

It's getting tricky

Top macro theme(s):

- **Lower inflation, higher rates, stronger PLN (p. 2):** The government announced an anti-inflation package. Temporary tax cuts will lower the expected inflation peak by app. 1.5pp. Despite the package, the NBP will stay in the tightening mode. Higher rates, strong activity results and verbal interventions from both the NBP and the government should support the PLN.

What else caught our eye:

- **NBP governor A.Glapinski** said that rate hikes in October-November and the fact that market participants expect further policy tightening should be positive for the zloty. Moreover, the governor stressed that scale of monetary policy tightening would be such that inflation would return to the target in the MPC policy horizon. Policy actions will depend on the upcoming data.
- **M3 money supply growth in October stabilized at 8.6% y/y.** The share of cash in M3 continues to decline, as does its growth rate (12.6% y/y vs. 14.8% y/y a month earlier). For the first time since January 2020, the ratio of term deposits to current deposits increased, which may be the first reaction to the start of a monetary tightening cycle.
- **The value of investments planned in 3q21 declined by 10.5% y/y (-16.8% y/y in 1h21).** The data support our view that the upcoming investment boom will be moderate.
- **Industrial new orders in October went up by 23.4% y/y, while new export orders increased by 13.3% y/y.** This is yet another month when domestic orders are growing slightly faster than export orders - a sign of weaker foreign demand, which the domestic industry is so far bravely resisting.

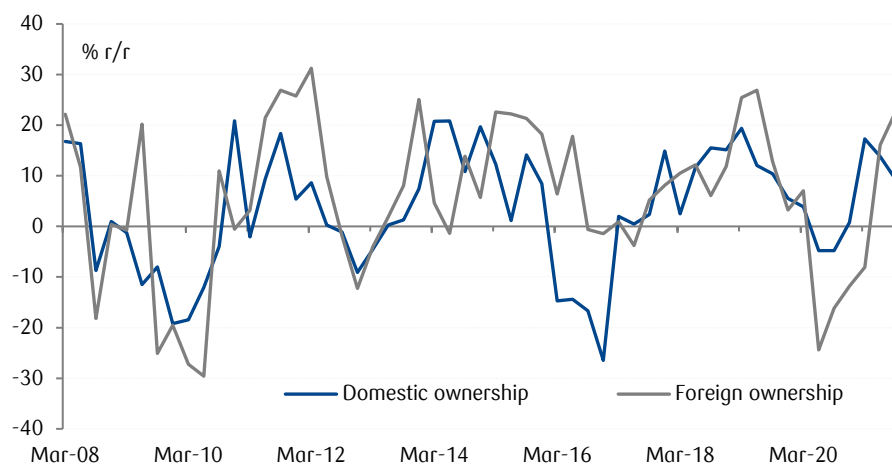
The week ahead:

- **CPI inflation** in November likely went up to ~7.4% y/y from 6.8% y/y in October. A broad-base acceleration was driven by energy, fuel and food prices as well as a higher core inflation.
- **Manufacturing PMI in November** has still been affected by the supply constraints and shortages that are pushing the prices up.
- **GDP growth in 3q21 is likely to be confirmed at 5.1% y/y** as investment growth has remained subdued.

Number of the week:

- **51.9 bn PLN - state budget surplus** after October - a new all-time high - up from PLN 47.6 bn after September.

Chart of the week: Corporate sector investment by ownership type



Source: GUS, Pontinfo, PKO Bank Polski.

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	2020	2021 _†
Real GDP (%)	-2.5	5.3
Industrial output (%)	-1.0	13.2
Unemployment rate [#] (%)	6.2	5.8
CPI inflation ^{**} (%)	3.4	5.0 ^{*#}
Core inflation ^{**} (%)	3.9	4.1 ^{*#}
Money supply M3 (%)	16.4	9.0
C/A balance (% GDP)	2.9	0.0
Fiscal balance (% GDP)*	-7.1	-1.7
Public debt (% GDP)*	57.4	56.8
NBP reference rate ^{##} (%)	0.10	1.75
EURPLN ^{‡##}	4.61	4.60

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. *#under revision.

Lower inflation, higher rates, stronger PLN

- The government announced an anti-inflation package. Temporary tax cuts will lower the expected inflation peak by app. 1.5pp.
- Despite the package, the NBP will stay in the tightening mode. Higher rates, strong activity results (close to 6% GDP growth in 4q21) and verbal interventions from both the NBP and the government should support the PLN.

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The government announced an anti-inflation package aimed at lowering inflation and reducing its negative impact on households. The measures announced include: (1) a reduction of fuel prices via a cut to excise duty on fuel to the minimum level allowed in the EU and exempting fuels from the retail tax and emission fee; (2) lowering the final total cost of gas and electricity bills for households via cuts in excise (households will be exempted from the tax while for other users it will be cut to the EU minimum) and via reduction of VAT (on gas by 15pp to 8% and on energy by 18pp to 5%). The government also announced a subsidy for around 40% less-earning households worth PLN 400-1.150 PLN (~EUR 85-250; depending on income criteria). We estimate the total value of the transfer for app. PLN 4 bn. The benefit, which should offset price hikes, will be paid out in two tranches in 2022. Assuming that the tranches will be split between 1q and 2q22, the subsidy will account for app. 0,6% of private consumption in 1h22.

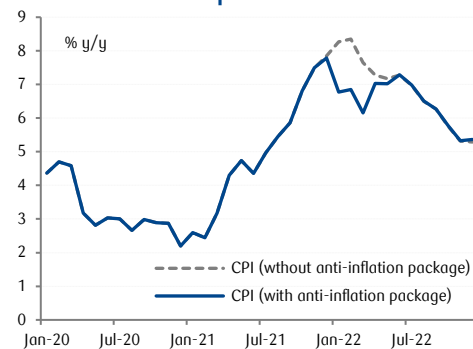
The tax cuts will be temporary – lower excise on fuels will start on December 20th and last for 5 months, fuels will be exempted from the retail tax and emission fee for 5 months starting on January 1st, reduction of VAT on gas and energy will start on January 1st and last 3 months.

The package shifts our inflation forecast for December 2021- May 2022 down, with the biggest impact in January-March (see chart). With the package CPI inflation will peak in December 2021 (compared to February 2022 assuming no package), slightly below 8% y/y (compared to app. 8.4% y/y). On average, in 1q21 the CPI inflation will be app. 1.5pp lower due to the package (at around 6% compared to 8%). With the package the average 2022 inflation declines to 6.4 from 6.8%. Due to its temporary nature the package slightly increases the CPI path in 1h23 and shifts our 2023 forecast to 4.9% from 4.5%.

The package (temporarily) lowers inflation, but does not lower our interest rates expectations. We still expect two more hikes (at least), by 50pb in December and by 25bp in January. In our view the package cuts the risk of inflationary spillovers and de-anchoring of inflationary expectations, thus reducing the pressure on MPC for a more aggressive cycle (which is by the way still priced in by the market). On the other hand, with 2023 inflation forecast now close to 5% we see risk of some additional fine-tuning on the side of interest rates in 2h22 (assuming the positive GDP growth prospects remain intact).

A continuation of hikes, despite smoother CPI path, should support the PLN, just as verbal interventions of both the central bank and the government. During last 7 days in two separate interviews the NBP Governor A.Glapinski said that in the environment of elevated inflation further weakening of PLN would not be consistent with fundamentals of the Polish economy or with the monetary

New and old CPI path



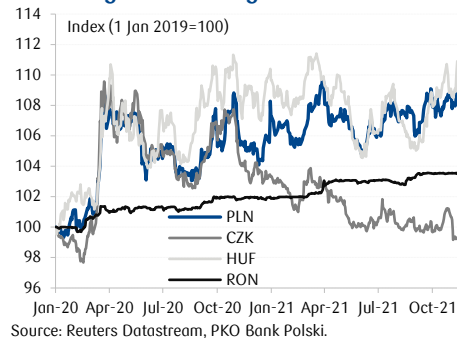
Source: GUS, Prime Minister Office, PKO Bank Polski.

policy led by the NBP. The Governor also reminded that NBP has the right to intervene on the FX market. We perceive these comments as a form of verbal intervention and a clear sign that the elevated EURPLN level (generating additional inflationary risk, as a 10% depreciation of PLN pushes the CPI path by app. 0.8pp) will not be accepted by the central bank and might result in FX intervention. The NBP is not the only institution which has the power to intervene. Before 2016 the MinFin was active on the domestic FX market, selling the EUR-denominated EU funds and buying the PLN. According to the recent statement at the end of October there were EUR 6.5bn of foreign currency funds at the MinFin account, on average in last 12 months EU was transferring to Poland EUR 1.6bn. Last Monday, PM Morawiecki declared that the government will do everything to strengthen the PLN – it is a clear sign that should the PLN further weaken, the government will counteract.

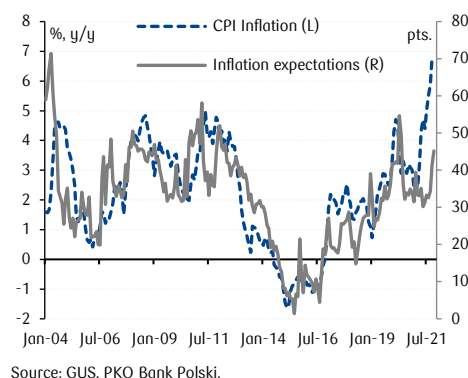
In our view potential FX interventions of the NBP/Government would likely be successful. The PLN depreciation results from global flows driven by appreciating USD (as we don't think EURUSD might decline significantly below 1.10, the biggest moves here should be already over), fears of a too dovish monetary policy (which should now vanish) and tensions surrounding the EU funds for Poland (according to press releases both sides are close to reach an agreement). Current market trends are thus dominated by PLN negative factors, but of a short-term nature, while the long-term perspective, driven by still strong fundamentals, remains in our view PLN positive.

The recent real economy data prove strong macro fundamentals of Poland, as all the three key monthly real economy indicators for October surprised on the upside. Retail sales grew by 6.9% y/y, partly on base effects, but mainly due to still strong demand, even in the durable goods sector. Despite elevated inflation consumer inflation expectations are surprisingly stable and consumer sentiment is still more favourable than in 1q21. Industrial output grew by 7.8% y/y, boosted by double-digit growing export sectors (except for the automotive sector) and a historic high growth in energy production (40.6% y/y, likely due to strong foreign demand). Construction output grew by 4.2% y/y, despite supply-side constraints and high cost pressure. Thus the data confirms our optimistic 4q21 forecast of GDP growth at 5.9% y/y (compared to 5.1% in 3q21 acc. to the flash result), keeping Poland in the forefront of the strongest growing economies in the EU.

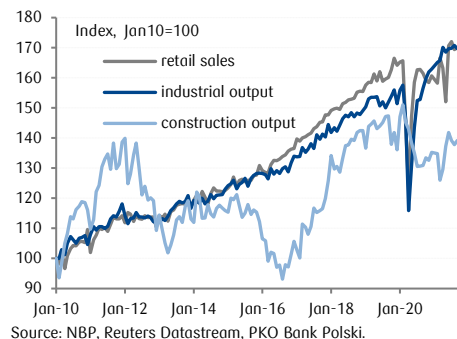
FX changes in the region



CPI inflation vs inflation expectations of households

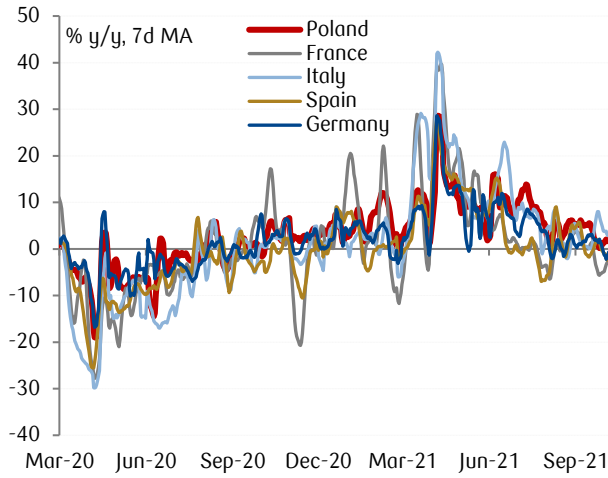


Economic activity in monthly data

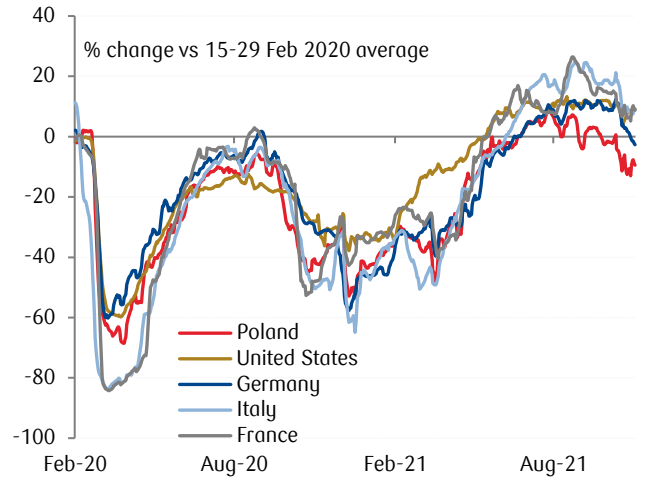


Macro monitoring with alternative data

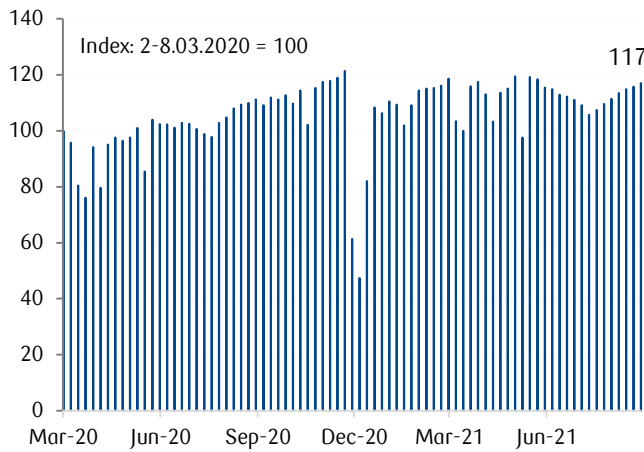
Electric energy consumption (total)



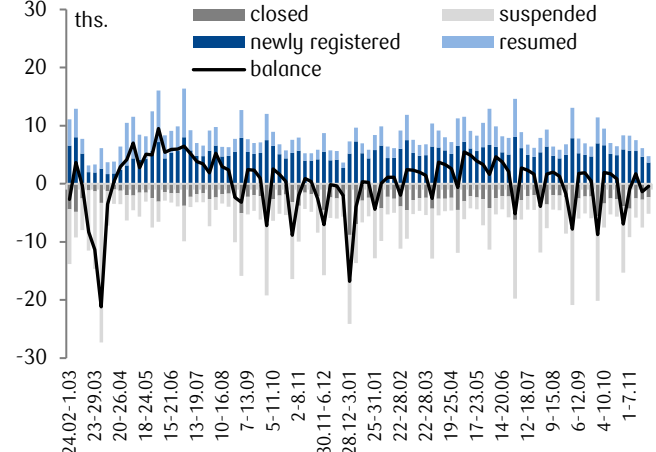
Mobility*



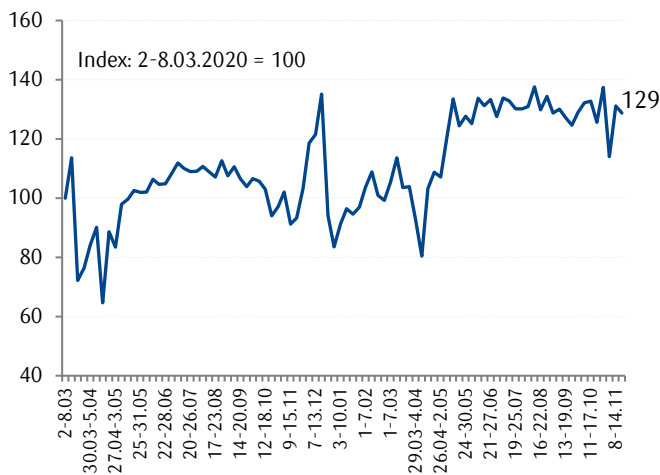
Heavy truck traffic^^



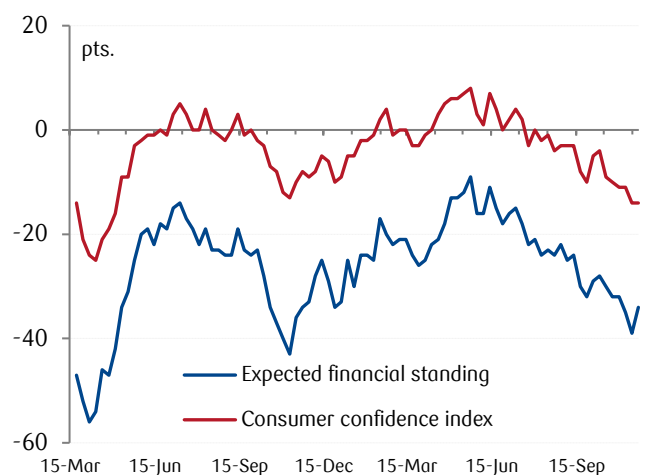
Economic activity status (acc. to CEIDG**)



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. ^^Last plot Sept. 26th, due to change in tolling system, latest data have not been available so far.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday, 29 November						
EUR: Consumer Confidence (Nov, final)	10:00	pts.	-4.8	-6.8	--	--
EUR: Economic Sentiment Indicator (Nov)	10:00	pts.	118.6	117.5	--	--
GER: CPI inflation (Nov, flash)	13:00	% y/y	4.5	4.9	--	--
Tuesday, 30 November						
POL: CPI inflation (Nov, flash)	9:00	% y/y	6.8	7.2	7.4	A broad-based acceleration was driven by energy, fuel and food prices as well as by higher core inflation.
POL: GDP growth (3q, final)	9:00	% y/y	11.2	5.1	5.1	GDP growth has normalized after the pandemic distortions as investment growth has remained subdued.
POL: Private consumption (3q)	9:00	% y/y	13.1	4.3	4.0	
POL: Investments (3q)	9:00	% y/y	5.6	7.0	3.0	
EUR: Core inflation (Nov, flash)	10:00	% y/y	2.0	2.3	--	--
EUR: CPI inflation (Nov)	10:00	% y/y	4.1	4.4	--	--
USA: S&P CoreLogic CS 20-City (Sep)	14:00	% y/y	19.66	--	--	--
USA: Consumer confidence (Nov)	15:00	pts.	113.8	110	--	--
Wednesday, 1 December						
CHN: Manufacturing PMI (Nov)	1:45	pts.	50.6	50.5	--	PMI has still been affected by the supply constraints and shortages that are pushing up prices.
POL: Manufacturing PMI (Nov)	8:00	pts.	53.8	53.9	54.0	
GER: Manufacturing PMI (Nov, final)	8:55	pts.	57.8	57.6	--	--
EUR: Manufacturing PMI (Nov, final)	9:00	pts.	58.3	58.6	--	--
USA: ADP National Employment (Nov)	13:15	thous.	571	479	--	--
USA: ISM Manufacturing (Nov)	15:00	pts.	60.8	61.0	--	--
Thursday, 2 December						
USA: Initial Jobless Claims (Nov)	13:30	thous.	199	--	--	--
Friday, 3 December						
GER: Services PMI (Nov, final)	8:55	pts.	52.4	53.4	--	--
EUR: Services PMI (Nov, final)	9:00	pts.	54.6	56.6	--	--
USA: Non-Farm Payrolls (Nov)	13:30	thous.	531	550	--	--
USA: Unemployment Rate (Nov)	13:30	%	4.6	4.5	--	--
USA: Average Earnings (Nov)	13:30	% y/y	4.9	5.0	--	--
USA: Factory orders (Oct)	15:00	% m/m	0.2	0.5	--	--
USA: Durable goods orders (Oct, final)	15:00	% m/m	-0.4	-0.5	--	--

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

Selected economic indicators and forecasts

	Aug-21	Sep-21	Oct-21	3q21	4q21	1q22	2q22	2020	2021	2022
Economic activity										
Real GDP (% y/y)	x	x	x	5.1	5.9	5.3	5.0	-2.5	5.3	5.1
Domestic demand (% y/y)	x	x	x	4.7	5.3	5.1	4.9	-3.7	5.5	5.1
Private consumption (% y/y)	x	x	x	4.0	6.8	5.1	4.1	-3.0	5.7	4.7
Gross fixed capital formation (% y/y)	x	x	x	3.0	5.0	5.0	6.4	-9.6	3.8	7.2
Inventories (pp)	x	x	x	1.0	-0.1	0.4	0.6	-0.8	0.8	0.3
Net exports (pp)	x	x	x	0.7	1.0	0.5	0.4	0.8	0.1	0.3
Industrial output (% y/y)	12.9	8.7	7.8	10.4	4.9	7.0	3.5	-1.0	13.2	6.6
Construction output (% y/y)	10.2	4.2	4.2	5.8	1.6	3.2	0.2	-2.7	x	x
Retail sales (real, % y/y)	5.4	5.1	6.9	4.8	6.9	5.3	5.7	-2.7	7.1	4.7
Nominal GDP (PLN bn)	x	x	x	651.1	740.1	655.7	686.6	2327	2596	2881
Labour market										
Registered unemployment rate‡(%)	5.8	5.6	5.5	5.6	5.8	5.5	4.9	6.2	5.8	4.8
Employment in enterprises (% y/y)	0.9	0.6	0.5	1.1	0.6	1.3	1.1	-1.2	0.5	1.1
Wages in enterprises (% y/y)	9.5	8.7	8.4	9.0	8.8	8.0	9.4	4.8	8.4	8.5
Prices^										
CPI inflation (% y/y)	5.5	5.9	6.8	5.4	7.4*#	8.1*#	7.2*#	3.4	5.0*#	6.8*#
Core inflation (% y/y)	3.9	4.2	4.6	3.9	4.8*#	5.1*#	5.2*#	3.9	4.1*#	5.2*#
15% trimmed mean (% y/y)	4.1	4.5	5.1	4.1	x	x	x	3.9	x	x
PPI inflation (% y/y)	9.6	10.1	11.8	9.4	11.7	9.3	6.8	-0.5	7.4	5.7
Monetary aggregates‡										
Money supply, M3 (PLN bn)	1902.8	1914.2	1917.7	1914.2	1985.8	1999.0	2025	1822.7	1985.8	2097.3
Money supply, M3 (% y/y)	9.1	8.6	8.5	8.6	9.0	7.3	8.0	16.4	9.0	5.6
Real money supply, M3 (% y/y)	3.5	2.6	1.6	3.0	1.5	-0.7	0.7	12.6	3.8	-1.1
Loans, total (PLN bn)	1365.4	1376.3	1391.9	1380.1	1392.7	1376.3	1431.4	1333.8	1392.7	1474.4
Loans, total (% y/y)	2.6	2.9	3.4	3.2	4.4	2.9	6.1	0.8	4.4	5.9
Deposits, total (PLN bn)	1774.0	1798.1	1800.5	1813.5	1818.1	1798.1	1865.4	1602.2	1818.1	1893.6
Deposits, total (% y/y)	9.8	10.5	10.3	11.4	13.5	10.5	8.2	13.9	13.5	4.2
Balance of payments										
Current account balance (% GDP)	0.9	0.4	0.3	0.5	0.0	0.0	0.2	2.9	0.0	0.7
Trade balance (%GDP)	1.7	1.4	1.1	1.4	0.8	0.3	0.1	2.4	0.8	0.3
FDI (% GDP)	2.5	2.7	2.4	2.7	2.6	2.3	2.1	2.1	2.6	1.8
Fiscal policy										
Fiscal balance (% GDP)	x	x	x	x	x	x	x	-7.1	-1.7	-1.3
Public debt (% GDP)	x	x	x	x	x	x	x	57.4	56.8	54.3
Monetary policy‡										
NBP reference rate (%)	0.10	0.10	0.50	0.10	1.75	2.00	2.00	0.10	1.75	2.00
NBP lombard rate (%)	0.50	0.50	1.00	0.50	2.25	2.50	2.50	0.50	2.25	2.50
NBP deposit rate (%)	0.00	0.00	0.00	0.00	1.25	1.50	1.50	0.00	1.25	1.50
WIBOR 3M ^x (%)	0.23	0.23	0.23	0.23	1.90	2.15	2.15	0.21	1.90	2.15
Real WIBOR 3M ^x (%)#	-5.23	-5.64	-6.59	-5.19	-5.57	-6.06	-5.21	-3.06	-3.11	-4.79
Exchange rates*‡										
EUR-PLN	4.54	4.62	4.62	4.62	4.60	4.55	4.53	4.61	4.60	4.45
USD-PLN	3.84	3.95	3.97	3.95	4.04	3.96	3.97	3.75	4.04	3.94
CHF-PLN	4.20	4.26	4.35	4.26	4.38	4.33	4.23	4.25	4.38	4.08
EUR-USD	1.18	1.17	1.16	1.17	1.14	1.15	1.14	1.23	1.14	1.13

Source: GUS, NBP, PKO Bank Polski.

*PKO BP Market Strategy team forecasts,

^period averages for quarterly and yearly data,

#deflated with current CPI inflation,

‡period end values,

*# under revision.

Monetary policy monitor

MPC Members	Hawk-o-meter*	Recent policy indicative comments^
K. Zubelewicz	4.9	"A key rate of 3%, as expected by the market, would undoubtedly help lowering inflation expectations (...) As the real rate would still be lower than before the pandemic, other parameters should also be changed simultaneously with rate hikes (...) The normalization of monetary policy is the responsibility of the current MPC (...) That's why the main tightening steps should be done by February. Developments afterward have too many unknowns anyway" (16.11.2021, Bloomberg)
E. Gatnar	4.7	"We have to pass still two more hikes of some 50 bps each (...) I think that this would be a level that would offer a chance for inflation returning to target within two years." (16.11.2021, PAP, TOK FM)
L. Hardt	4.3	"Most likely, with very high likelihood, we will have to continue the monetary policy tightening cycle. (...) While a year ago I warned against cutting interest rates practically to zero, now I would be cautious with too fast and too radical tightening of monetary policy (...) If we increase the cost of money significantly in December, then taking into account the tightening from October and November it will be the first monetary policy tightening of such considerable [PAP: scale] in 20 years, so I would be cautious with the scale of the hikes." (09.11.2021, PAP).
J. Kropiwnicki	2.7	"I can't say if in December or in January, when my term ends, I will vote in favor of further interest rate hikes (...) It all depends on the shape of current inflation, its components and most of all on inflation's impact on inflation expectations." (16.11.2021, PAP).
R. Sura	2.7	"The October interest rate hike is described as surprising. One should note here that the NBP has been withdrawing from monetary accommodation for some time via limiting the asset purchase program, which had not been adequately noted and interpreted by the market. (...) At the same time, I cannot say whether I will vote in favor of another interest rate hike in November or in the following months, because the Council will be the first to know my decision. Still, I see need for normalization of interest rates to pre-pandemic levels." (22.10.2020, PAP).
G. Ancyparowicz	2.6	"We're determined to act against such an excessive increase in prices (...) We have begun that action, and if price data don't show signs of any improvement, we'll need to continue." (05.11.2021, Bloomberg)
J. Zyzynski	2.4	"The Polish rate council might have to hike rates by 75 bps again if inflation rises above the level forecast in the latest NBP projection" (08.11.2021, Bloomberg)
C. Kochalski	2.2	"We think that the first quarter [PAP: of 2022] is the quarter in which we should see the inflation peak (...) 7-8%, this is the order of magnitude." (10.11.2021, PAP, Biznes24.tv).
A. Glapinski	1.8	"As for the scale of the tightening, it will be such that inflation will return to the target within the horizon of our policy. At what level of rates this will happen - we will see. We will be assessing the inflation outlook along with the incoming data and forecasts.. (24.11.2021, Interia)
E. Lon	1.3	"Now, when there already are strong grounds [PAP: backing] the claim that Poland's economy has entered a lasting path of fast economic growth, we can safely commence the phase of interest rate hikes," (08.11.2021, RadioMaryja.pl, PAP)

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

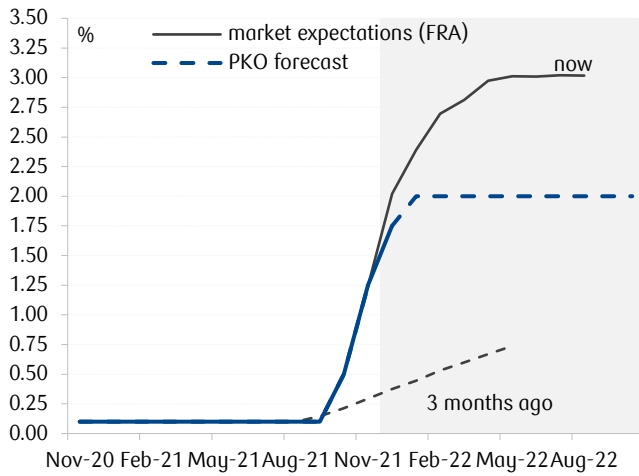
Interest rates – PKO BP forecasts vs. market expectations

	1M	2M	3M	4M	5M	6M	7M	8M	9M	
Date	25-Nov	25-Dec	25-Jan	25-Feb	25-Mar	25-Apr	25-May	25-Jun	25-Jul	25-Aug
WIBOR 3M/FRA†	1.82	2.59	2.96	3.27	3.38	3.54	3.58	3.58	3.59	3.59
implied change (b. p.)		0.77	1.14	1.45	1.56	1.72	1.76	1.76	1.77	1.77
MPC Meeting	8-Dec	12-Jan	8-Feb	8-Mar	6-Apr	5-May	8-Jun	7-Jul	-	7-Sep
PKO BP forecast*	1.25	1.75	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
market pricing*		2.02	2.39	2.70	2.81	2.97	3.01	3.01	3.02	3.02

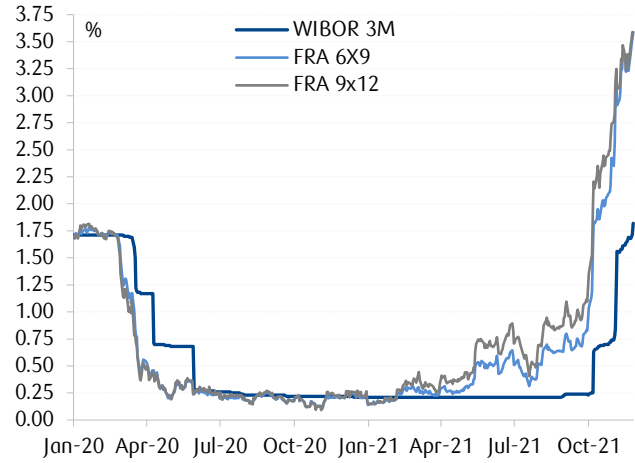
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, *PKO BP forecast of the NBP reference rate.

Poland macro chartbook

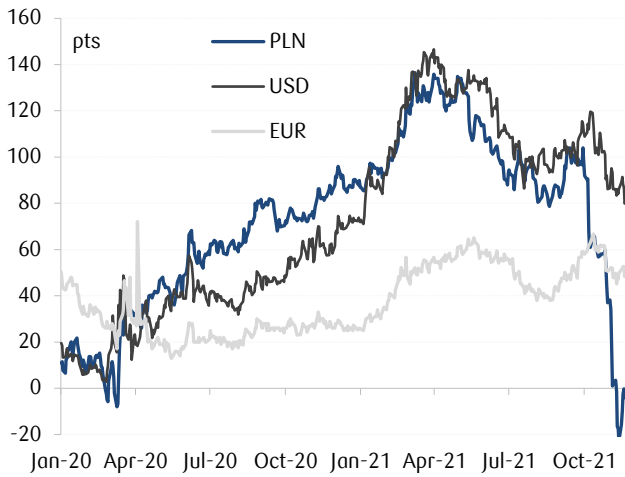
NBP policy rate: PKO BP forecast vs. market expectations



Short-term PLN interest rates



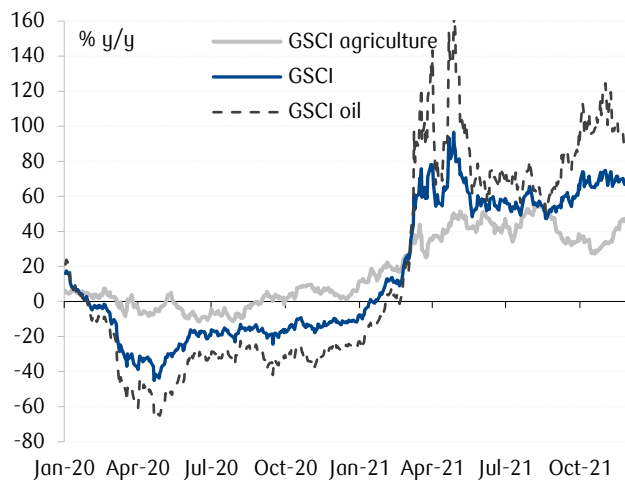
Slope of the swap curve (spread 10Y-2Y)*



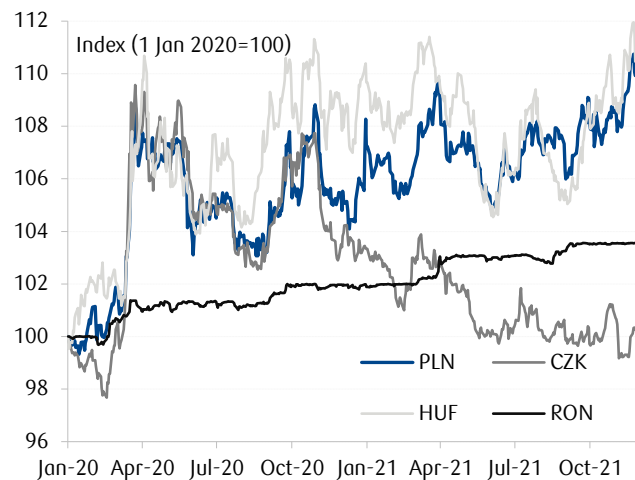
PLN asset swap spread



Global commodity prices (in PLN)

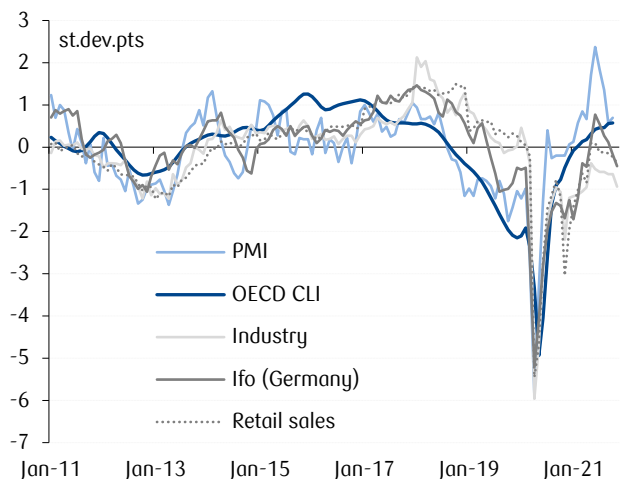


Selected CEE exchange rates against the EUR

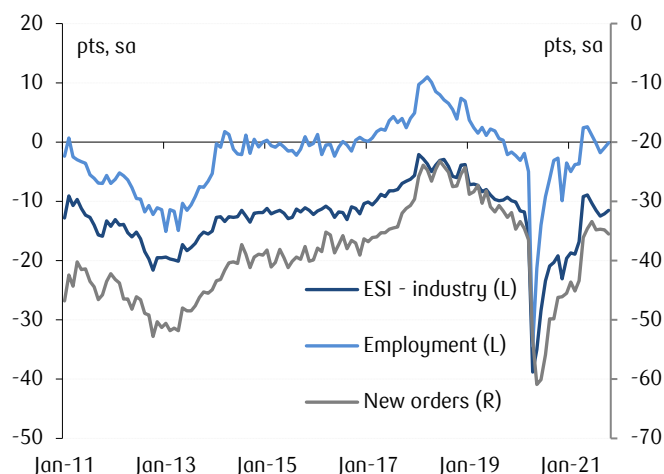


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

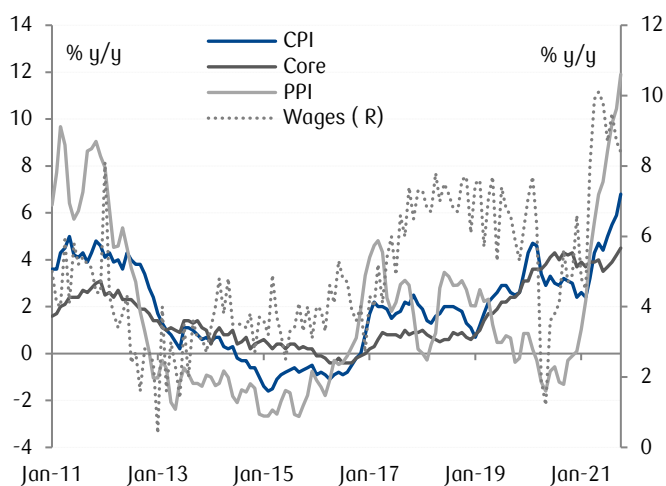
Economic sentiment indicators



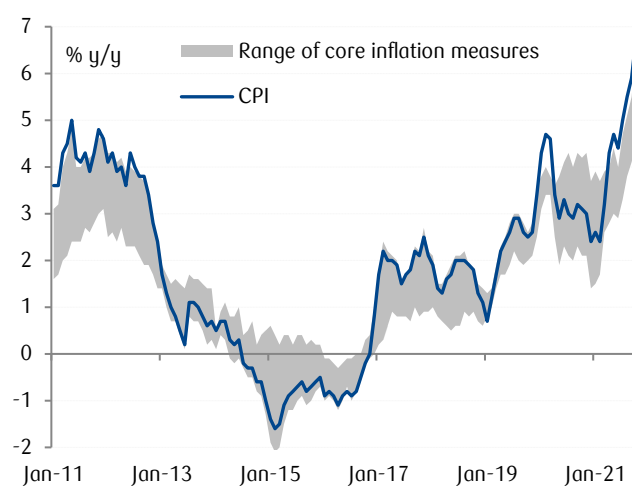
Poland ESI for industry and its components



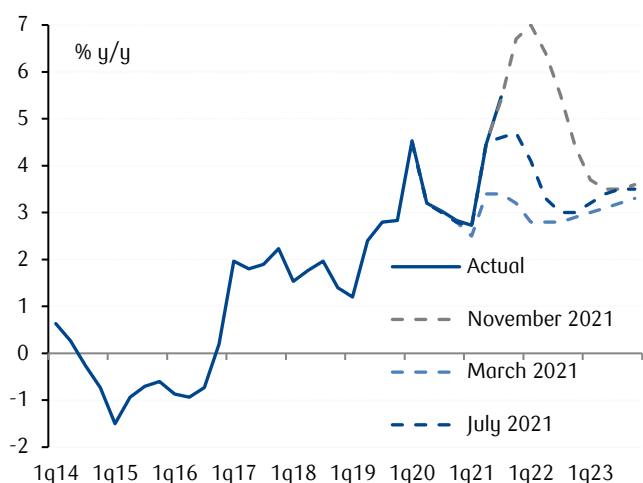
Broad inflation measures



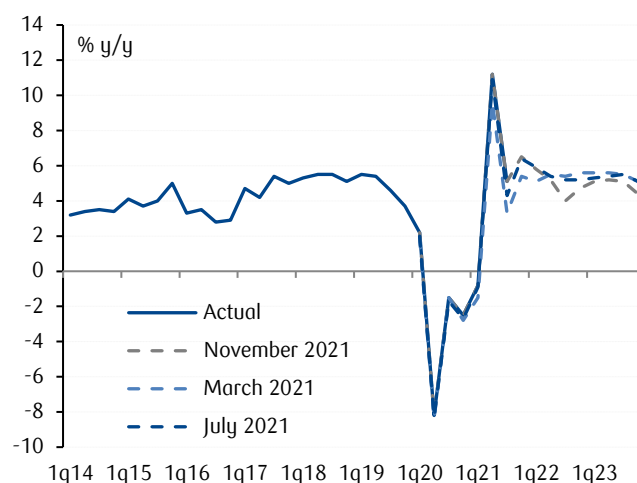
CPI and core inflation measures



CPI inflation - NBP projections vs. actual

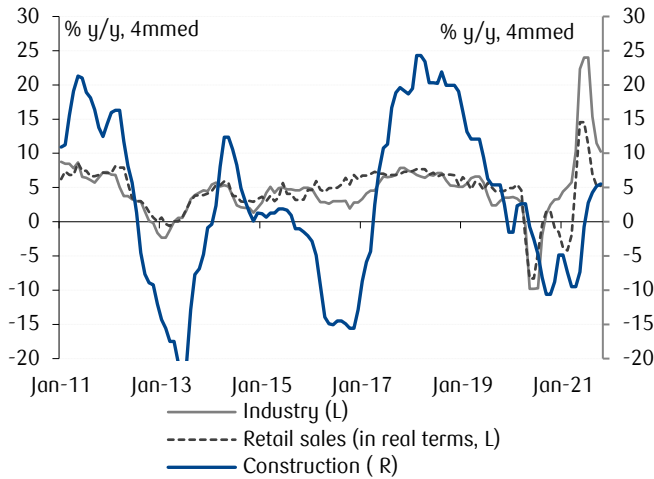


Real GDP growth - NBP projections vs. actual

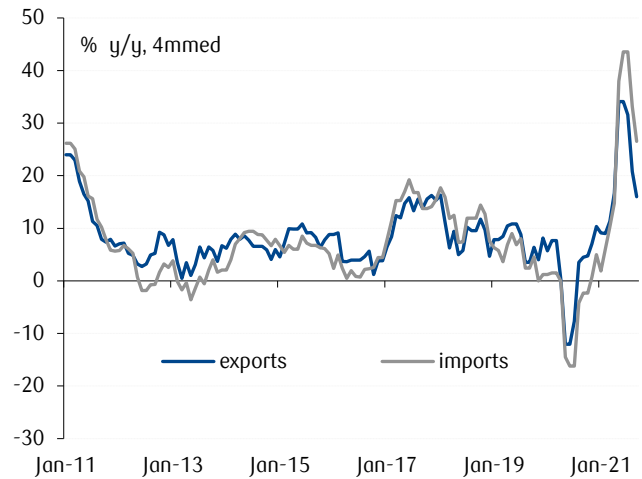


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

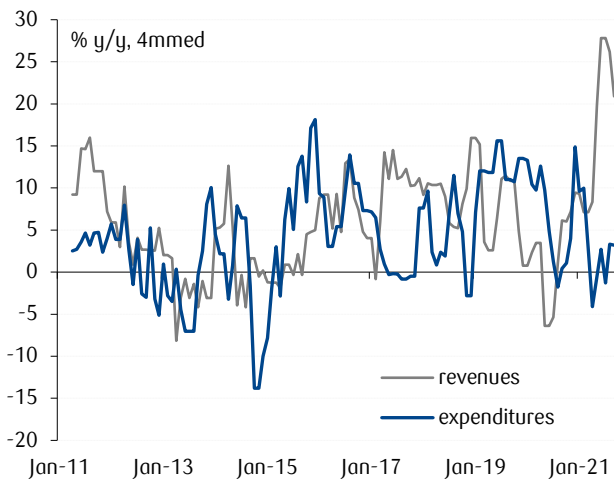
Economic activity indicators



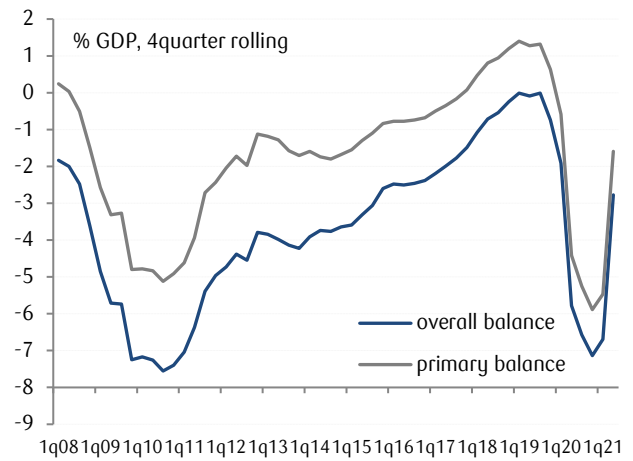
Merchandise trade (in EUR terms)



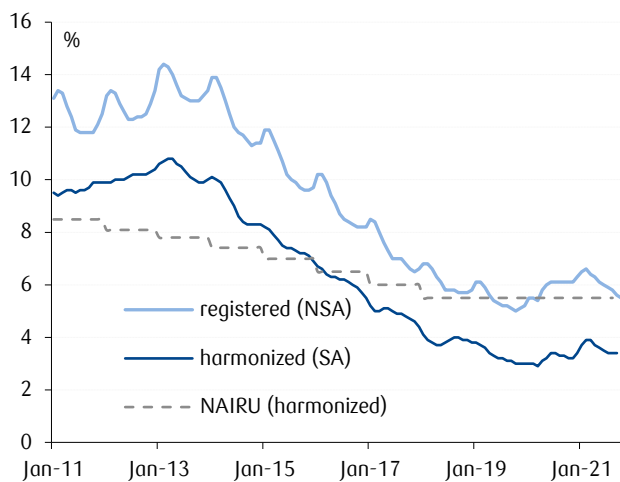
Central government revenues and expenditures*



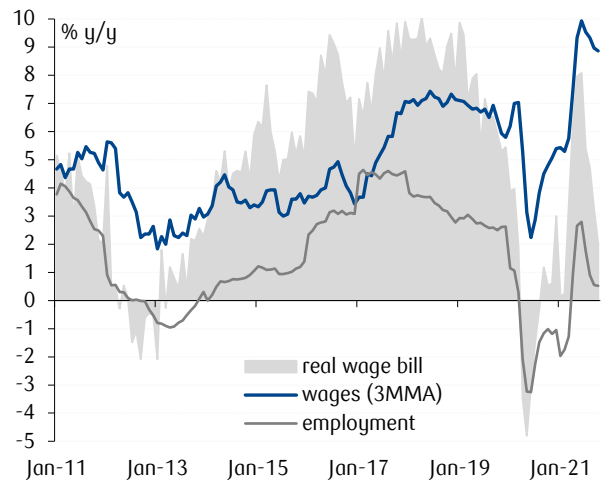
General government balance (ESA2010)



Unemployment rate

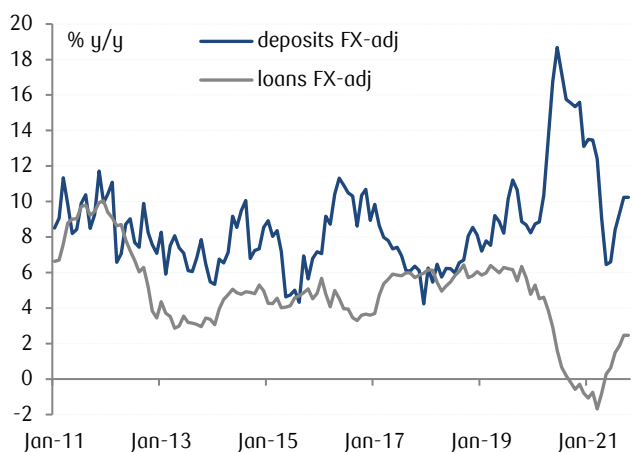


Employment and wages in the enterprise sector

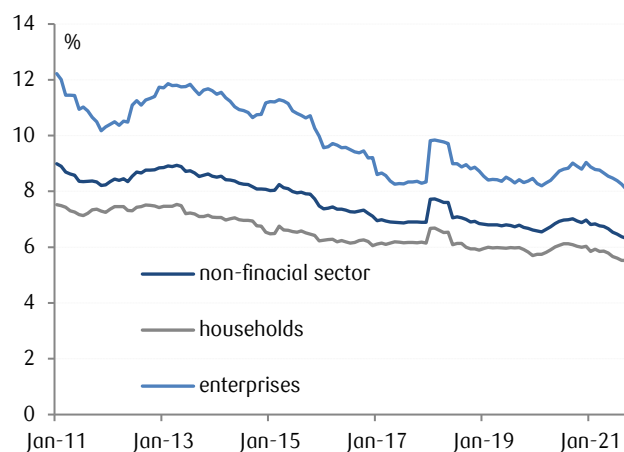


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

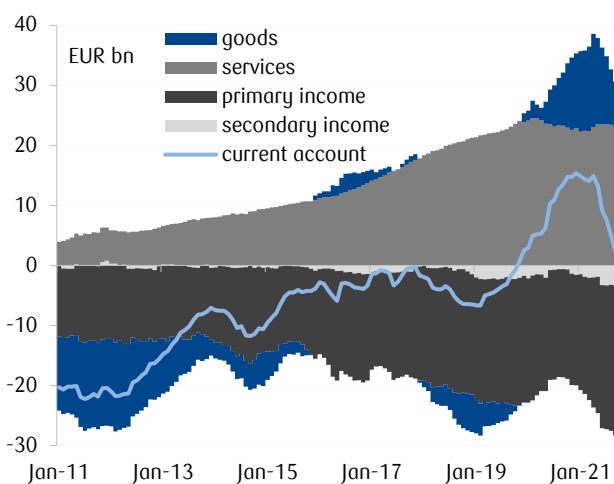
Loans and deposits



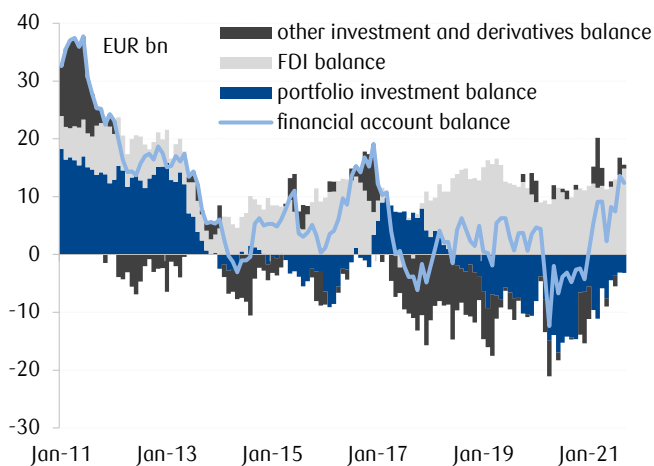
Non-performing loans (NPLs) - by sectors*



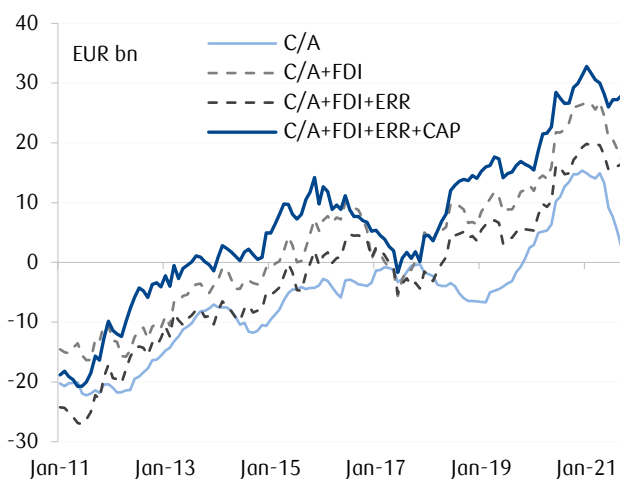
Current account balance



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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- [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)
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- [This time is \(really\) different](#) (Feb 26, 2021)

Poland's macro in a nutshell

	2020	2021	Comment
Real economy			
- real GDP (%)	-2.5	5.3	We have fine-tuned our 2021 GDP growth forecast (to 5.3%) and expect it will hit 5.1% in 2022 (including the effects of the Polish New Deal and the Domestic Recovery Plan). Private consumption will remain the main engine of economic growth boosted by wages and redistribution. Investments growth rate will stay moderate, while exports should benefit from weak PLN, further FDI inflows and the implementation of the fiscal package in the EU, stimulating demand in the key exports market.
Prices			
- CPI inflation (%)	3.4	5.0*	There are still several months of inflation growth ahead of us. We forecast that in November CPI inflation will break the level of 7%, and in 1q22 it will peak at around 8.0%. The return of inflation to the target in the medium term will not be quick and easy. Inflation will start falling in 2q22. The local minimum will be recorded in 1q23, but it will be clearly above 4.0% y/y.
Monetary aggregates			
- M3 money supply (%)	16.4	9.0	With the rebound of the economic growth, we expect credit demand to increase gradually, fueling a moderate bank lending expansion. Smaller scale of asset purchases will result in a deceleration of money supply growth.
External balance			
- current account balance (% GDP)	2.9	0.0	Following the two-way pandemic turmoil, we anticipate that the current account balance will return to an upward trend based on structural factors. However, the deterioration of the balance will continue in the near future and at the turn of 2021/2022 CAB will land close to zero. In such a situation, it cannot be ruled out that a further intensification of temporary factors, i.e. an increase in the prices of raw materials and production components, as well as transport costs (freight) and the maintenance of a restriction in the influx of tourists, may temporarily provoke a deficit. At the same time, we expect the fast (double-digit) export growth will be maintained and assume further inflows of foreign investments (the nearshoring helps).
Fiscal policy			
- fiscal balance (% GDP)	-7.1	-1.7	We forecast that in 2021-2022 there will be a rapid improvement in basic fiscal parameters after a significant deterioration due to the pandemic shock in 2020. The 'fiscally efficient' structure of growth and the strong growth of tax bases will keep the fiscal deficit on a downward path. We predict that in 2022 it will decrease to 1.3% of GDP. Public debt in relation to GDP will also gradually decrease, to 56.9% at the end of 2021 and 54.3% at the end of 2022.
Monetary policy			
- NBP reference rate (%)	0.10	1.75	The MPC delivered yet another larger-than-expected interest rate hike (+75bps in November). We think that inflation will continue to surprise the MPC on the upside in the coming months and trigger further hikes. We do not assume, however, that rates will rise significantly above 2.00%. Our baseline scenario assumes a hike by 50bps in December and by 25bp in January. The risk however is still skewed towards a more pronounced tightening.

Source: GUS, NBP, Eurostat, PKO Bank Polski. *under revision.

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