be released in April). This means, in our opinion, that the willingness to continue the rate hikes cycle will

### March inflation and GDP projection

| %             | 2022 | 2023 | 2024 |
|---------------|------|------|------|
| CPI inflation | 10.8 | 9.0  | 4.2  |
| GDP           | 4.4  | 3.0  | 2.7  |

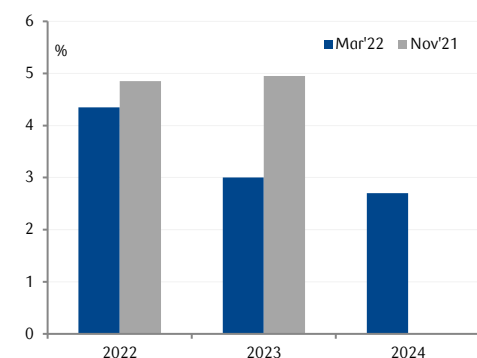
Source: NBP, PKO Bank Polski.

### March vs. November CPI projection



Source: NBP, PKO Bank Polski.

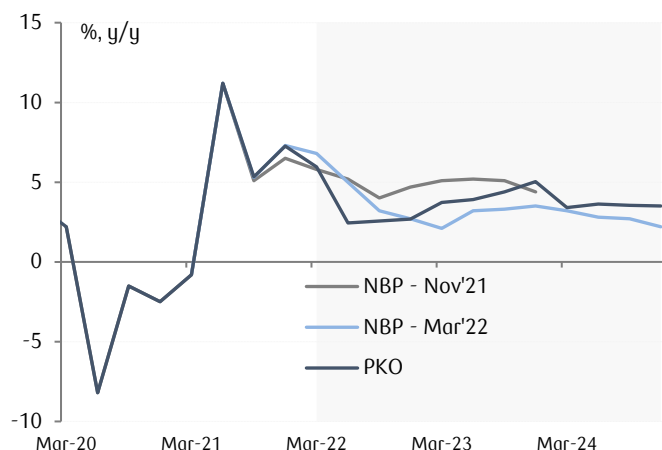
### March vs. November GDP growth projection



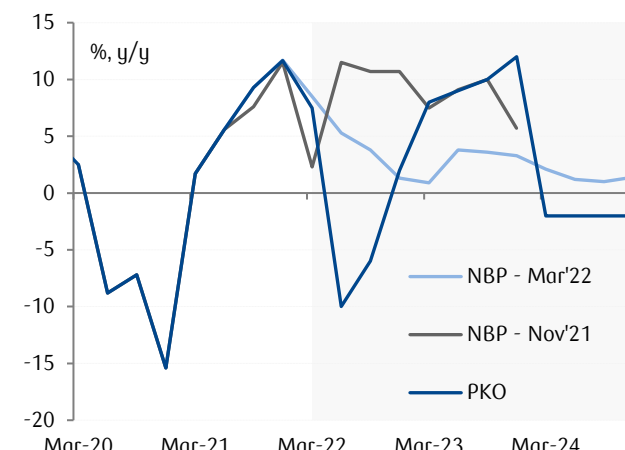
Source: NBP, PKO Bank Polski.

decrease significantly then. Further downside surprises in terms of economic activity (especially if the decline in investment expected by us is to be confirmed) would seal the end of the cycle. The MPC's attention would again focus on supporting economic growth (possibly also with the use of "non-standard" instruments).

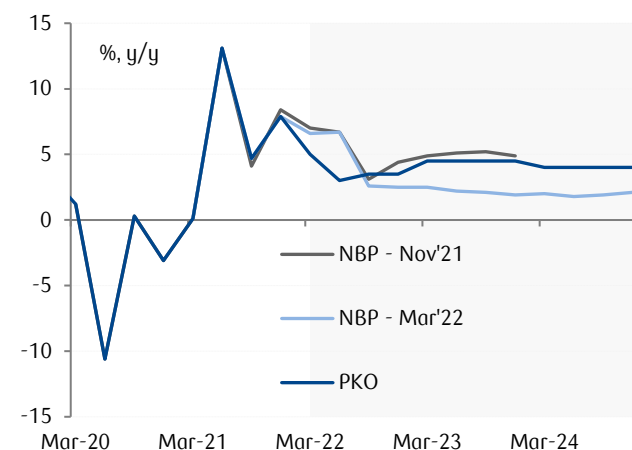
**GDP growth: PKO (now) vs NBP scenarios**



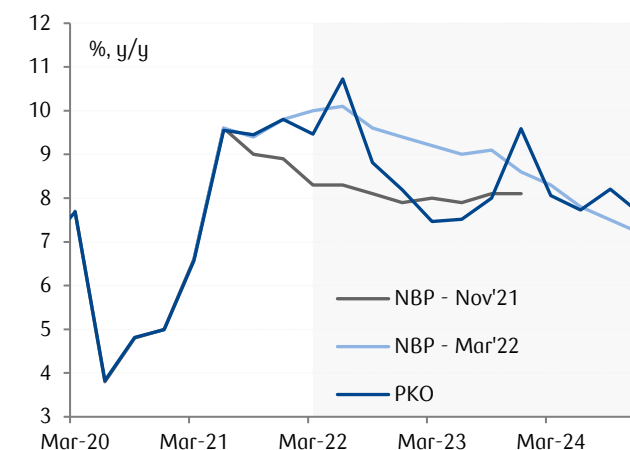
**Investments: PKO (now) vs NBP scenarios**



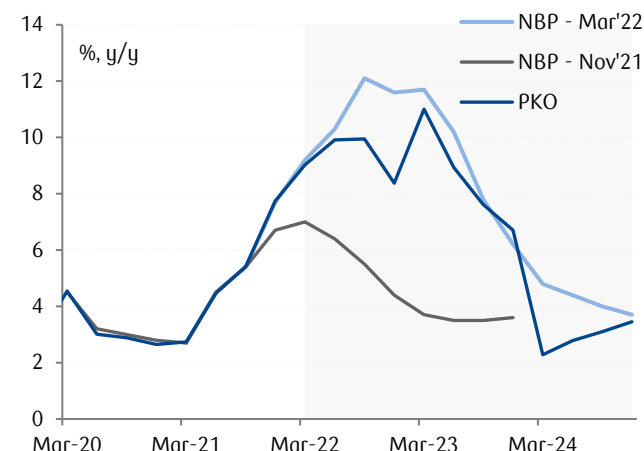
**Private consumption: PKO (now) vs NBP scenarios**



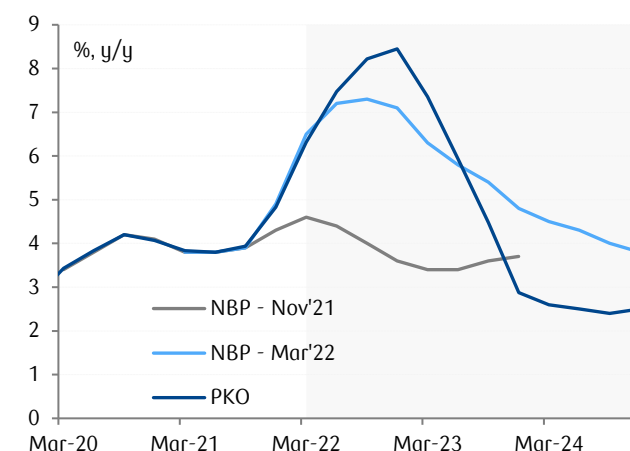
**Wages: PKO (now) vs NBP scenarios**



**CPI inflation: PKO (now) vs NBP scenarios**



**Core inflation: PKO (now) vs NBP scenarios**



Source: NBP, PKO Bank Polski.

## Weekly economic calendar

| Indicator                           | Time (UK) | Unit   | Previous  | Consensus* | PKO BP    | Comment  |
|-------------------------------------|-----------|--------|-----------|------------|-----------|--|
| Tuesday, 15 March                   |           |        |           |            |           |  |
| POL: CPI Inflation (Jan)            | 9:00      | % y/y  | 9.2       | 8,1        | 8.2       | We anticipate that Anti-inflationary Shield 2.0 (started in Feb) decreased CPI inflation by 2-3pp. Unfortunately, high fuel and food prices increases have limited the disinflationary impact of the Shield.   |
| GER: ZEW Economic Sentiment (Mar)   | 10:00     | pts.   | 54.3      | 17.0       | --        |  |
| EUR: Industrial production (Jan)    | 10:00     | % y/y  | 1.6       | -0.3       | --        |  |
| USA: PPI Inflation (Feb)            | 12:30     | % y/y  | 9.7       | 10.0       | --        |  |
| Wednesday, 16 March                 |           |        |           |            |           |  |
| USA: Retail sales (Feb)             | 12:30     | % m/m  | 3.8       | 0.4        | --        | We expect a seasonal boost for C/A from the EU funds inflows amid a widening trade in goods gap.   |
| USA: Retail sales excl. autos (Feb) | 12:30     | % m/m  | 3.3       | 0.8        | --        |  |
| POL: Current account balance (Jan)  | 13:00     | EUR mn | -3 957    | -943       | -871      |  |
| POL: Exports (Jan)                  | 13:00     | % y/y  | 19.4      | 23.1       | 25.5      |  |
| POL: Imports (Jan)                  | 13:00     | % y/y  | 35.9      | 38.9       | 42.4      |  |
| POL: Core inflation (Feb)           | 13:00     | % y/y  | 6.1*      | 6.3        | 6.3       | Core inflation should rise together with high inflationary pressure from both internal and external sector.  |
| USA: Fed meeting                    | 18:00     | %      | 0.00-0.25 | 0.25-0.50  | 0.25-0.50 |  |
| Thursday, 17 March                  |           |        |           |            |           |  |
| EUR: HICP inflation (Feb, final)    | 10:00     | % y/y  | 5.1       | 5,8        | --        | BoE will advance in interest rate hikes due to higher inflation pressures and labor market tightness.  |
| EUR: Core inflation (Feb, final)    | 10:00     | % y/y  | 2.4       | 2,5        | --        |  |
| UK: BoE meeting                     | 12:00     | %      | 0.5       | 0.75       | 0.75      |  |
| USA: Building Permits (Feb)         | 12:30     | mn     | 1.895     | 1.873      | --        |  |
| USA: Housing starts (Feb)           | 12:30     | mn     | 1.638     | 1.695      | --        |  |
| USA: Initial Jobless Claims         | 12:30     | thous  | 227       | --         | --        |  |
| USA: Industrial production (Feb)    | 13:15     | % m/m  | 1.4       | 0.5        | --        |  |
| Friday, 18 March                    |           |        |           |            |           |  |
| POL: Wages (Feb)                    | 9:00      | % y/y  | 9.5       | 9.9        | 9.8       | Polish labor market is still on fire and because of high inflation and tax law changes employers are forced to increase wages.<br>Employment in January has exceeded the pre-pandemic level. We expect further progress.<br>The strong upwards trend is still on. Industrial production benefits from high demand from the EU and easing of supply bottlenecks. Energy sector accounted for 1/3 of growth in last months, but in our opinion it reflects rather issues with price deflator rather than real growth of production.<br>Higher energy commodities prices as well as growth of intermediate goods (e. g. metal products) will push PPI higher. |
| POL: Employment (Feb)               | 9:00      | % y/y  | 2.3       | 2.2        | 2.2       |  |
| POL: Industrial production (Feb)    | 9:00      | % y/y  | 19.2      | 15.2       | 17.1      |  |
| POL: PPI inflation (Feb)            | 9:00      | % y/y  | 14.8      | 15.1       | 15.3      |  |
| EUR: Trade balance (Jan)            | 10:00     | EUR bn | -9.7      | --         | --        |  |
| USA: Existing home sales (Feb)      | 14:00     | mn     | 6.50      | 6.35       | --        |  |
| JAP: BoJ meeting                    | --        | %      | -0.1      | -0.1       | -0.1      |  |

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

## Selected economic indicators and forecasts

|   | Dec-21 | Jan-22 | Feb-22 | 4q21   | 1q22   | 2q22   | 3q22   | 2020   | 2021   | 2022   |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Economic activity</b>                    |        |        |        |        |        |        |        |        |        |        |
| Real GDP (% y/y)                            | x      | x      | x      | 7.3    | 6.0    | 2.4    | 2.6    | -2.5   | 5.7    | 3.3    |
| Domestic demand (% y/y)                     | x      | x      | x      | 11.2   | 9.2    | 2.8    | 2.2    | -3.7   | 8.2    | 4.0    |
| Private consumption (% y/y)                 | x      | x      | x      | 7.9    | 5.0    | 3.0    | 3.5    | -3.0   | 6.1    | 3.8    |
| Gross fixed capital formation (% y/y)       | x      | x      | x      | 11.7   | 7.5    | -10.0  | -6.0   | -9.6   | 7.9    | -1.5   |
| Inventories (pp)                            | x      | x      | x      | 4.1    | 3.8    | 1.5    | 0.2    | 1.3    | 0.8    | 0.4    |
| Net exports (pp)                            | x      | x      | x      | -3.2   | -2.7   | -0.1   | 0.5    | 0.8    | 0.3    | 0.0    |
| Industrial output (% y/y)                   | 16.7   | 19.2   | 17.1   | 12.9   | 15.4   | 10.9   | 12.5   | -1.0   | 15.4   | 10.6   |
| Construction output (% y/y)                 | 3.1    | 20.8   | 18.7   | 6.3    | 14.1   | 4.1    | 12.9   | -2.7   | 1.6    | 8.1    |
| Retail sales (real, % y/y)                  | 8.0    | 10.6   | 8.6    | 8.8    | 8.5    | 10.6   | 5.4    | -2.7   | 7.6    | 8.8    |
| Nominal GDP (PLN bn)                        | x      | x      | x      | 751.3  | 659.7  | 670.0  | 700.6  | 2327   | 2603   | 2840   |
| <b>Labour market</b>                        |        |        |        |        |        |        |        |        |        |        |
| Registered unemployment rate‡(%)            | 5.4    | 5.5    | 5.4    | 5.4    | 5.4    | 4.9    | 4.7    | 6.3    | 5.4    | 4.8    |
| Employment in enterprises (% y/y)           | 0.5    | 2.3    | 2.2    | 0.6    | 2.2    | 1.4    | 1.2    | -1.2   | 0.5    | 1.4    |
| Wages in enterprises (% y/y)                | 11.2   | 9.5    | 9.8    | 9.8    | 9.6    | 11.7   | 10.3   | 4.8    | 8.8    | 10.4   |
| <b>Prices^</b>                              |        |        |        |        |        |        |        |        |        |        |
| CPI inflation (% y/y)                       | 8.6    | 9.2    | 8.3    | 7.7    | 9.0    | 9.9    | 9.9    | 3.3    | 5.1    | 9.3    |
| Core inflation (% y/y)                      | 5.3    | 6.1    | 6.4    | 4.8    | 6.3    | 7.5    | 8.2    | 3.9    | 4.1    | 7.6    |
| 15% trimmed mean (% y/y)                    | 6.4    | x      | x      | 5.7    | x      | x      | x      | 3.9    | 4.1    | x      |
| PPI inflation (% y/y)                       | 14.4   | 14.8   | 15.3   | 13.1   | 14.2*  | 11.5*  | 9.7*   | -0.5   | 7.8    | 10.5*  |
| <b>Monetary aggregates‡</b>                 |        |        |        |        |        |        |        |        |        |        |
| Money supply, M3 (PLN bn)                   | 1985.0 | 1973.0 | 1985.0 | 1985.0 | 1998.2 | 2024.6 | 2046   | 1822.7 | 1985.0 | 2096.7 |
| Money supply, M3 (% y/y)                    | 8.9    | 7.7    | 8.1    | 8.9    | 7.3    | 7.9    | 6.9    | 16.4   | 8.9    | 5.6    |
| Real money supply, M3 (% y/y)               | 0.2    | -1.4   | -0.2   | 1.1    | -1.6   | -1.8   | -2.8   | 12.7   | 3.6    | -3.4   |
| Loans, total (PLN bn)                       | 1403.5 | 1402.6 | x      | 1403.5 | 1405.7 | 1438.7 | 1466.2 | 1333.8 | 1403.5 | 1474.2 |
| Loans, total (% y/y)                        | 5.2    | 4.9    | x      | 5.2    | 4.6    | 6.6    | 6.5    | 0.8    | 5.2    | 5.0    |
| Deposits, total (PLN bn)                    | 1780.1 | 1794.1 | x      | 1780.1 | 1846.3 | 1869.0 | 1894.7 | 1602.2 | 1780.1 | 1878.3 |
| Deposits, total (% y/y)                     | 11.1   | 10.2   | x      | 11.1   | 10.6   | 8.4    | 5.4    | 13.9   | 11.1   | 5.5    |
| <b>Balance of payments</b>                  |        |        |        |        |        |        |        |        |        |        |
| Current account balance (% GDP)             | -0.9   | -1.4   | -1.4   | -0.9   | -1.3   | -1.1   | -0.8   | 2.9    | -0.9   | -0.2   |
| Trade balance (%GDP)                        | -0.1   | -0.2   | -0.3   | -0.1   | -0.5   | -0.8   | -0.5   | 2.4    | -0.1   | -0.1   |
| FDI (% GDP)                                 | 2.7    | 2.5    | 2.4    | 2.7    | 2.4    | 2.2    | 1.7    | 2.1    | 2.7    | 1.8    |
| <b>Fiscal policy</b>                        |        |        |        |        |        |        |        |        |        |        |
| Fiscal balance (% GDP)                      | x      | x      | x      | x      | x      | x      | x      | -7.1   | -2.4   | -1.7   |
| Public debt (% GDP)                         | x      | x      | x      | x      | x      | x      | x      | 57.4   | 56.3   | 53.2   |
| <b>Monetary policy‡</b>                     |        |        |        |        |        |        |        |        |        |        |
| NBP reference rate (%)                      | 1.75   | 2.25   | 2.75   | 1.75   | 3.50   | 4.50   | 4.50   | 0.10   | 1.75   | 4.50   |
| NBP lombard rate (%)                        | 2.25   | 2.75   | 3.25   | 2.25   | 4.00   | 5.00   | 5.00   | 0.50   | 2.25   | 5.00   |
| NBP deposit rate (%)                        | 1.25   | 1.75   | 2.25   | 1.25   | 3.00   | 4.00   | 4.00   | 0.00   | 1.25   | 4.00   |
| WIBOR 3M <sup>x</sup> (%)                   | 2.54   | 3.02   | 3.65   | 2.54   | 4.20   | 4.70   | 4.70   | 0.21   | 2.54   | 4.70   |
| Real WIBOR 3M <sup>x</sup> (%) <sup>#</sup> | -6.11  | -6.23  | -4.70  | -5.20  | -4.82  | -5.21  | -5.25  | -3.06  | -2.54  | -4.61  |
| <b>Exchange rates*‡</b>                     |        |        |        |        |        |        |        |        |        |        |
| EUR-PLN                                     | 4.60   | 4.60   | 4.69   | 4.60   | 4.72   | 4.64   | 4.60   | 4.61   | 4.60   | 4.55   |
| USD-PLN                                     | 4.06   | 4.11   | 4.20   | 4.06   | 4.29   | 4.18   | 4.11   | 3.75   | 4.06   | 4.03   |
| CHF-PLN                                     | 4.45   | 4.42   | 4.55   | 4.45   | 4.58   | 4.42   | 4.34   | 4.25   | 4.45   | 4.25   |
| EUR-USD                                     | 1.13   | 1.12   | 1.12   | 1.13   | 1.10   | 1.11   | 1.12   | 1.23   | 1.14   | 1.13   |

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^  |
|----------------|---------------|---|
| R. Sura        | 2.7           | "It is obvious that the zloty appreciation would support us in fighting inflation. (...) And as a central bank, in the frame of available means, outlined under the monetary policy strategy, we will be supporting that direction." (01.03.2022, PAP).   |
| J. Zyzynski    | 2.4           | "The war in Ukraine and its fallout raise doubts about the interest rate outlook. Should they be raised again at such precarious times? Can we rein in the economy while uncertainty is only growing? (...) There really aren't any arguments for continuing aggressive hikes." (28.02.2022, Bloomberg)   |
| C. Kochalski   | 2.2           | "If we assume an optimistic scenario, meaning that omicron won't be devastating for the economy and we reconfirm that the economy became immune, then considering a 50bps rate increase in February would be justified" (21.01.2022, Interia, Bloomberg).   |
| A. Glapinski   | 1.8           | "Our further decisions will still be directed at ensuring price stability in mid-term, while at the same time supporting sustainable economic growth (...) The unemployment rate is low and the number of job offers is growing (...) Because of that, we won't cause severe unemployment growth by raising NBP rates now, but we will rather prevent excessive growth of wage pressure" (17.02.2022, Super Express / PAP)  |
| L. Kotecki     | --            | "I believe we should still remember that we are in a tightening cycle because there is a big risk that we lose control over inflation expectations. (...) [The cycle] should not be accelerated but should be continued since inflation is at a very high level, not because of the war but simply due to reasons that were present before the war. They have not been invalidated by the war outbreak." (01.03.2022, onet.pl, PAP)   |
| P. Litwiniuk   | --            | "In my opinion, such a pace of hikes [by 50 bps] or more generally speaking, gradual actions, would be more welcome than sudden changes in the monetary policy. (...) I hope the decisive steps of the NBP, combined with government actions, will stop that manifestation of a 'vicious circle' of inflation phenomena" (23.02.2022, PAP)  |
| W. Janczyk     | --            | "Polish inflation will be mitigated by the anti-inflation shields, with declines seen already in February and March. (...) Coming months should bring better news than expected on the inflation front" (23.02.2020, TVP Info via PAP).   |
| H. Wnorowski   | --            | "In general I am convinced that fighting inflation and stabilization of its level is [important] to both the central bank and the Polish government. (...) That's why instruments at the disposal of the [central] bank, i.e. interest rates and currency rate, will still be used for some time to come. (...) I deeply believe that the February reading will settle well below [the 9.2% January print] and [that] we will be heading towards stabilization [of inflation]." (23.02.2022, PAP) |
| I. Dqbrowski   | --            | --  |
| (Vacant place) | --            | --  |

\*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). ^Quotes in bold have been modified in this issue of Poland Macro Weekly.

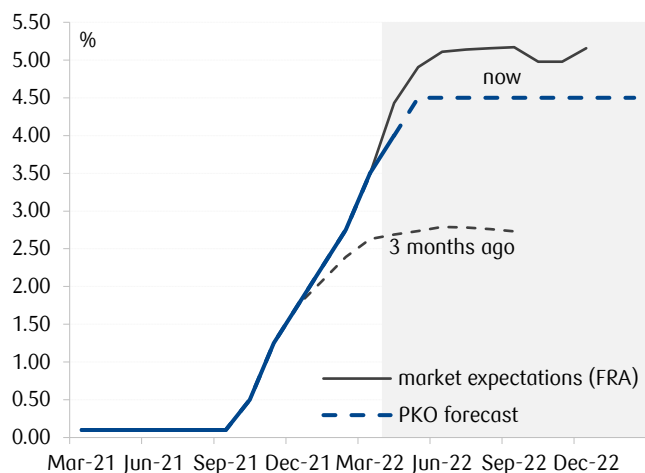
### Interest rates – PKO BP forecasts vs. market expectations

|                        |        | 1M     | 2M     | 3M     | 4M     | 5M     | 6M     | 7M     | 8M     | 9M     |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Date                   | 10-Mar | 10-Apr | 10-May | 10-Jun | 10-Jul | 10-Aug | 10-Sep | 10-Oct | 10-Nov | 10-Dec |
| WIBOR 3M/FRA†          | 4.18   | 5.11   | 5.59   | 5.79   | 5.82   | 5.84   | 5.85   | 5.66   | 5.66   | 5.84   |
| implied change (b. p.) |        | 0.93   | 1.41   | 1.61   | 1.64   | 1.66   | 1.67   | 1.48   | 1.48   | 1.66   |
| MPC Meeting            | 8-Mar  | 6-Apr  | 5-May  | 8-Jun  | 7-Jul  | -      | 7-Sep  | 5-Oct  | 9-Nov  | 7-Dec  |
| PKO BP forecast*       | 3.50   | 4.00   | 4.50   | 4.50   | 4.50   | 4.50   | 4.50   | 4.50   | 4.50   | 4.50   |
| market pricing*        |        | 4.43   | 4.91   | 5.11   | 5.14   | 5.16   | 5.17   | 4.98   | 4.98   | 5.16   |

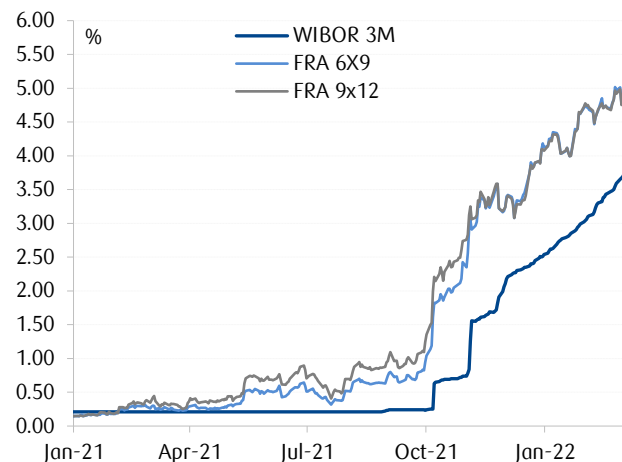
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, \*PKO BP forecast of the NBP reference rate.

## Poland macro chartbook

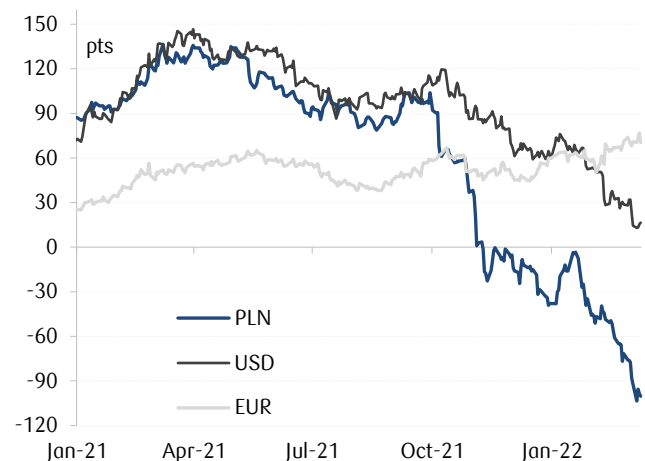
### NBP policy rate: PKO BP forecast vs. market expectations



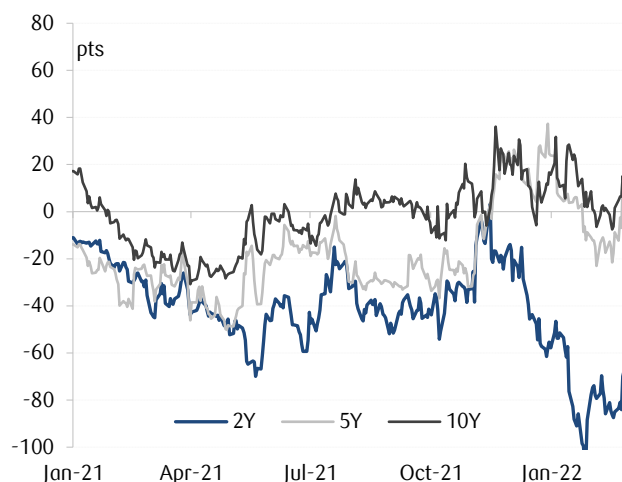
### Short-term PLN interest rates



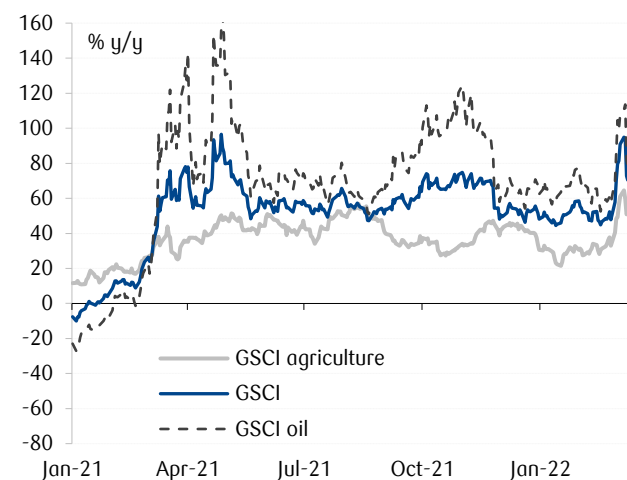
### Slope of the swap curve (spread 10Y-2Y)\*



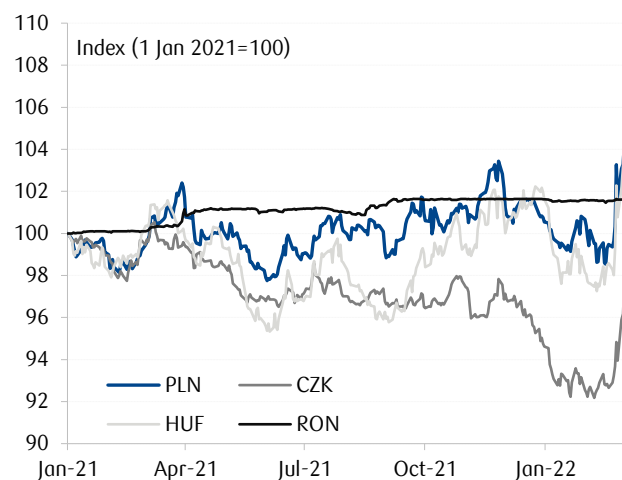
### PLN asset swap spread



### Global commodity prices (in PLN)



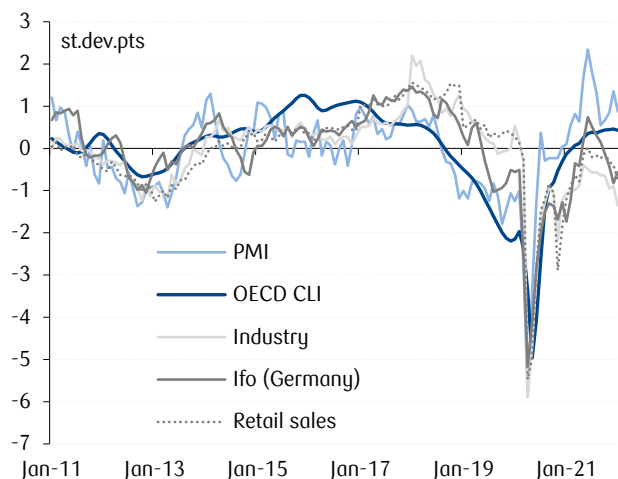
### Selected CEE exchange rates against the EUR



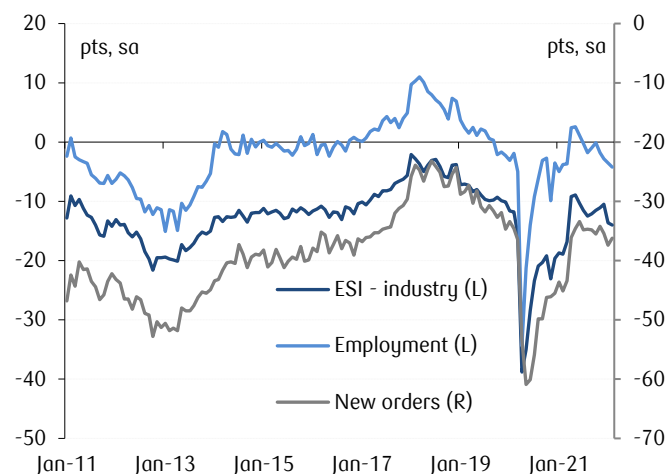
Source: Datastream, NBP, PKO Bank Polski. \*for PLN, and EUR 6M, for USD 3M.



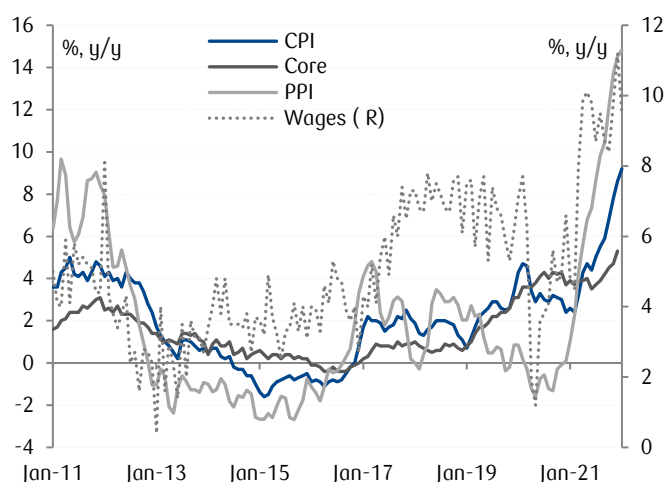
## Economic sentiment indicators



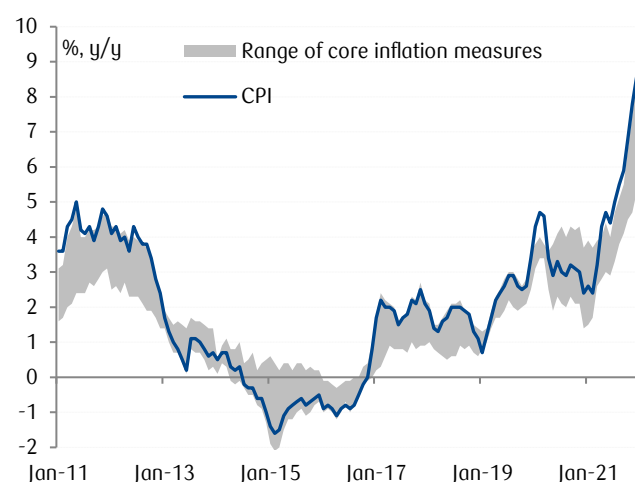
## Poland ESI for industry and its components



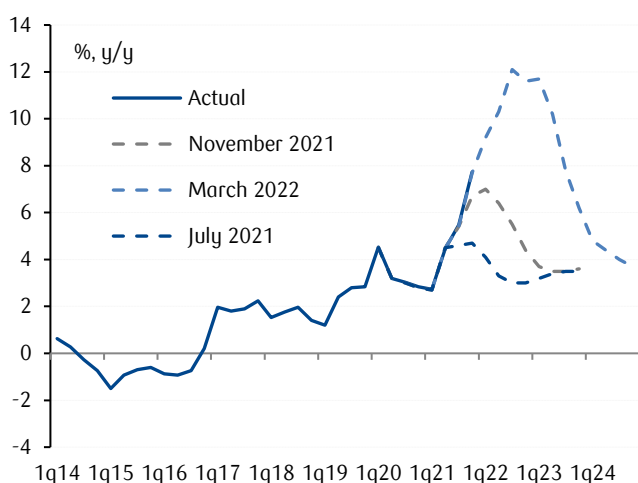
## Broad inflation measures



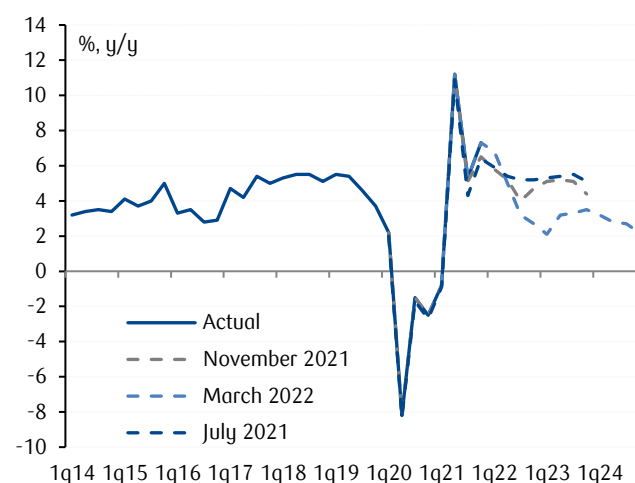
## CPI and core inflation measures



## CPI inflation – NBP projections vs. actual



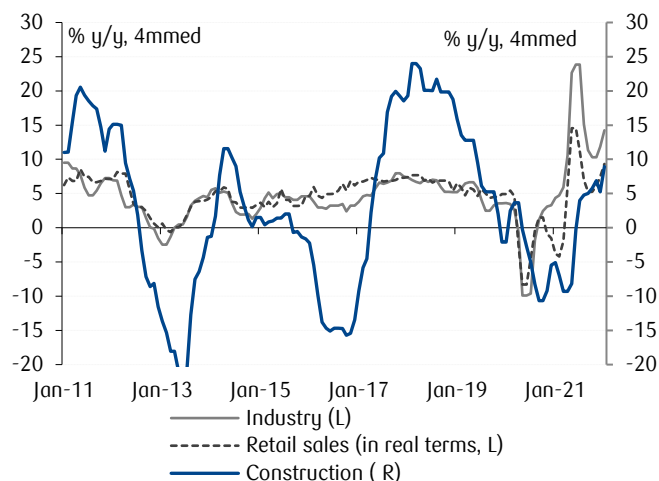
## Real GDP growth – NBP projections vs. actual



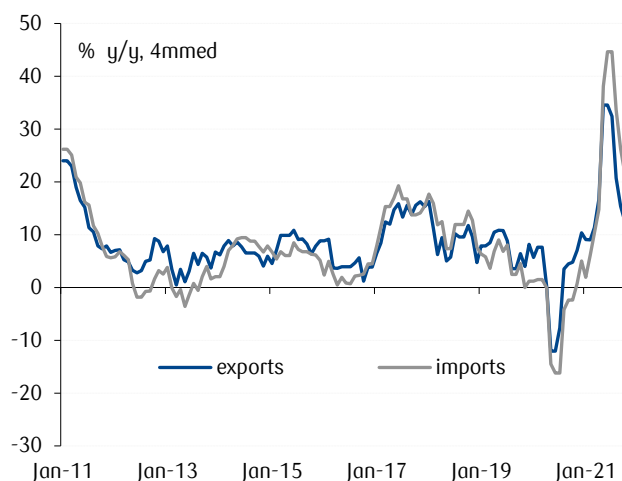
Source: Datastream, GUS, EC, NBP, PKO Bank Polski.



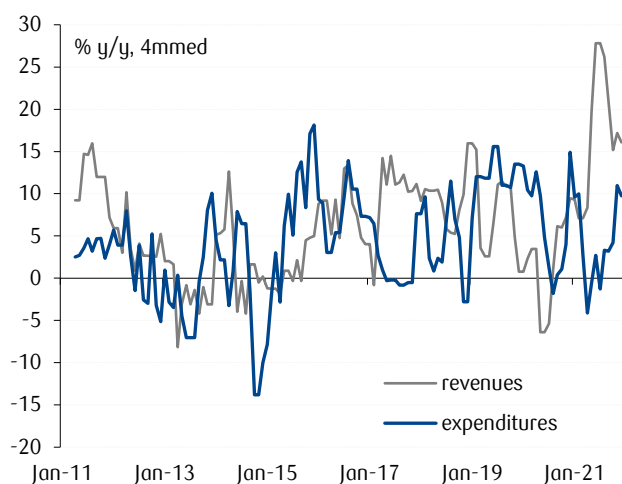
## Economic activity indicators



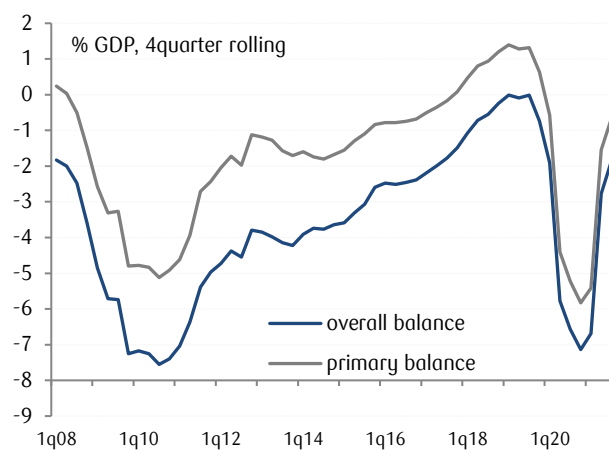
## Merchandise trade (in EUR terms)



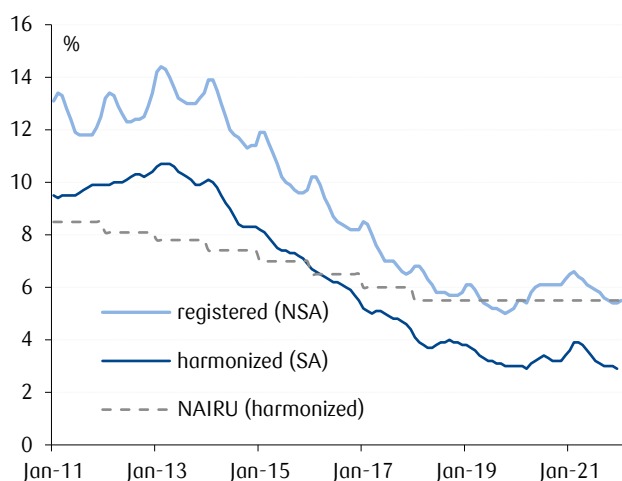
## Central government revenues and expenditures\*



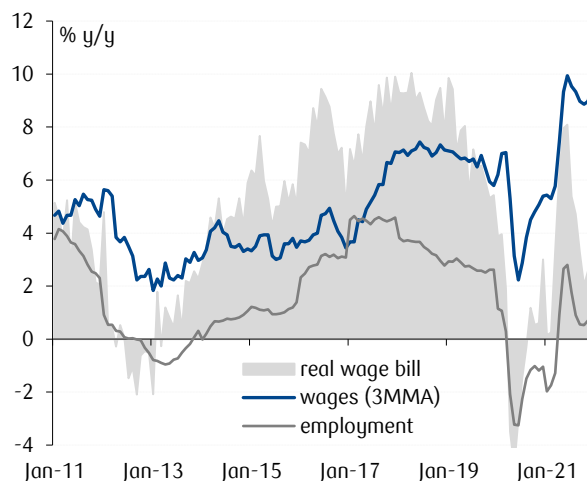
## General government balance (ESA2010)



## Unemployment rate

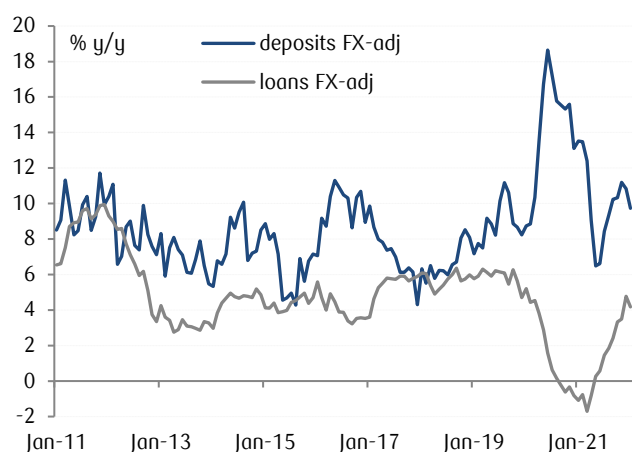


## Employment and wages in the enterprise sector

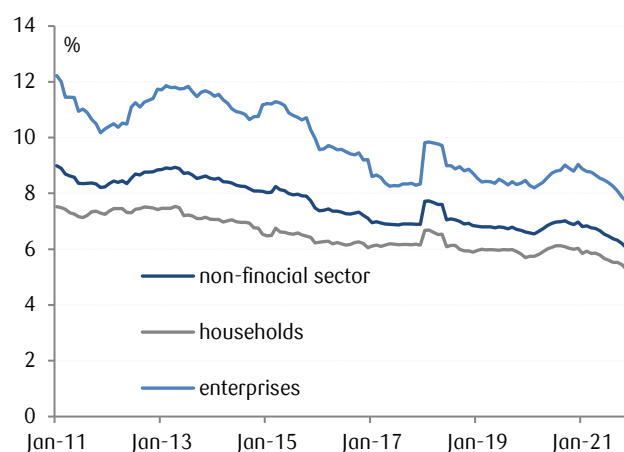


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. \*break in series in 2010 due to methodological changes.

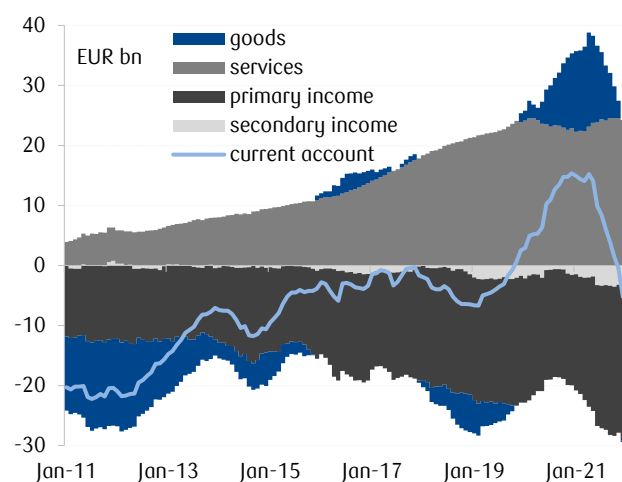
## Loans and deposits



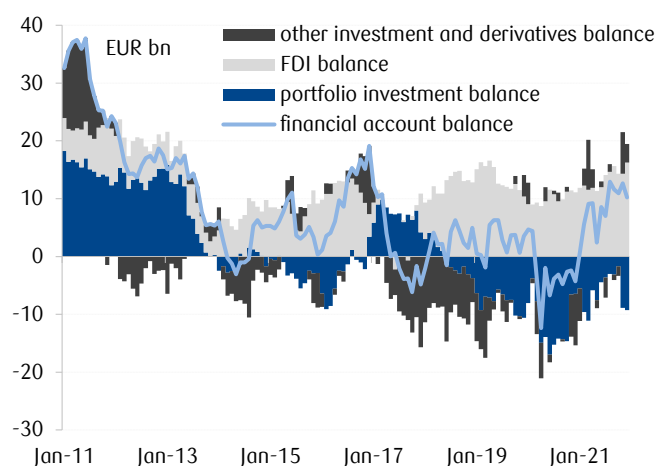
## Non-performing loans (NPLs) – by sectors\*



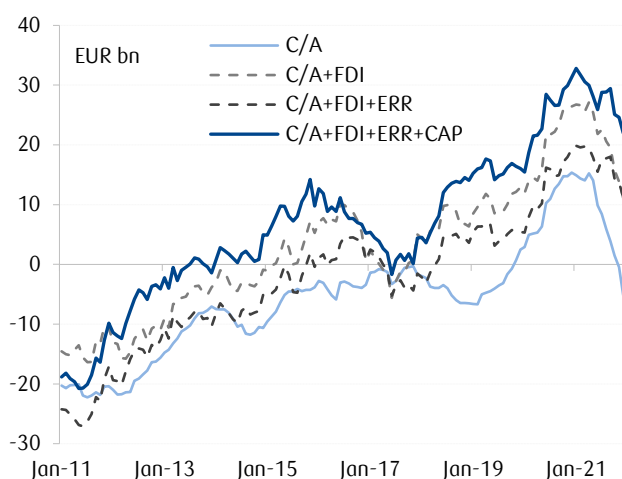
## Current account balance



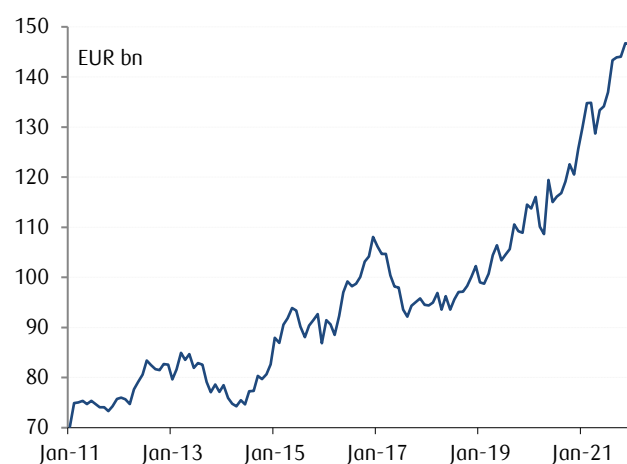
## Financial account balance



## External imbalance measures



## NBP FX reserves (in EUR terms)



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

## Previous issues of PKO Macro Weekly:

- [#StandWithUkraine](#) (Mar 04, 2022)
- [Russian invasion - repercussions for Poland](#) (Feb 25, 2022)
- [A moment of relief for the MPC](#) (Feb 18, 2022)
- [NBP likes stronger PLN](#) (Feb 11, 2022)
- [Can we afford the Anti-Inflationary Shield?](#) (Feb 4, 2022)
- [GDP growth surged in 4q21 to end 2021 on a high note](#) (Jan 28, 2022)
- [Successful 2021 behind us, challenging 2022 ahead](#) (Jan 21, 2022)
- [Inflation's back, policy fights back](#) (Jan 14, 2022)
- [Housing market boom is getting over](#) (Dec 17, 2021)
- [It's not the last word on the matter](#) (Dec 10, 2021)
- [Monetary policy dilemmas](#) (Dec 3, 2021)
- [It's getting tricky](#) (Nov 26, 2021)
- [Macro picture is getting cloudy](#) (Nov 19, 2021)
- [Normalisation](#) (Nov 12, 2021)
- [Can households afford NBP rate hikes?](#) (Nov 5, 2021)
- [Inflation dilemma could reignite policy tightening](#) (Oct 29, 2021)
- [Missing parts](#) (Oct 22, 2021)
- [Costly recovery](#) (Oct 15, 2021)
- [It's normalisation time](#) (Oct 8, 2021)
- [Red-hot housing market, red-hot CPI inflation](#) (Oct 1, 2021)
- [Cautious optimism despite a few cracks](#) (Sep 24, 2021)
- [Inflation talk heats up again](#) (Sep 17, 2021)
- [No dogmatic approach on inflation](#) (Sep 10, 2021)
- [Consumption-based recovery](#) (Sep 3, 2021)
- [Budget surplus ahead?](#) (Aug 27, 2021)
- [Maturing recovery](#) (Aug 20, 2021)
- [Double digit expansion](#) (Aug 13, 2021)
- [Economy on holidays](#) (Aug 6, 2021)
- [American style inflation, American style monetary policy](#) (Jul 30, 2021)
- [A double-digit rebound](#) (Jul 23, 2021)
- [Is the CPI inflation really on hold?](#) (Jul 16, 2021)
- [MPC on hold until late autumn](#) (Jul 9, 2021)
- [House price growth accelerates after pandemic slowdown](#) (Jul 2, 2021)
- [Straight to the hot summer](#) (Jun 25, 2021)
- [Back to pre-pandemic trends](#) (Jun 18, 2021)
- [MPC waits and doesn't see](#) (Jun 11, 2021)
- [Economy roars out of lockdown](#) (May 28, 2021)

## Poland's macro in a nutshell

|                                   | 2021 | 2022 | Comment   |
|-----------------------------------|------|------|---|
| <b>Real economy</b>               |      |      |   |
| - real GDP (%)                    | 5.7  | 3.3  | The war in Ukraine and the economic war between Russia and West create significant risk factors for the GDP outlook (negative impact of higher inflation, surge in risk aversion limiting private demand and investment activity). We have downgraded GDP outlook and now pencil in GDP growth rate in 2022 at 3.3% (down from 4.1%). On the other hand the strong economic momentum at the turn of 21/22 creates some positive buffer in terms of the whole 2022 result. |
| <b>Prices</b>                     |      |      |   |
| - CPI inflation (%)               | 5.1  | 9.3  | Another surge in energy prices (this time oil price spike) has neutralized an impact of the anti-inflationary shield on CPI inflation. Assuming that the shield will be prolonged at least until the end of 2022 we estimate CPI inflation at 9.3% in 2022. Food prices in summer as well as global commodity prices and PLN exchange rate are most important risk factors for our forecast.  |
| <b>Monetary aggregates</b>        |      |      |   |
| - M3 money supply (%)             | 8.9  | 5.6  | The outbreak of the war in Ukraine can limit down demand on loans significantly with deposits boosted by the state intervention (same as in the case of pandemic response). Our high frequency data signal rising likelihood of such scenario (what implies additional downside risks for GDP growth rate).   |
| <b>External balance</b>           |      |      |   |
| - current account balance (% GDP) | -0.9 | -0.2 | Rising commodity prices limit the chance for C/A surplus in 2022. Recurring supply constraints (e.g. shortage of automotive components manufactured in Ukraine) has triggered production outages, limiting exports volumes at the same time. On the other hand, a drop of imports-intensive investments (rising risk aversion of corporations amid extreme uncertainty) should partially offset this negative impact.   |
| <b>Fiscal policy</b>              |      |      |   |
| - fiscal balance (% GDP)          | -2.4 | -1.7 | High growth rate of nominal GDP supports fiscal revenues. Fiscal result in 2022 will hinge on the size of anti-inflationary shields (most likely they will be extended unit year-end) and a support for refugees, i.e. fiscal spending mainly via off-budget entities.  |
| <b>Monetary policy</b>            |      |      |   |
| - NBP reference rate (%)          | 1.75 | 4.50 | The stagflationary impact of war makes policy choices for monetary authorities more tricky. We still believe that monetary tightening will be continued in a pretty decisive way (with two more rate hikes by 50 bp in April and May) until the slowdown becomes apparent.  |

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

The above information has been prepared for informational purposes only and is provided to PKO BP SA Group clients. It is not an offer (as understood under the Civil Law of 23rd April 1964) to buy or sell or the solicitation of an offer to buy or sell any financial instrument and does not constitute the provision of investment, legal or tax advice. It is also not intended to provide a sufficient basis on which to make an investment decision. The above information has been obtained from or based upon sources believed to be reliable, but PKO BP SA Group does not warrant its completeness or accuracy. PKO Bank Polski Group strongly recommends that clients independently evaluate particular investments and accepts no liability for the financial effect of its clients' investment decisions.

The above information is prepared and/or communicated by Powszechna Kasa Oszczędności Bank Polski S.A., registered in the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register under KRS number 0000026438, Tax Identification Number (NIP): 525-000-77-38, REGON: 016298263, share capital 1,250,000,000 PLN.