

This time is (really) different

Top macro theme(s):

- **This time is (really) different (p. 2):** Correction of housing prices? Well, it's possible, but it is unlikely to be as protracted as in 2008-2013. The mid-term outlook for Poland's housing market remains relatively bright despite the pandemic gloom. There are substantial differences in the fundamentals of the market between now and the global financial crisis that triggered deep and long-lasting correction in prices.
- **GDP drop continued in 4q20 (p. 4):** Last quarter of last year saw another drop in activity amid the second wave of the pandemic and restrictions that depressed domestic demand (both consumption and investments). Exports remained a bright spot.

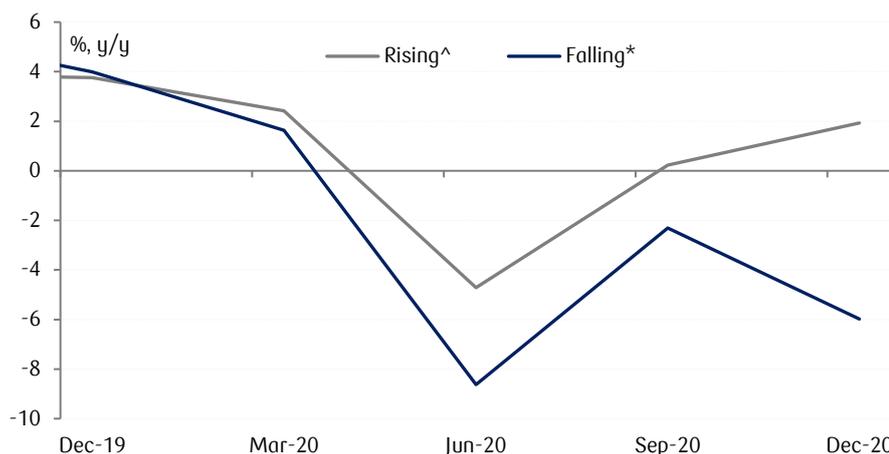
What else caught our eye:

- **Registered unemployment rate in January** rose to 6.5% (from 6.2% in Dec., +1pp y/y), in line with seasonal pattern. The number of unemployed rose by 44k - the smallest increase for January since 1997. LFS unemployment rate in 4q20 fell to 3.1% (vs 3.3% in 3q20), while the number of employees increased by 0.5% y/y. Labor market has been effectively hibernated by public support. Assuming a robust recovery in 2h21 (our basecase scenario), the 'moment of truth' for the labour market will come in May-June when the no employment change condition for support from the Anti-crisis Shields will expire.
- **MinHealth announced the return to stricter restrictions in warminko-mazurskie region** (north-east of Poland, approx. 4.2% of population; 2.5% of Poland's GDP) with shopping malls closed again at least until mid-March.
- **State budget in January** recorded a surplus of PLN 6.6bn (vs. PLN3.4 bn in Jan 2020) with a two-digit PIT and CIT revenues' growth rates (partially reflecting an expiry of delayed tax payments from 2020). With expenditures reduced by 7.7% y/y, this signals a good shape of the state budget with a space for a positive fiscal surprise in 2021, given our baseline macro scenario.

The week ahead:

- **Manufacturing PMI** in February most likely headed north again (same as in Germany), indicative of K-shaped recovery (strong demand on goods vs. weak demand on services) and with bottlenecks looming on the horizon (supply chain disruptions due to winter and on trade route with Asia and the UK).

Chart of the week: K-shaped recovery as per value added (GDP) growth rates



Source: GUS, PKO Bank Polski. ^industry, construction, transportation, IT, real estate, public services. *trade, HoReCa, financial services, business services.

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	2020†	2021‡
Real GDP (%)	-2.7	5.1
Industrial output (%)	-1.0	10.0
Unemployment rate# (%)	6.2	5.4
CPI inflation** (%)	3.4	3.1
Core inflation** (%)	3.9	3.0
Money supply M3 (%)	16.4	7.5
C/A balance (% GDP)	3.5	3.0
Fiscal balance (% GDP)*	-9.2	-3.4
Public debt (% GDP)*	59.7	58.1
NBP reference rate## (%)	0.10	0.10
EURPLN‡#	4.61	4.45

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

This time is (really) different

- We argue that a correction of housing prices is possible, but it shouldn't be as deep and protracted as in 2008-2013. There are substantial differences in the market fundamentals between now and the global financial crisis that triggered deep and long-lasting correction in prices.

We argue that a correction of housing prices is possible, but not that as deep as in 2008-2013. Why?

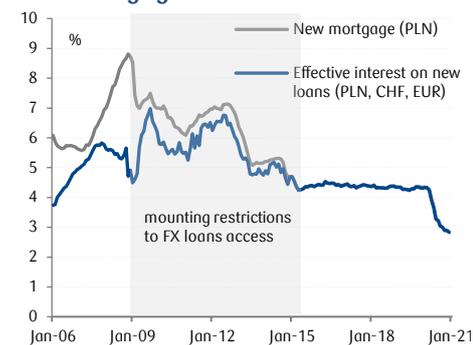
(1) **Mortgage interest rates are now half of that in 2008-2013.** Indeed, the early stage of the GFC was accompanied by tighter credit conditions. The NBP rate hikes introduced before the crisis have pushed up the interbank WIBOR rates and increased the relative attractiveness of FX loans. In the next phase of the crisis, banks first limited, and then, under the new set of regulations, completely banished access to FX loans. As a result, the effective interest rate on new loans available to customers increased significantly, as despite the decline in interest rates on new loans in PLN, they were still more 'expensive' than the withdrawn FX loans (chart 1). In 2020 the response to the Covid-19 pandemic was an immediate, significant reduction in interest rates to a new record low and the promise to keep them low for an extended period of time. The tightening of credit conditions in response to the lockdown was only temporary - banks have again eased their lending policy in 2020. All the banks that were active in the mortgages segment before COVID-19 continue to offer loans and are unlikely to leave this market in the coming years. After 2008 the number of banks offering mortgage loans declined and lending conditions had been tightened over an extended period of time (chart 2).

(2) **The ratio of housing prices to wages at the onset of the GFC was by 41.2% higher than in 2020.** This means that housing is much more affordable now than it was after GFC. Moreover, the relative affordability of housing in Poland has improved compared to other EU countries (chart 3). Greater affordability of housing mirrors not only rising wages, but also smaller decrease in the maximum creditworthiness of an average household that occurred in 2020 compared to GFC. While in 2020 the mortgage loan limit on average declined by 5.6%, in 2008 the decrease reached 21.5% (chart 4).

(3) **The rental market is still attractive vs alternatives.** The rental market is currently deeply affected by the effects of the coronavirus epidemic. Short-term rentals, mainly used by tourists, collapsed, and in the case of long-term rentals, the demand from employees and students who switched to remote work/learning on a large scale decreased significantly. However, given the interest rate cuts to record low levels, the ratio of rental to interest on banks' deposits improved significantly, which still drives housing demand due to investment reasons (charts 5, 6). It is noteworthy that the pandemic also caused a strong outflows from the office and retail real estate. With excess capital, institutional investors may redirect it to the rental housing market.

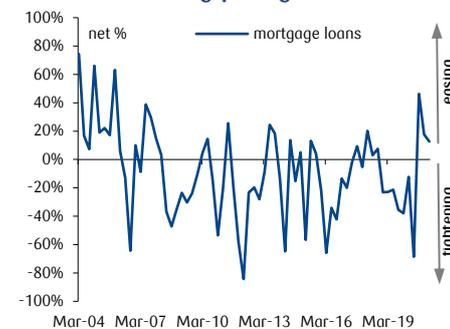
(4) **Labor market is stronger.** The economic slowdown caused by the GFC in 2008 resulted in a long-term correction on the labour market, and it took several years before the unemployment rate returned to the pre-crisis level. This time, the rapidly introduced anti-crisis mechanisms have effectively stopped the rise in unemployment (chart 7). This improves the financial situation of households, that are less indebted (lower household debt to disposable income) and have generated high surplus savings (chart 8).

1. Weighted average interest rate on new mortgages



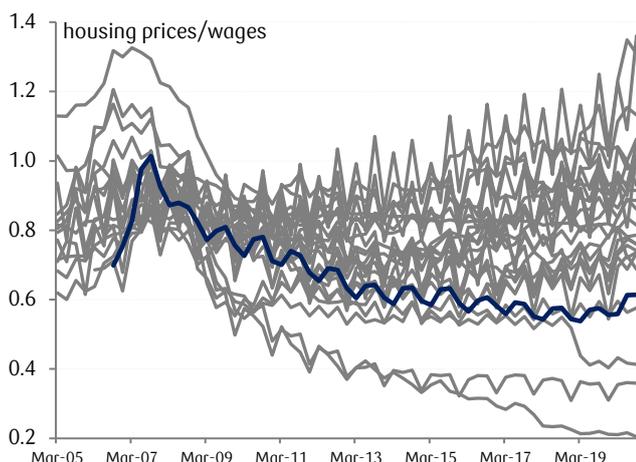
Source: NBP, Datastream, PKO Bank Polski.

2. Banks' lending policy

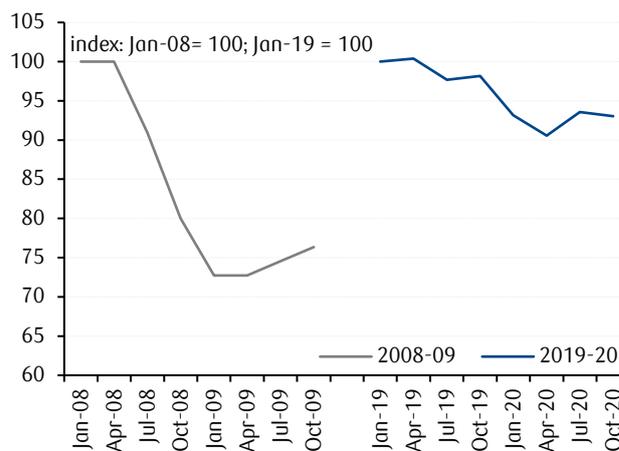


Source: NBP, PKO Bank Polski.

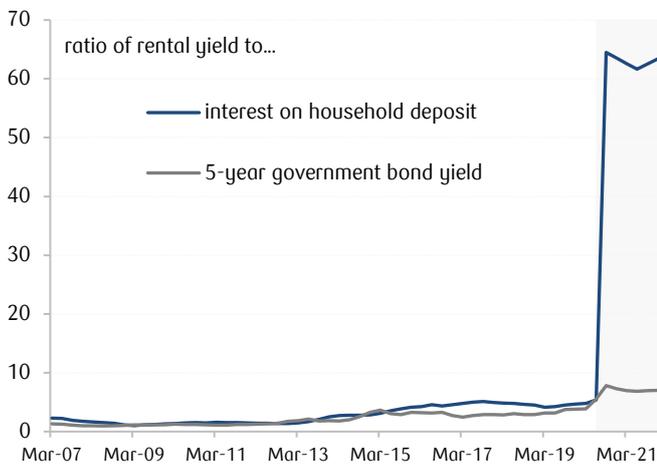
3. Housing affordability: PL vs EU countries



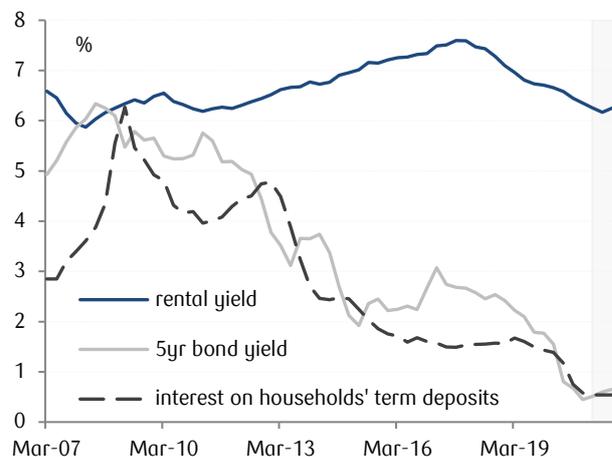
4. Mortgage loan limit reduction



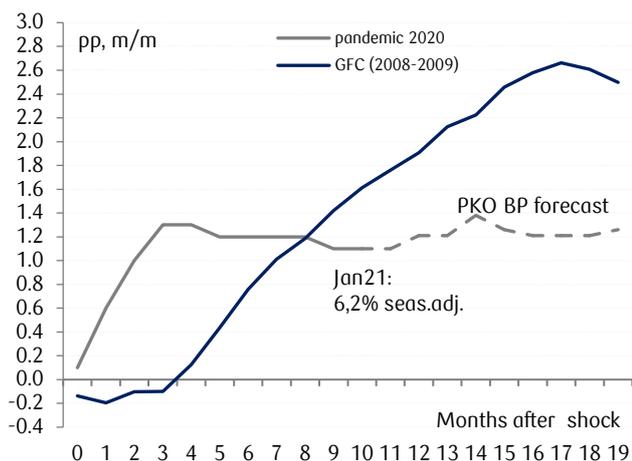
5. Relative rental yields vs alternatives



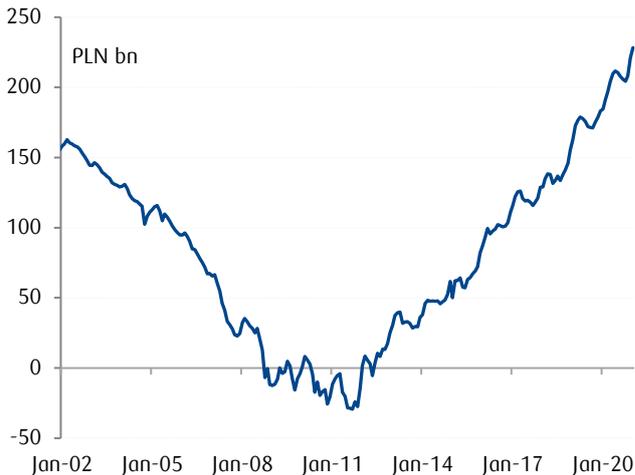
6. Rental yields vs alternatives



7. Registered unemployment rate



8. Households net depo position^



Source: Datastream, NBP, press sources, Eurostat, PKO Bank Polski. ^deposits less loans.

GDP slump continued in 4q20

- Pandemic-driven drop in economic activity continued in 4q20 amid the second wave of Covid-19 in Poland and restrictions that depressed domestic demand (both consumption and investments). Exports remained a bright spot.

The decline of GDP in 4q20 deepened again, to 2.8% y/y (vs. -2.8% y/y in the flash estimate, and vs. -1.5% y/y in 3q20). In 2020 GDP decreased by 2.7% (vs. -2.8% in the preliminary estimate). The data for 4q20 mainly reflects the negative impact of the second wave of Covid-19. This time, contrary to the spring lockdown, only some service sectors have suffered due to restrictions. Industry turned out to be the brightest star in 4q20 (with value added expanding by 4.8% y/y in 4q, the most since 1q19), including export-oriented industry. Rising activity in this sector has clearly limited the scale of the overall GDP decline.

The favourable performance of industry has been reflected in the positive contribution of net exports to GDP in 4q20. It amounted to 0.4pp, with exports growing in 4q20 by 8.0% y/y. Imports in 4q20 grew by the same amount (7.9% y/y), what given a weakness of domestic demand (decrease by 3.4% y/y in 4q) indicates a robust expansion of international production chains.

Private consumption declined by -3.2% y/y in 4q20 vs 0.4% y/y in 3q20, reflecting the closure of some commercial and service facilities. This situation continued also in January (as confirmed by the results of January retail sales). Our card data show that the easing of restrictions in February has triggered a significant rebound in trade turnover (see margin chart). Given stable households income and sentiment, the upcoming results of private consumption (and GDP) will be mostly determined by the course of the pandemic and the severity of restrictions.

Investments growth rate in 4q20 declined to -10.9% y/y (from -9.0% y/y in 3q19). It seems that the end of the pandemic shock and the release of demand from the yoke of restrictions may release the investment potential of companies (which is rather high, taking into account the aggregate liquidity position of companies, see margin chart). The investment potential is also positive in the public sector - the value of the public investment procurements last year signals a large reserve for growth in the subsequent quarters.

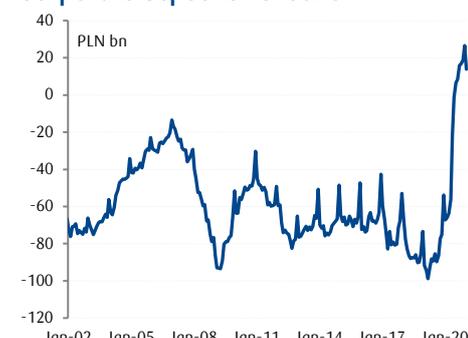
All in all, the pandemic continues to clearly shape economic activity. Downside risks for our GDP forecast for 2021 (5.1%) still prevail. If the pandemic conditions do not deteriorate in the spring significantly, resulting in an substantial tightening of restrictions (in particular in retail trade), we still see a chance for a good result in terms of GDP growth in 2021. But the pandemic situation develops in real time - restrictions have returned to warminko-mazurskie region (north-east of Poland, approx. 4,2% of population; 2,5% of Poland's GDP) with shopping centers closed again and pupils of early school education returning to remote learning.

PKO customers' card transactions - total



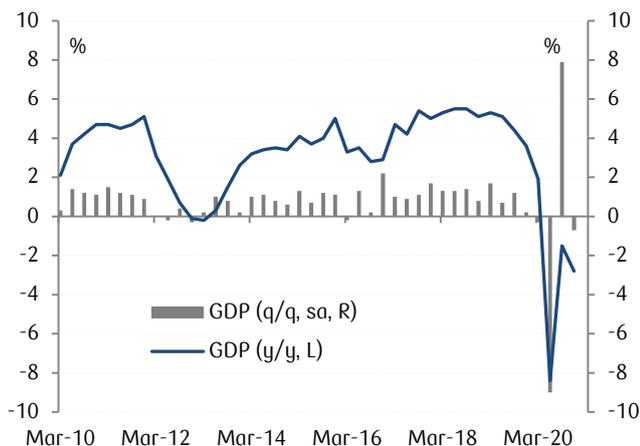
Source: PKO Bank Polski.

Corporate deposits vs loans*

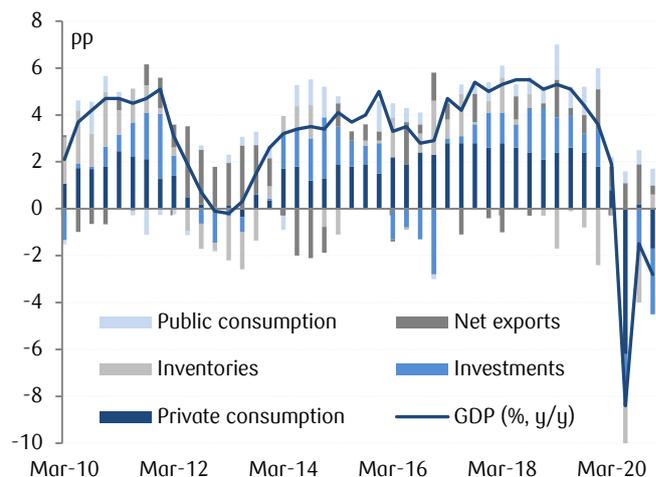


Source: NBP, PKO Bank Polski.*Corporate deposits less loans.

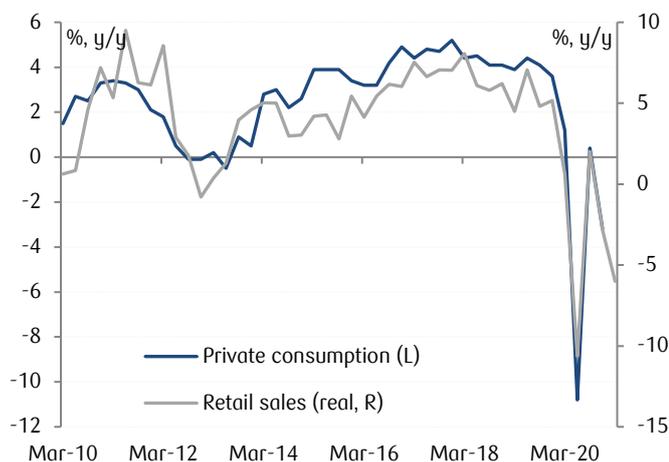
GDP growth rate



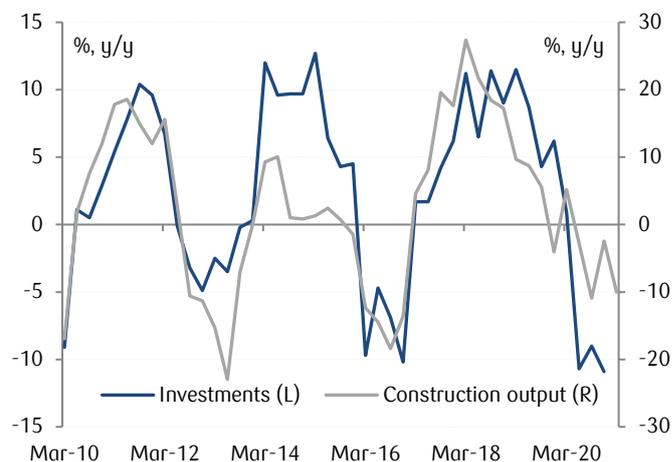
Structure of GDP



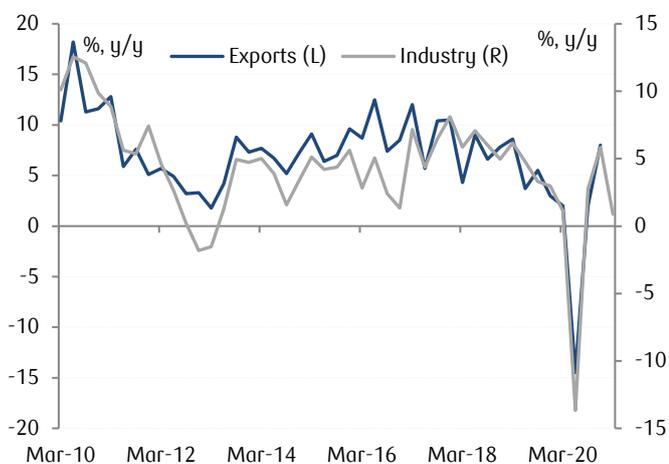
Retail sales vs consumption**



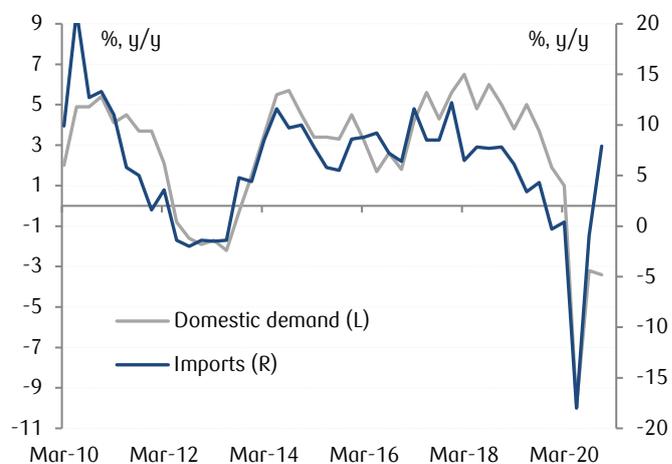
Construction vs investments**



Industrial output vs exports**



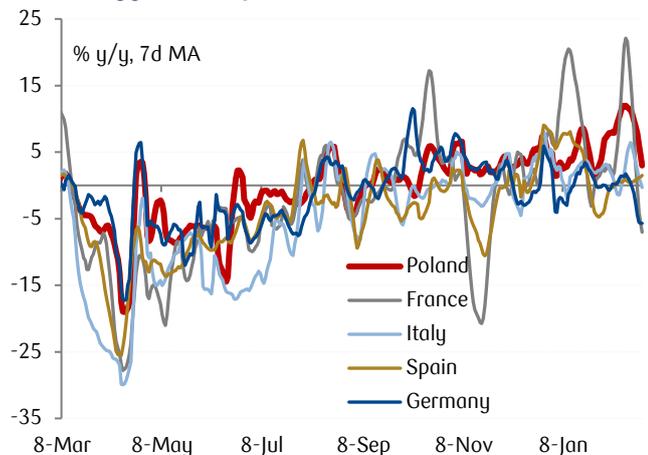
Domestic demand vs imports



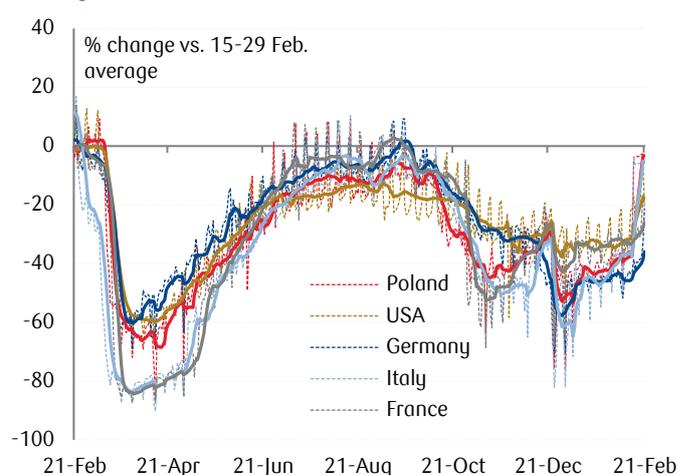
Source: GUS, NBP, Eurostat, Macrobond, PKO Bank Polski. **last plot Jan-21

Macro monitoring with alternative data

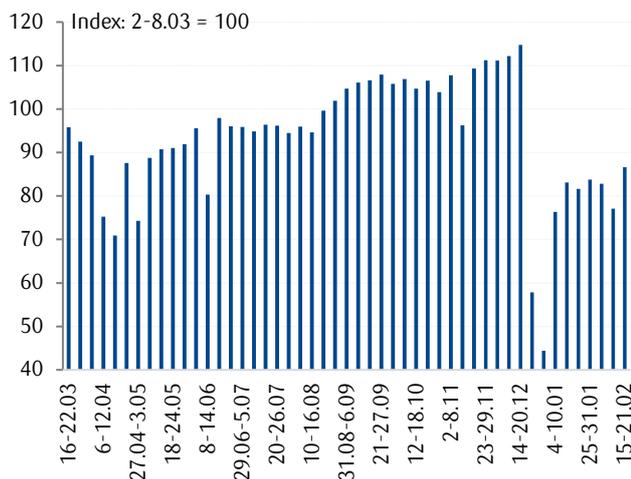
Electric energy consumption (total)



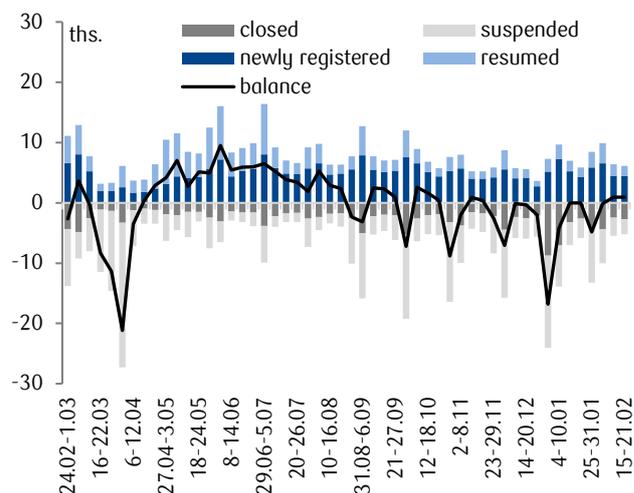
Mobility*



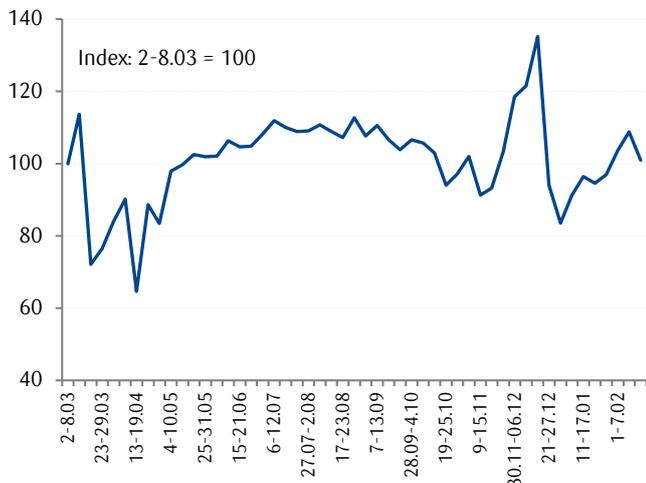
Heavy truck traffic



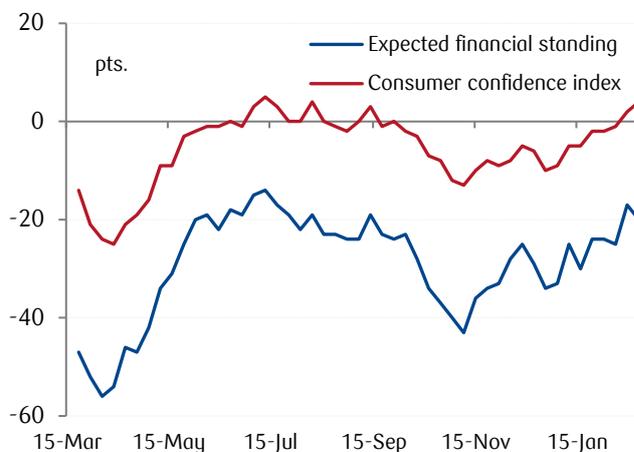
Economic activity status (acc. to CEIDG**)



Consumption based on PKO BP card payments



Weekly consumer confidence survey



Source: PSE, Apple, Google, GDDKiA, CEIDG, Kantar, PKO Bank Polski, *weighted with market share of iOS and Android, no new google data available, 7DMA, **Central Registration and Information on Business.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday, 1 March						
CHN: Manufacturing PMI (Feb)	1:45	pts.	51.5	51.4	--	--
POL: Manufacturing PMI (Feb)	8:00	pts.	51.9	52.8	53.3	Index will be indicative of K-shaped recovery (strong demand on goods vs. weak demand on services)
GER: Manufacturing PMI (Feb, final)	8:55	pts.	57.1	60.6	--	--
EUR: Manufacturing PMI (Feb, final)	9:00	pts.	54.8	57.7	--	--
GER: CPI inflation (Feb, flash)	13:00	% y/y	1.0	1.2	--	--
GER: HICP inflation (Feb, flash)	13:00	% y/y	1.6	1.6	--	--
USA: Manufacturing PMI (Feb, final)	14:45	pts.	58.5	58.5	--	--
USA: ISM Manufacturing (Feb)	15:00	pts.	59.2	58.7	--	--
Tuesday, 2 March						
GER: Unemployment Rate (Feb)	8:55	%	6.0	6.0	--	--
EUR: CPI inflation (Feb)	10:00	% y/y	0.9	1.1	--	--
EUR: Core inflation (Feb, flash)	10:00	% y/y	1.4	--	--	--
Wednesday, 3 March						
GER: Services PMI (Feb, final)	8:55	pts.	46.7	45.9	--	--
EUR: Services PMI (Feb, final)	9:00	pts.	45.4	44.7	--	--
EUR: PPI inflation (Jan)	10:00	% y/y	-1.1	--	--	--
USA: ADP National Employment (Feb)	13:15	thous.	174	165	--	--
POL: NBP base rate	--	%	0.10	0.10	0.10	In our view, the MPC meeting on Wednesday will bring no changes to domestic monetary policy.
Thursday, 4 March						
EUR: Retail sales (Jan)	10:00	% y/y	0.6	-1.5	--	--
USA: Initial Jobless Claims (Feb)	13:30	thous.	730	735	--	--
USA: Durable goods orders (Jan, fin.)	15:00	% m/m	1.2	3.4	--	--
USA: Factory orders (Jan)	15:00	% m/m	1.1	1.0	--	--
Friday, 5 March						
GER: Factory orders (Jan)	7:00	% m/m	-1.9	1.0	--	--
POL: MPC Minutes (Feb)	13:00	--	--	--	--	The fresh NBP projections and Inflation Report (due on Monday, 8th Mar) will be in focus rather than MPC minutes.
USA: Average Earnings (Feb)	13:30	% y/y	5.4	5.3	--	--
USA: Non-Farm Payrolls (Feb)	13:30	thous.	49	133	--	--
USA: Unemployment Rate (Feb)	13:30	%	6.3	6.3	--	--
USA: Trade balance (Jan)	13:30	bn USD	-66.6	-67.5	--	--
USA: Consumer credit (Jan)	20:00	bn USD	9.734	13.5	--	--

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

Selected economic indicators and forecasts

	Nov-20	Dec-20	Jan-21	3q20	4q20	1q21	2q22	2019	2020	2021
Economic activity										
Real GDP (% y/y)	x	x	x	-1.5	-2.8	-0.5	9.9	4.5	-2.7	5.1
Domestic demand (% y/y)	x	x	x	-3.2	-3.4	-1.6	10.2	3.5	-3.9	4.9
Private consumption (% y/y)	x	x	x	0.4	-3.2	0.5	15.9	4.0	-3.0	5.5
Gross fixed capital formation (% y/y)	x	x	x	-9.0	-10.9	2.8	4.3	7.2	-8.4	3.7
Inventories (pp)	x	x	x	-2.3	0.6	-2.9	-0.9	-1.4	-0.9	0.1
Net exports (pp)	x	x	x	0.7	0.4	0.9	0.9	1.2	1.0	0.6
Industrial output (% y/y)	5.4	11.2	0.9	3.2	5.2	5.6	21.3	4.0	-1.0	10.0
Construction output (% y/y)	-4.9	3.4	-10.0	-10.9	-2.4	-18.0	-4.4	3.6	-2.7	-1.3
Retail sales (real, % y/y)	-5.3	-0.8	-6.0	1.0	-2.8	0.1	8.3	5.4	-2.7	1.2
Nominal GDP (PLN bn)	x	x	x	582.5	650.0	566.8	596.0	2288	2317	2505
Labour market										
Registered unemployment rate‡(%)	6.1	6.2	6.5	6.1	6.2	6.3	5.8	5.2	6.2	5.4
Employment in enterprises (% y/y)	-1.2	-1.0	-2.0	-1.9	-1.1	-1.5	2.1	2.7	-1.2	0.8
Wages in enterprises (% y/y)	4.9	6.6	4.6	4.3	5.9	7.3	6.1	6.6	4.8	6.5
Prices^										
CPI inflation (% y/y)	3.0	2.4	2.7	3.0	2.8	2.6	3.2	2.3	3.4	3.1
Core inflation (% y/y)	4.3	3.7	3.8	4.2	4.1	3.7	2.8	2.0	3.9	3.0
15% trimmed mean (% y/y)	3.0	2.7	x	3.2	2.9	x	x	2.0	3.2	x
PPI inflation (% y/y)	-0.1	0.0	0.7	-1.2	-0.2	1.5	2.7	1.2	-0.6	2.3
Monetary aggregates‡										
Money supply, M3 (PLN bn)	1790.7	1822.7	1820.2	1762.2	1822.7	1832.0	1842.3	1565.6	1822.7	1967.5
Money supply, M3 (% y/y)	16.1	16.4	16.8	17.0	16.4	12.5	5.5	8.3	16.4	7.5
Real money supply, M3 (% y/y)	13.1	14.0	14.1	14.0	14.0	9.9	2.3	4.9	14.0	4.4
Loans, total (PLN bn)	1338.8	1333.9	1337.3	1337.7	1333.9	1322.3	1358.2	1323.4	1333.9	1378.9
Loans, total (% y/y)	0.4	0.8	-0.1	0.5	0.8	-3.3	-0.2	5.1	0.8	3.4
Deposits, total (PLN bn)	1639.4	1602.2	1628.0	1627.3	1602.2	1617.1	1627.4	1406.6	1602.2	1681.3
Deposits, total (% y/y)	15.8	13.9	13.9	15.8	13.9	8.9	0.5	8.2	13.9	4.9
Balance of payments										
Current account balance (% GDP)	3.7	3.5	3.3	3.1	3.5	3.5	2.8	0.5	3.5	3.0
Trade balance (%GDP)	2.4	2.3	2.3	1.8	2.3	2.4	2.3	0.2	2.3	1.6
FDI (% GDP)	1.2	1.0	0.9	1.1	1.0	0.9	0.8	1.6	1.0	1.6
Fiscal policy										
Fiscal balance (% GDP)	x	x	x	x	x	x	x	-0.7	-9.2	-3.4
Public debt (% GDP)	x	x	x	x	x	x	x	46.0	59.7	58.1
Monetary policy‡										
NBP reference rate (%)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.50	0.10	0.10
NBP lombard rate (%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	2.50	0.50	0.50
NBP deposit rate (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00
WIBOR 3M* (%)	0.22	0.21	0.21	0.22	0.21	0.20	0.20	1.71	0.21	0.20
Real WIBOR 3M* (%)#	-2.78	-2.19	-2.49	-2.78	-2.59	-2.20	-2.80	-1.69	-3.19	-2.90
Exchange rates*‡										
EUR-PLN	4.48	4.61	4.54	4.53	4.61	4.50	4.48	4.26	4.61	4.45
USD-PLN	3.74	3.76	3.75	3.87	3.76	3.66	3.61	3.80	3.76	3.50
CHF-PLN	4.14	4.26	4.21	4.19	4.26	4.17	4.11	3.92	4.26	4.05
EUR-USD	1.20	1.23	1.21	1.17	1.23	1.23	1.24	1.12	1.23	1.27

Source: GUS, NBP, PKO Bank Polski.

*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	4.8	"Polish MPC would rethink easy-money preferences only on outlook for long-term lasting inflation above 4% (...) Polish MPC will likely stick to bias for "lowest possible interest rates" and "weak zloty," chances for rate normalization "near zero" (26.01.2021, PAP)
E. Gatnar	4.5	"(...) If the number of infections does not increase as a result of the current easing of the restrictions and inflation continues to rise, then we should consider raising rates to 0.5% in the second half of the year. (...) This would be the first, cautious step towards the normalisation of monetary policy in Poland. Perhaps by the end of the term of the current Monetary Policy Council (MPC) the reference rate will increase to 1%," (18.02.2021, Refinitiv)
L. Hardt	4.2	"I see no scenario in which interest rates should be lowered (...) Even if the third wave of infections comes along with another significant economic lockdown, the optimal NBP action would be to continue the program of bond purchases on the secondary market. (...) if the economic revival progresses it is hard to exclude a necessity of a rate hike, albeit a very cautious one, i.e. first normalization of the mandatory reserve rate and then, in the second step, of the reference rate, and that only up to the level of 0.5%." (11.02.2021, polishbrief.pl; PAP)
J. Kropiwnicki	3.2	"Further lowering of interest rate currently seems ill-advised (...) Its potential hike could potentially be considered in H2, if worries about increased inflation pressures prove right (...) In my opinion, cost-side inflation components are underestimated" (18.02.2021, PAP).
C. Kochalski	2.2	"In the current conditions, that is amid rebounding economy [PAP: and] with inflation within the target range, rate stabilization is the right approach, I believe," (10.02.2021, PAP).
R. Sura	2.1	"I would not exclude such a scenario [PKO: rate cuts] in the future (...) [PKO: while] inflation in 2021 will be approaching the middle of the inflation target tolerance band, (...) and economic developments and expert opinions delivered to us parallelly and analyzed by us should point at a possibility of a further rate cut, with concurrent demonstration of positive effects for the real economy. (...) As of today I do not see such a need and the current rate regime appears "optimal."" (30.12.2020, PAP).
G. Ancyparowicz	1.8	"I think that at the moment further interest rate cuts will not make credit cheaper, so there are no arguments for further rate cuts" (25.01.2021, Reuters)
A. Glapinski	1.5	"If the pandemic and economic situation will develop in line with the base scenario for a stabilization of the epidemic situation and gradual improvement in economic trends, then no change in monetary policy parameters should be necessary in the coming quarters. Shortly speaking, with the current high level of uncertainty concerning future economic situation nothing is predetermined and we have to be ready for different scenarios" (05.01.2021, PAP, obserwatorfinansowy.pl).
J. Zyzynski	1.5	"The interest rates in the next several quarter should remain on an unchanged level, but the Council has still not renounced a possibility of potential rate cuts - the likelihood of such a move has neither increased nor fallen of late. Nonetheless, it would not be a big stimulus for the economy, as the room for cuts is only 0.1 ppt for the reference rate. At the same time, discussions about tightening the monetary policy are out of the question - there are too many unknowns surrounding the functioning of the economy after the pandemic" (18.02.2021, PAP)
E. Lon	1.1	"Poland is expected to keep interest rates unchanged until the end of the current MPC's term However, a cut could take place if economic situation deteriorates" (17.02.2021, Radio Wnet, PAP)

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

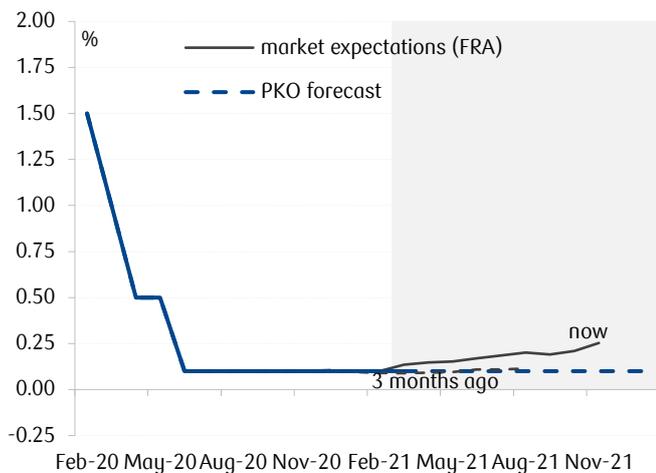
Interest rates – PKO BP forecasts vs. market expectations

	1M	2M	3M	4M	5M	6M	7M	8M	9M	
Date	25-Feb	25-Mar	25-Apr	25-May	25-Jun	25-Jul	25-Aug	25-Sep	25-Oct	25-Nov
WIBOR 3M/FRA†	0.21	0.25	0.26	0.26	0.28	0.30	0.31	0.30	0.32	0.36
implied change (b. p.)		0.04	0.05	0.05	0.07	0.09	0.10	0.09	0.11	0.15
MPC Meeting	3-Mar	7-Apr	5-May	9-Jun	8-Jul	-	8-Sep	6-Oct	3-Nov	8-Dec
PKO BP forecast*	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
market pricing*		0.14	0.15	0.15	0.17	0.19	0.20	0.19	0.21	0.25

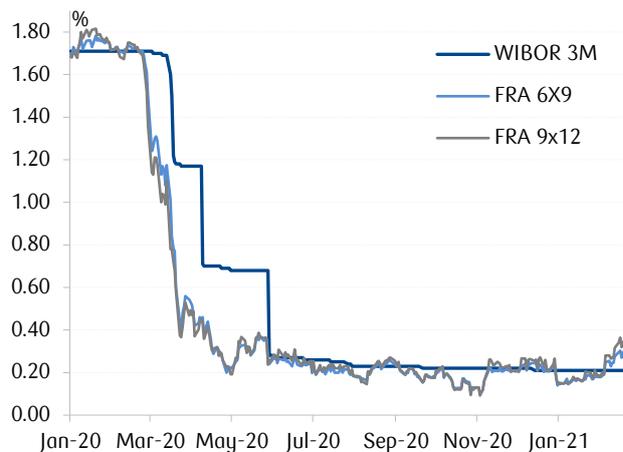
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, *PKO BP forecast of the NBP reference rate.

Poland macro chartbook

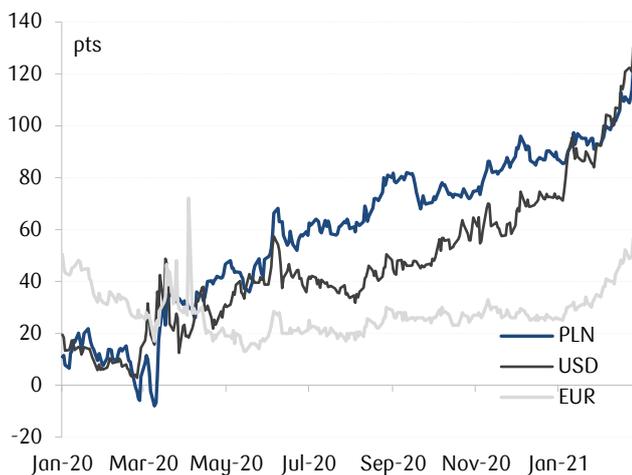
NBP policy rate: PKO BP forecast vs. market expectations



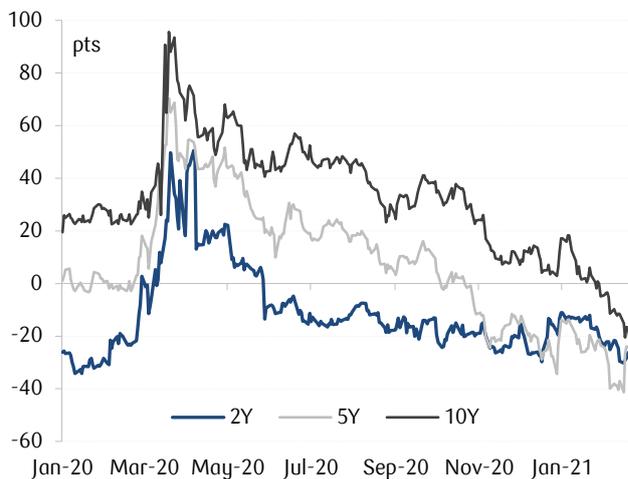
Short-term PLN interest rates



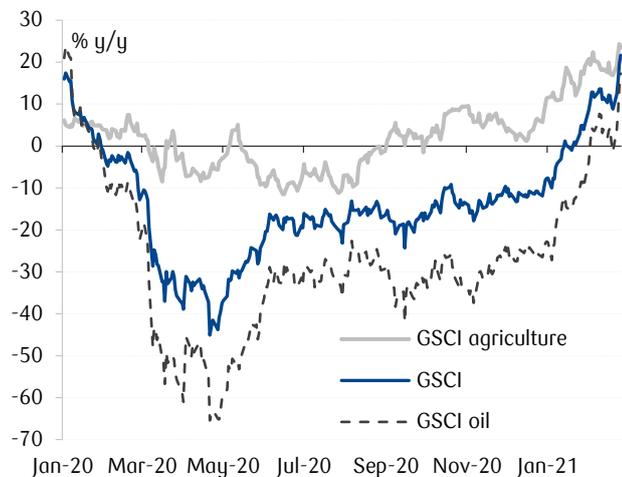
Slope of the swap curve (spread 10Y-2Y)*



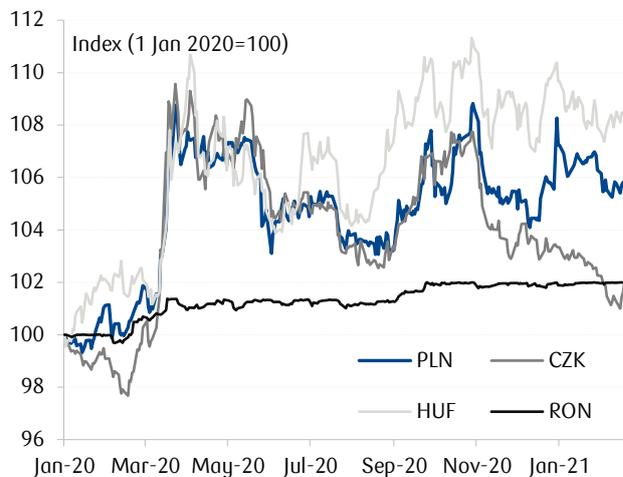
PLN asset swap spread



Global commodity prices (in PLN)

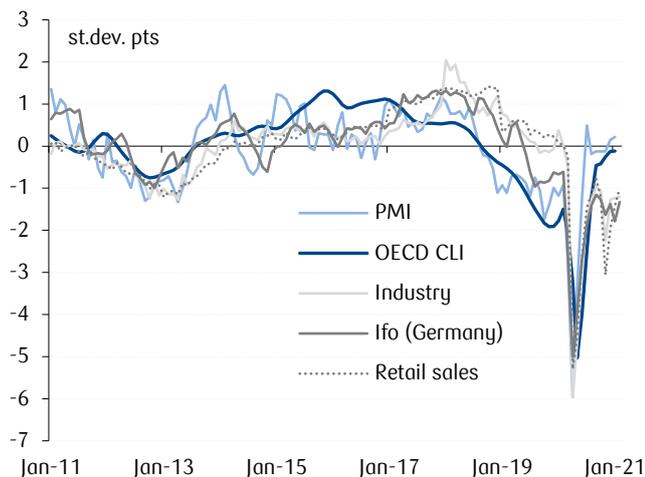


Selected CEE exchange rates against the EUR

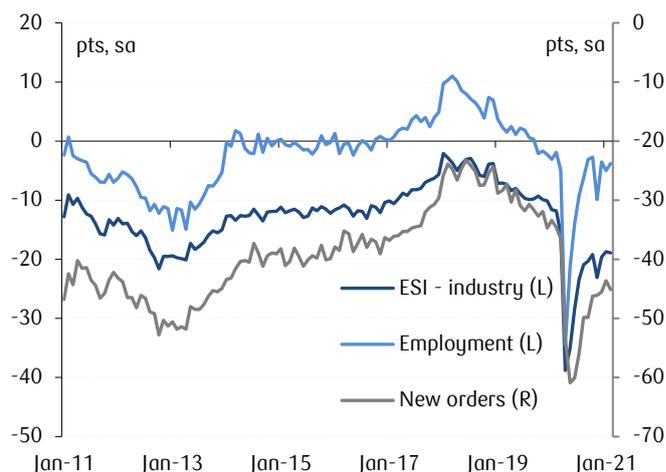


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

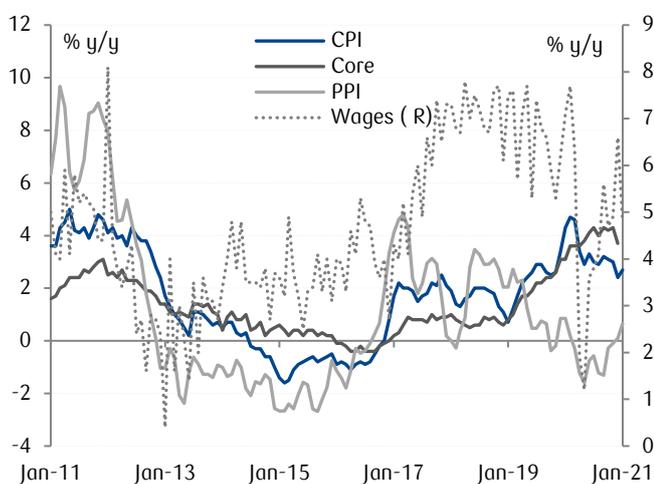
Economic sentiment indicators



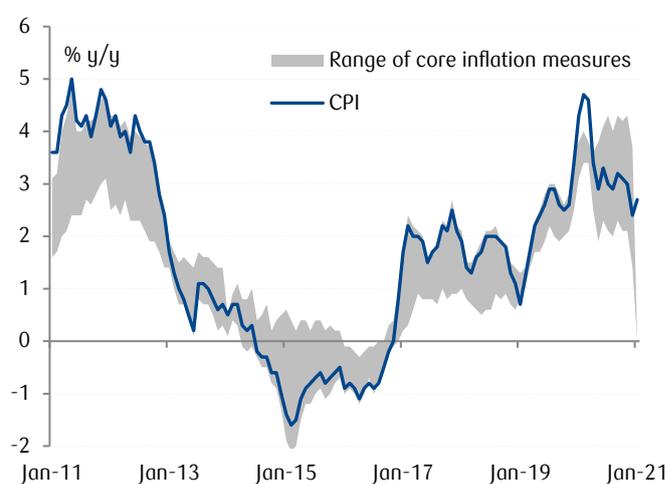
Poland ESI for industry and its components



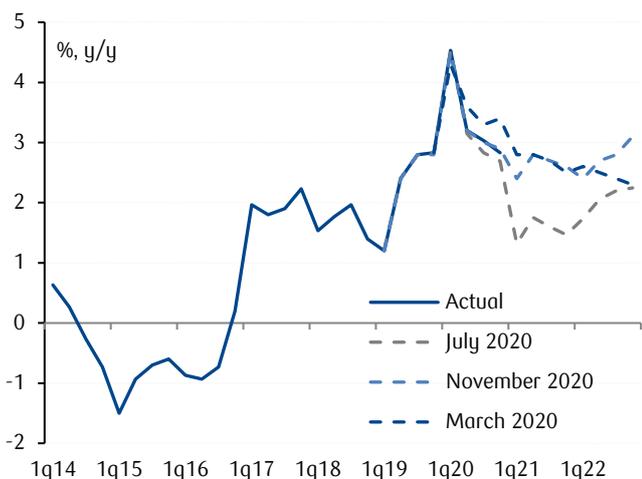
Broad inflation measures



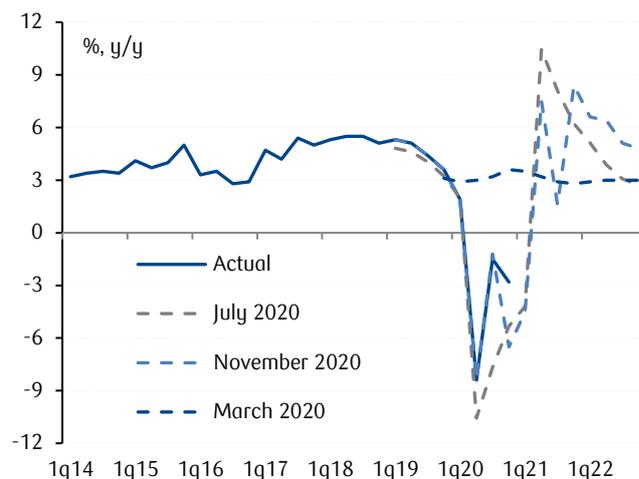
CPI and core inflation measures



CPI inflation - NBP projections vs. actual

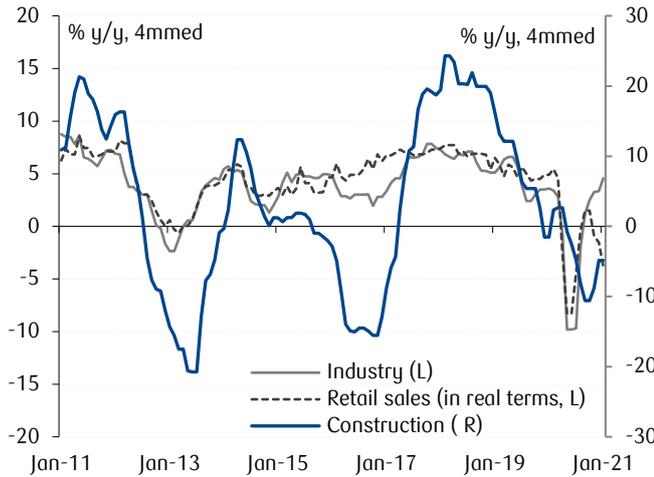


Real GDP growth - NBP projections vs. actual

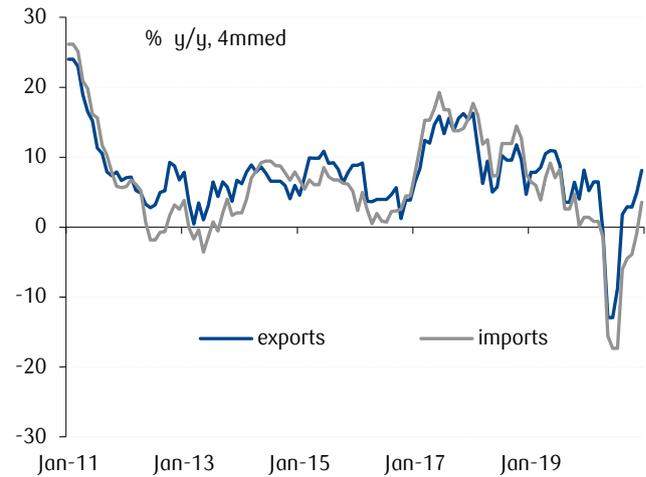


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

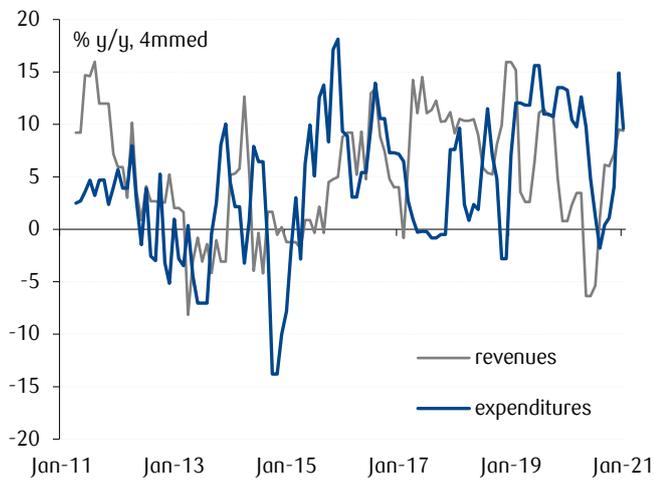
Economic activity indicators



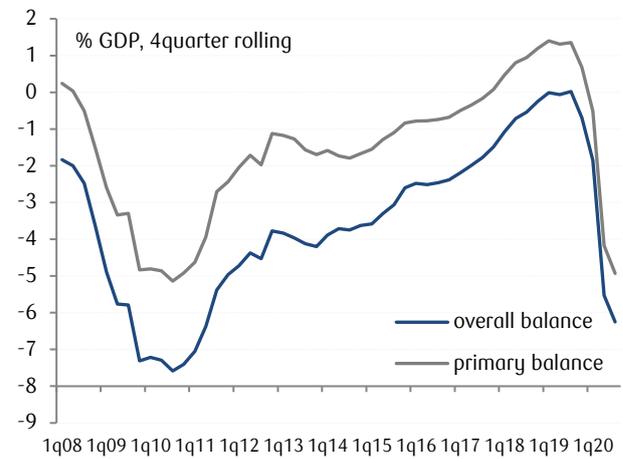
Merchandise trade (in EUR terms)



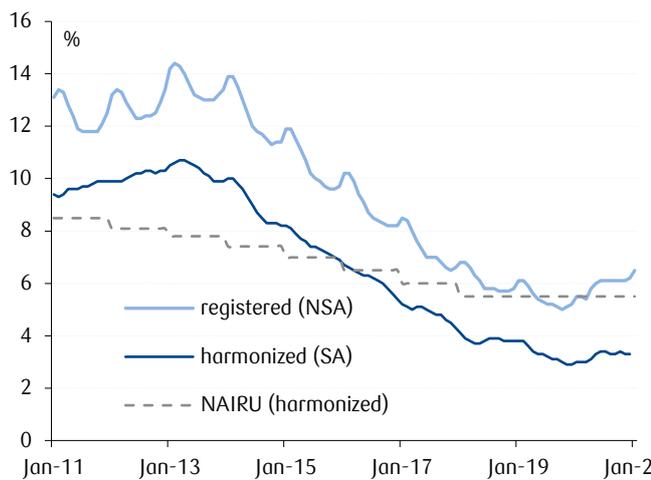
Central government revenues and expenditures*



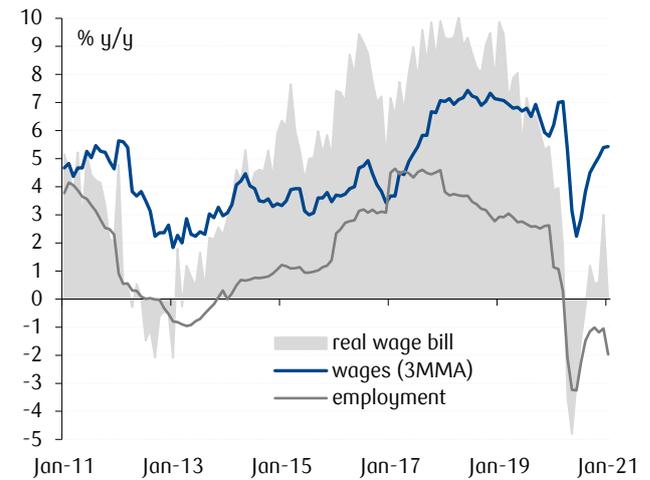
General government balance (ESA2010)



Unemployment rate

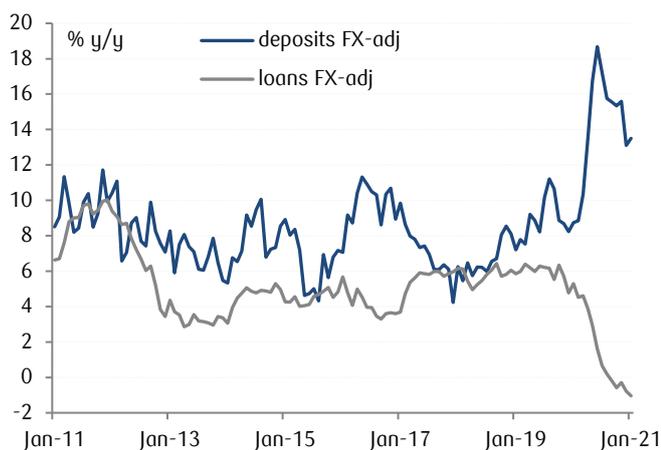


Employment and wages in the enterprise sector

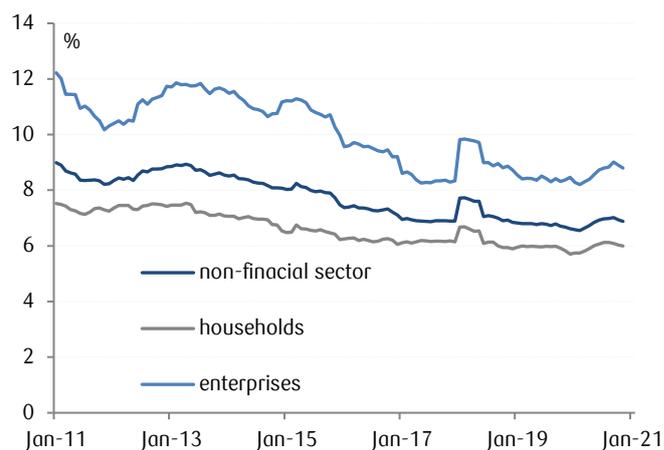


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

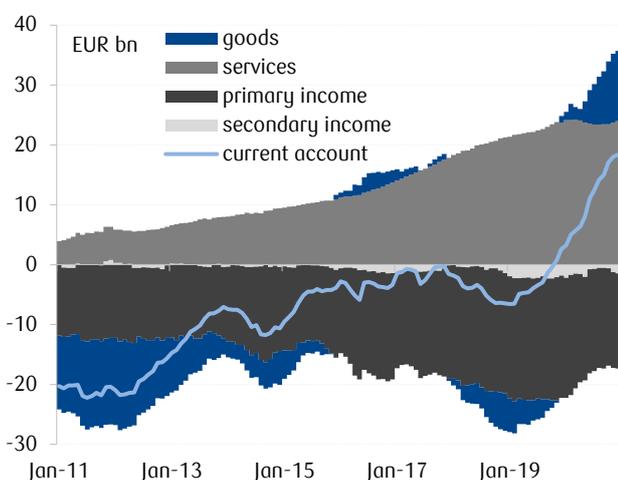
Loans and deposits



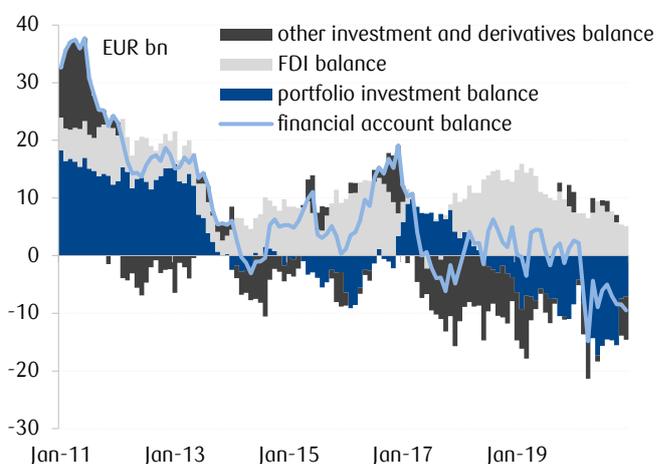
Non-performing loans (NPLs) - by sectors*



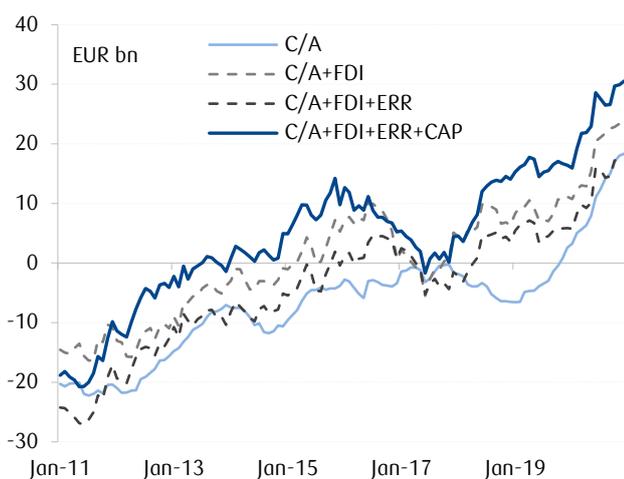
Current account balance



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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- [Bottlenecks, winter and lockdowns](#) (Feb 19, 2021)
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- [Spotlight: fiscal stance](#) (Feb 5, 2021)
- [2020 better than feared, bounce back ahead](#) (Jan 29, 2021)
- [Labour waves goodbye to difficult year](#) (Jan 22, 2021)
- [Housing frenzy exposes some perils of ultralow rates](#) (Jan 15, 2021)
- [New Year's sale at the NBP](#) (Jan 08, 2021)
- [Surplus economy](#) (Dec 18, 2020)
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- [How deep is the second dip?](#) (Oct 16, 2020)
- [Second wave, double dip recession?](#) (Oct 9, 2020)
- [Inflation is not letting go](#) (Oct 2, 2020)
- [Easy gains are now over?](#) (Sep 25, 2020)
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- [Is the crisis over?](#) (Aug 21, 2020)
- [Cash is king](#) (Aug 7, 2020)
- [EU Recovery Fund: final approach](#) (Jul 31, 2020)
- [Good news](#) (Jul 24, 2020)
- [NBP speaks!](#) (Jul 17, 2020)
- [Presidential runoff](#) (Jul 10, 2020)
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- [EU Recovery Plan: what's in store for Poland?](#) (Jun 5, 2020)
- [Lower bound reached](#) (May 29, 2020)
- [Lockdown recession](#) (May 22, 2020)
- [Not all that glitters is gold](#) (May 15, 2020)

Poland's macro in a nutshell

	2020	2021	Comment
Real economy			
- real GDP (%)	-2.7	5.1	We forecast that in 2021 the Polish economy will grow by over 5%, after a decrease of close to 3% in 2020. The main trigger for such a strong rebound will be an improvement in the epidemic situation. Thanks to the anti-crisis measures, the fundamental structure of the economy has been preserved, which enables a fast recovery. Last but not least, in our opinion the fiscal policy will support GDP growth in 2021 even stronger than in 2020.
Prices			
- CPI inflation (%)	3.4	3.1	Inflation will remain close to the upper inflation target band (3.5%). Strong economic recovery shortens the pandemic-related disinflationary period, and, combined with regulatory changes (power levy, trade tax, sugar levy), pushes CPI inflation above 3%.
Monetary aggregates			
- M3 money supply (%)	16.4	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.
External balance			
- current account balance (% GDP)	3.5	3.0	The balance of payments has become the main strength of Poland's macroeconomic fundamentals. Polish companies are successfully gaining the market share in global trade and Polish exports are breaking new records on a regular basis. Poland has become a net exporter, which is a hugely important structural change, that increases the room for maneuver in both monetary and fiscal policy.
Fiscal policy			
- fiscal balance (% GDP)	-9.2	-3.4	We see no threat to the sustainability of the public finances. In our view Poland, as a competitive economy with high GDP growth potential and moderate inflation, will begin to quickly 'outgrow' the public debt, which has increased due to pandemic.
Monetary policy			
- NBP reference rate (%)	0.10	0.10	Despite high inflation NBP monetary policy will not be exciting. In our baseline scenario we still assume that NBP interest rates will remain unchanged even after 2021, and that the MPC will continue its asset purchases program. Nevertheless, as the economy recovers and relatively high inflation persists, the market might start to expect that monetary policy normalization will start in Poland even before the major central banks will start to tighten their policies.

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

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