

Blueprint for Recovery

Top macro theme(s):

- **Blueprint for Recovery (p. 2):** The National Reconstruction Plan (KPO) constitutes 15.2% of the total EU funds allocated to Poland for the years 2021-2027. The funds will mainly be allocated on public investments and support for enterprises and will boost construction and IT sectors' output.

What else caught our eye:

- **Manufacturing PMI rose to 53.4pts in February** (vs. 51.9pts in January) pointing at a further improvement in output and new orders (mainly export ones) as well as mounting supply constraints leading to inventories depletion, larger backlogs and higher costs.
- **Registered unemployment rate inched up to 6.6% in February** (vs. 6.5% in January, 0.1pp above our and consensus forecast), acc. to MinLab flash estimate. The number of unemployed increased by 10k, much less than in the same month during previous episodes of economic downturn.
- **As expected, the MPC has not introduced any changes to the monetary policy with reference rate stable at 0.10%.** In line with our expectations, new NBP projections point to a higher CPI inflation path and stronger GDP growth than in previous projection. For 2021 the NBP sees inflation at 3.15% (vs. 2.6% in November), followed by 2.8% in 2022, and 3.2% in 2023. GDP is projected to expand by 3.9% in 2021 (vs. 3.1% seen in November) and 5.4% in 2022-2023. That said, while the NBP expects nominal GDP to return to the pre-crisis trend in 2023, it does not fear of inflationary pressure - a sign that despite awakened market expectations, NBP rates are to remain stable for the upcoming quarters.
- **NBP governor A.Glapiński** said that the Polish MPC will closely follow monetary policy of the ECB and Fed when it comes to rate moves (esp. hikes) and declared QE to remain open-ended. For the time being the NBP is reluctant to participate in potential conversion of FX mortgage loans.

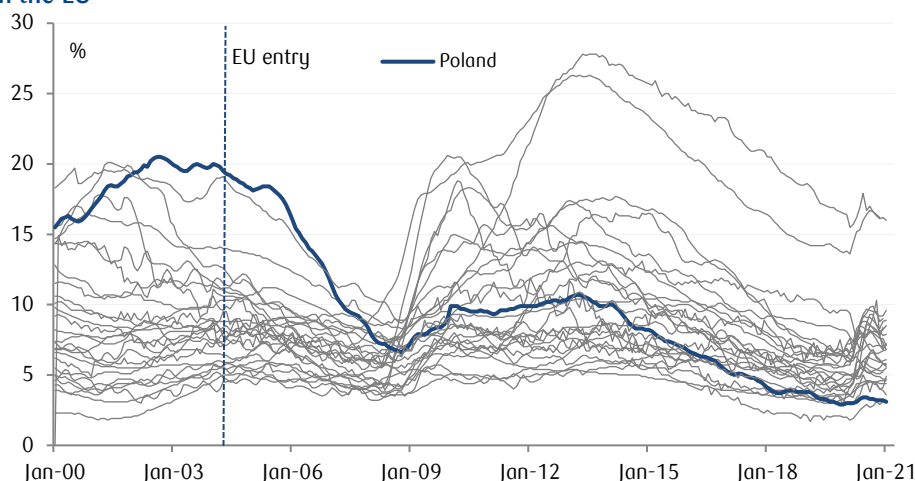
The week ahead:

- **Details of NBP projection will be delivered on Monday together with the Inflation Report.** From market perspective, drivers of 2022 fall of average inflation (2.8% vs. 3.15% in 2021) will be the key focus of attention.

Number of the week:

- **3.1% - harmonised unemployment rate in Poland**, as of January 2021, the lowest in the European Union (for the first time ever).

Chart of the week: The long journey from the highest to the lowest unemployment rate in the EU



Source: Eurostat, PKO Bank Polski.

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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.

Blueprint for Recovery

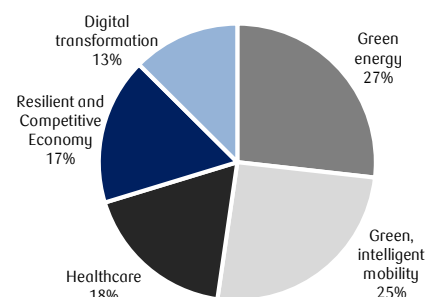
- The National Reconstruction Plan (KPO) constitutes 15.2% of the total EU funds allocated to Poland for the years 2021-2027.
- The KPO funds can be absorbed relatively fast. It supports our view that the Plan will fill the gap in the EU funds inflows that usually occurs between consecutive EU budgets.
- The KPO funds will mainly be allocated on public investments and support for enterprises. Contrary to previous EU budgets, households will be the third largest beneficiary of inflows.
- KPO funds will boost construction sector output. Industry, esp. SME will also be incentivised to increase their investment activity. IT sector will also be an important beneficiary.
- Last, but not least, a pressure on public sector involvement will be lower than in the previous EU budgets, what partially reflects a shift from hard infrastructure to public services and digital projects.

The government has published a proposal for the National Reconstruction Plan (Krajowy Plan Odbudowy, KPO). It is a part of the EU funds' package negotiated together with the EU budget for 2021-2027, see also our [PMW EU Recovery Fund: final approach](#) (Jul 31, 2020). The KPO Plan covers EU funds in a form of grants from the Next Generation EU (NGEU) in the amount of EUR 23.9bn, out of total EUR 58.1bn allocated to Poland. This constitutes 41.1% of the total NGEU allocation and 15.2% of the total funds allocated to Poland for the years 2021-2027 (chart 1).

We have experienced a déjà vu while reading the KPO Plan. Indeed, **a large part of projects included is not new and has already been planned** (e.g. railway projects). Therefore the KPO partially reflects a shift in financing sources, from the EU budget for 2021-2027 to the NGEU. The inclusion of earlier planned projects into the KPO results partly from the need to address the growing project execution costs (e.g. construction works), which means that the real value of the investment without NGEU funds would be lower. The portfolio of ready-to-go projects enables faster absorption of the EU funds. The administration in Poland is relatively well prepared to "process" a large number of projects, having much experience from the previous EU financial perspectives. This will make it possible to close the gap in the EU funds inflows, which usually occurs when the EU budget expires. Although the KPO is planned to be fully implemented by the end of 2026, its details make us feel comfortable with our assumptions on the EU funds inflows presented in the PWM EU Recovery Fund (...) (chart 2). The transition between the EU perspectives will be less bumpy than it was, for example, in 2013, when GDP growth rate plummeted sharply from approx. 5% to around 0% within a year, and in 2016, when the GDP growth rate decreased from 4-5% to approx. 3% in 1q16. This is positive (among others) for the construction industry that will not be placed on another demand roller-coaster. NGEU funds will contribute strongly to the GDP growth rate in 2022-2023.

In terms of 'demand' side, KPO funds will be allocated mainly to public investments (chart 3): railways, public transport, health care, public administration, and education. In total, it will constitute 45% of the pool, out of which railways and public transport, i.e. hard infrastructure will account for approx. 40% of public investments. Enterprises will also be a large part of the beneficiaries (28.5% of the pool). Transfers of EU funds to enterprises will have pronounced effects especially in the energy sector. They will also stimulate green and digital modernization of companies. Contrary to previous EU budgets, households are the third important target group of the funds (12.3% of funds; thermal modernization of houses, prosumer photovoltaics, but also outlays on human capital are important here). The remaining funds will be allocated as part of the current expenditure of the public sector (including expenditure on human capital or administration of EU funds) and in agriculture.

Distribution of EU funds from the KPO – thematic goals



Source: EC, MinDev, PKO Bank Polski.

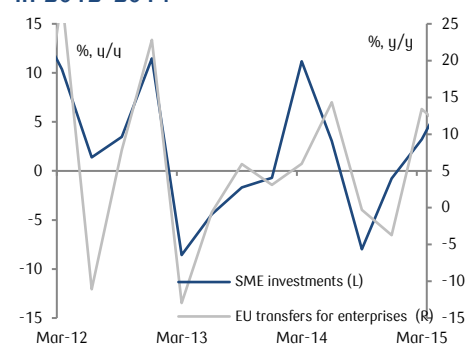
The significant inflow of money to industry should encourage companies, in particular from the SME segment, to increase investment rate (similar to the situation in 2012-14, when SMEs investments followed closely the inflow of EU funds, see margin chart).

In terms of 'supply' (i.e. from the point of view of the supplier of goods/services for the beneficiary of EU funds), the largest stream of money will flow to the construction sector (approx. EUR 9.4 bn, or 39.3% of the total KPO, chart 4). Additionally, the IT sector will be an important service provider, with expected value of demand generated by the KPO projects at EUR 1.7 bn, or approx. 7.0% of the entire pool.

Due to the smaller share of infrastructure projects, and higher expenditure on machinery and IT equipment, the import intensity of EU funds will be higher than in previous EU budgets. We estimate that for the KPO pool it will amount to approx. 26.6%, compared to 19.0% if the structure of funds distribution was the same as in 2014-2020.

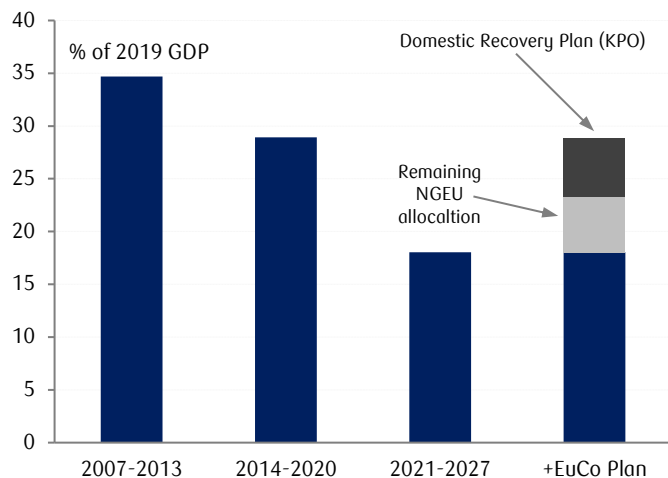
In our opinion, the KPO will also be relatively easy to swallow for the public sector in terms of own resources that are required for co-financing. Although the domestic contribution to EU co-financed projects could be significant, especially in the case of infrastructure, the share of the domestic public sector in healthcare and digital transformation projects could be much lower (and even close to zero in some cases). Private sector entities will also constitute a large part of the beneficiaries. We are not worried about its absorption rates. As shown by the experience from previous years, the demand of enterprises and households for co-financing is usually high (for example, last year there was a shortage of funds for photovoltaics given an elevated demand on these funds).

SME investments vs EU funds inflows in 2012-2014

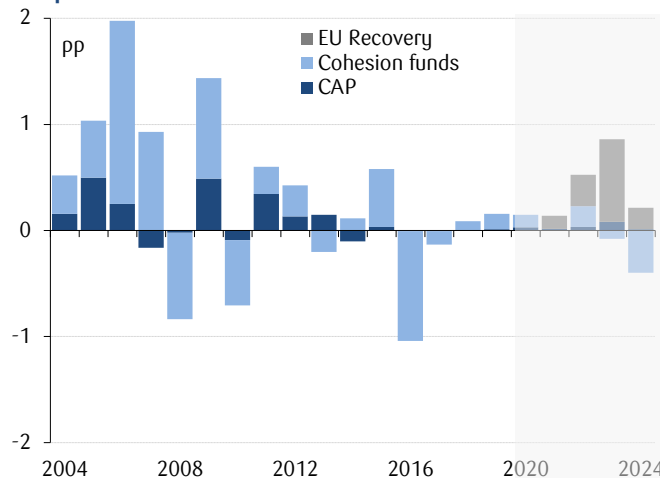


Source: GUS, Eurostat, Pont, MinDev, PKO Bank Polski.

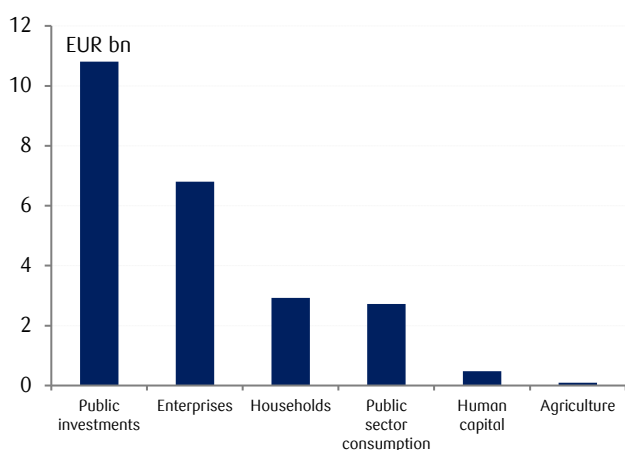
1. EU funds allocation to Poland



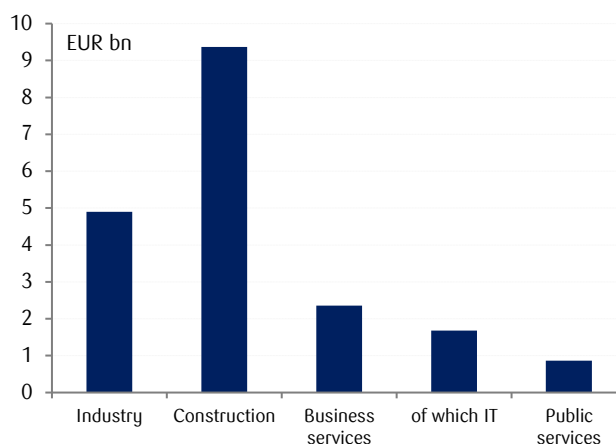
2. Impact of funds on GDP



3. KPO Plan funds inflows – 'demand' side



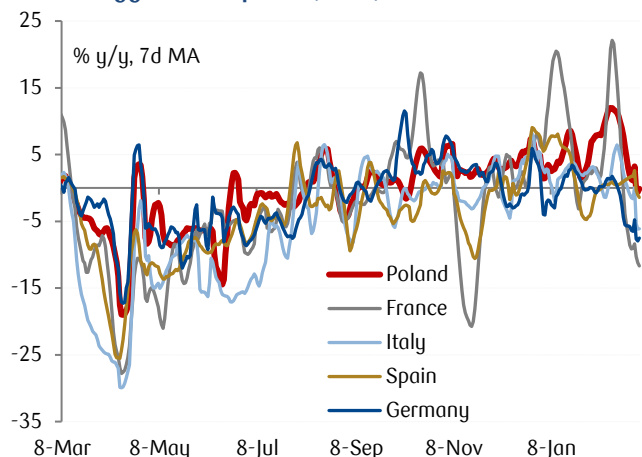
4. KPO Plan funds inflows – 'supply' side



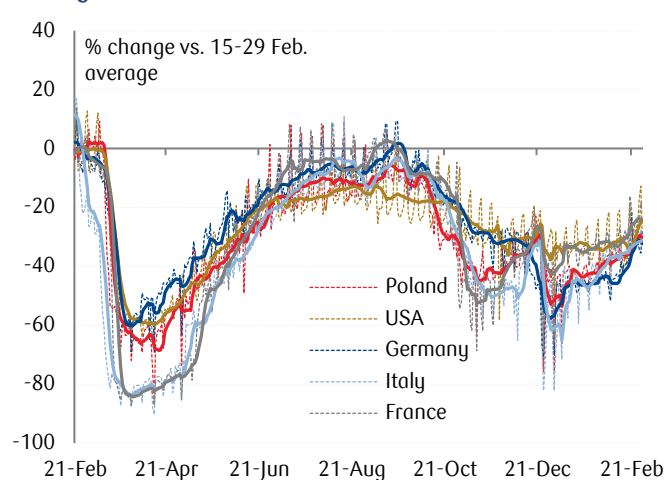
Source: EC, MinFin, MinDev, Eurostat, PKO Bank Polski.

Macro monitoring with alternative data

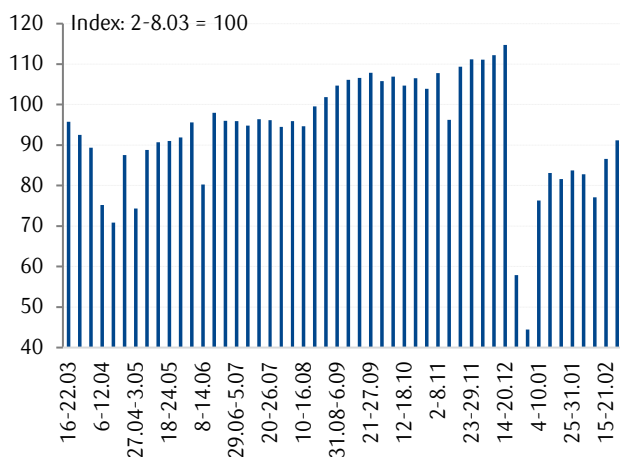
Electric energy consumption (total)



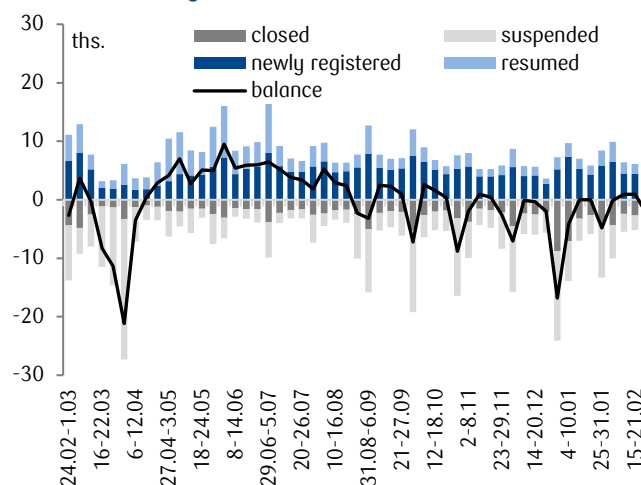
Mobility*



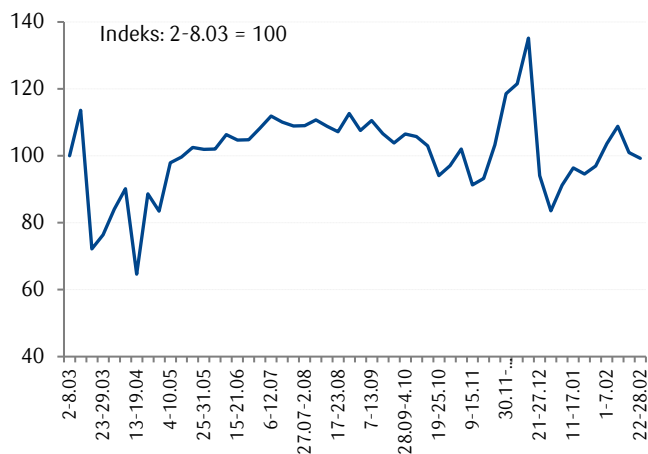
Heavy truck traffic



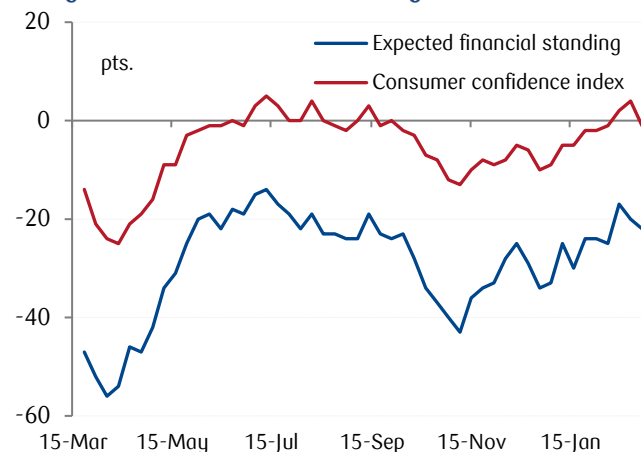
Economic activity status (acc. to CEiDG**)



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, 8 March						
GER: Industrial production (Jan)	7:00	% m/m	0.0	0.8	--	--
GER: Industrial output (Jan)	7:00	% y/y	-1.0	--	--	--
EUR: Sentix Index (Mar)	9:30	pts.	-0.2	1.5	--	--
POL: NBP Inflation Report	10:00	--	--	--	--	Drivers of CPI inflation drop in 2022 in the new NBP projection will be in focus.
Tuesday, 9 March						
GER: Trade Balance (Jan)	7:00	bn EUR	16.1	--	--	--
GER: Exports (Jan)	7:00	% m/m	0.1	--	--	--
GER: Imports (Jan)	7:00	% m/m	-0.1	--	--	--
HUN: CPI inflation (Feb)	8:00	% y/y	2.7	--	--	--
EUR: GDP growth (4q)	10:00	% y/y	-4.3	-5.0	--	--
Wednesday, 10 March						
CHN: CPI inflation (Feb)	1:30	% y/y	-0.3	-0.3	--	--
CHN: PPI inflation (Feb)	1:30	% y/y	0.3	1.3	--	--
CZE: CPI inflation (Feb)	8:00	% y/y	2.2	--	--	--
USA: CPI inflation (Feb)	13:30	% y/y	1.4	1.6	--	--
USA: Core inflation (Feb)	13:30	% y/y	1.4	1.4	--	--
Thursday, 11 March						
EUR: ECB Refinancing Rate	12:45	%	0.00	--	--	--
USA: Initial Jobless Claims	13:30	thous.	745	--	--	--
USA: JOLTS Report (Jan)	15:00	thous.	6.646	--	--	--
Friday, 12 March						
GER: CPI inflation (Feb, final)	7:00	% y/y	1.0	1.3	--	--
GER: HICP inflation (Feb, final)	7:00	% y/y	1.6	1.6	--	--
EUR: Industrial production (Jan)	10:00	% m/m	-1.6	0.1	--	--
USA: PPI inflation (Feb)	13:30	% y/y	1.7	--	--	--
USA: University of Michigan sentiment (Mar, flash)	15:00	pts.	76.8	78.8	--	--

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

Selected economic indicators and forecasts

	Dec-20	Jan-21	Feb-21	4q20	1q21	2q22	3q22	2019	2020	2021
Economic activity										
Real GDP (% y/y)	x	x	x	-2.8	-0.5	9.9	5.4	4.5	-2.7	5.1
Domestic demand (% y/y)	x	x	x	-3.4	-1.6	10.2	5.3	3.5	-3.9	4.9
Private consumption (% y/y)	x	x	x	-3.2	0.5	15.9	2.0	4.0	-3.0	5.5
Gross fixed capital formation (% y/y)	x	x	x	-10.9	2.8	4.3	2.4	7.2	-8.4	3.7
Inventories (pp)	x	x	x	0.6	-2.9	-0.9	2.7	-1.4	-0.9	0.1
Net exports (pp)	x	x	x	0.4	0.9	0.9	0.5	1.2	1.0	0.6
Industrial output (% y/y)	11.2	0.9	4.4	5.2	5.6	21.3	8.7	4.0	-1.0	10.0
Construction output (% y/y)	3.4	-10.0	-12.7	-2.4	-18.0	-4.4	6.0	3.6	-2.7	-1.3
Retail sales (real, % y/y)	-0.8	-6.0	-1.2	-2.8	0.1	8.3	-2.8	5.4	-2.7	1.2
Nominal GDP (PLN bn)	x	x	x	650.0	566.8	596.0	633.2	2288	2317	2505
Labour market										
Registered unemployment rate‡(%)	6.2	6.5	6.6	6.2	6.3	5.8	5.4	5.2	6.2	5.4
Employment in enterprises (% y/y)	-1.0	-2.0	-2.0	-1.1	-1.5	2.1	1.2	2.7	-1.2	0.8
Wages in enterprises (% y/y)	6.6	4.6	4.7	5.9	7.3	6.1	6.1	6.6	4.8	6.5
Prices^										
CPI inflation (% y/y)	2.4	2.7	2.7	2.8	2.6	3.2	3.1	2.3	3.4	3.1
Core inflation (% y/y)	3.7	3.8	3.6	4.1	3.7	2.8	2.7	2.0	3.9	3.0
15% trimmed mean (% y/y)	2.7	x	x	2.9	x	x	x	2.0	3.2	x
PPI inflation (% y/y)	0.0	0.7	1.3	-0.2	1.5	2.7	2.7	1.2	-0.6	2.3
Monetary aggregates‡										
Money supply, M3 (PLN bn)	1822.7	1820.2	1841.5	1822.7	1832.0	1842.3	1883.8	1565.6	1822.7	1967.5
Money supply, M3 (% y/y)	16.4	16.8	16.6	16.4	12.5	5.5	6.9	8.3	16.4	7.5
Real money supply, M3 (% y/y)	14.0	14.1	13.9	14.0	9.9	2.3	3.7	4.9	14.0	4.4
Loans, total (PLN bn)	1333.9	1337.3	x	1333.9	1322.3	1358.2	1358.2	1323.4	1333.9	1378.9
Loans, total (% y/y)	0.8	-0.1	x	0.8	-3.3	-0.2	1.5	5.1	0.8	3.4
Deposits, total (PLN bn)	1602.2	1628.0	x	1602.2	1617.1	1627.4	1646.7	1406.6	1602.2	1681.3
Deposits, total (% y/y)	13.9	13.9	x	13.9	8.9	0.5	1.2	8.2	13.9	4.9
Balance of payments										
Current account balance (% GDP)	3.5	3.3	3.3	3.5	3.5	2.8	3.1	0.5	3.5	3.0
Trade balance (%GDP)	2.3	2.3	2.3	2.3	2.4	2.3	2.3	0.2	2.3	1.6
FDI (% GDP)	1.0	0.9	0.9	1.0	0.9	0.8	1.4	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* (%)	0.21	0.21	0.21	0.21	0.20	0.20	0.20	1.71	0.21	0.20
Real WIBOR 3M* (%)#	-2.19	-2.49	-2.49	-2.59	-2.20	-2.80	-2.70	-1.69	-3.19	-2.90
Exchange rates*‡										
EUR-PLN	4.61	4.54	4.51	4.61	4.50	4.48	4.46	4.26	4.61	4.45
USD-PLN	3.76	3.75	3.73	3.76	3.66	3.61	3.57	3.80	3.76	3.50
CHF-PLN	4.26	4.21	4.27	4.26	4.17	4.11	4.09	3.92	4.26	4.05
EUR-USD	1.23	1.21	1.21	1.23	1.23	1.24	1.25	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).

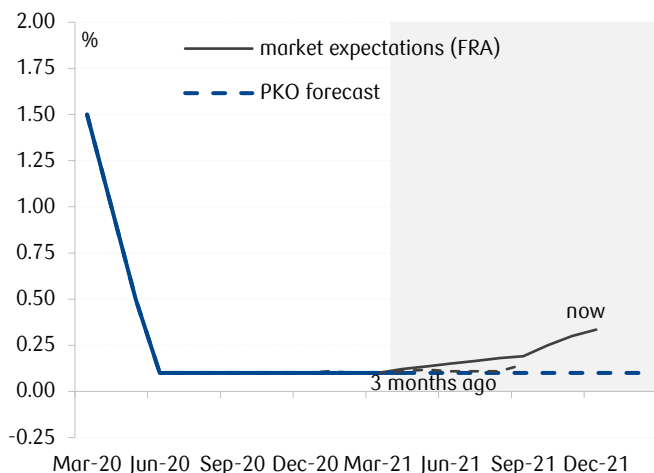
Interest rates – PKO BP forecasts vs. market expectations

		1M	2M	3M	4M	5M	6M	7M	8M	9M
Date	4-Mar	4-Apr	4-May	4-Jun	4-Jul	4-Aug	4-Sep	4-Oct	4-Nov	4-Dec
WIBOR 3M/FRA†	0.21	0.23	0.25	0.26	0.28	0.29	0.30	0.36	0.41	0.45
implied change (b. p.)		0.02	0.04	0.05	0.07	0.08	0.09	0.15	0.20	0.24
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*		0.12	0.14	0.15	0.17	0.18	0.19	0.25	0.30	0.34

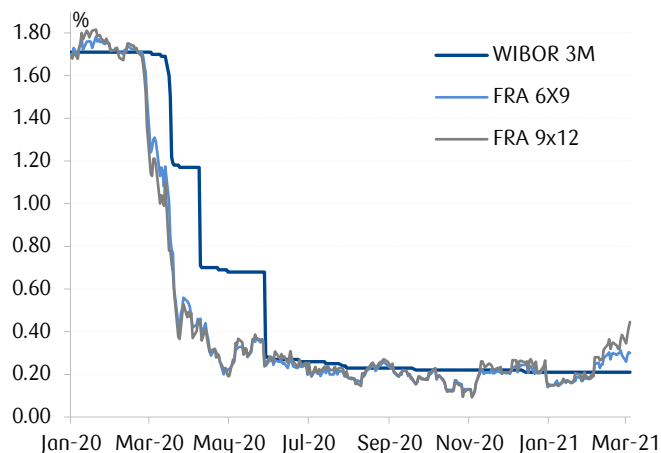
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, *PKO BP forecast of the NBP reference rate.

Poland macro chartbook

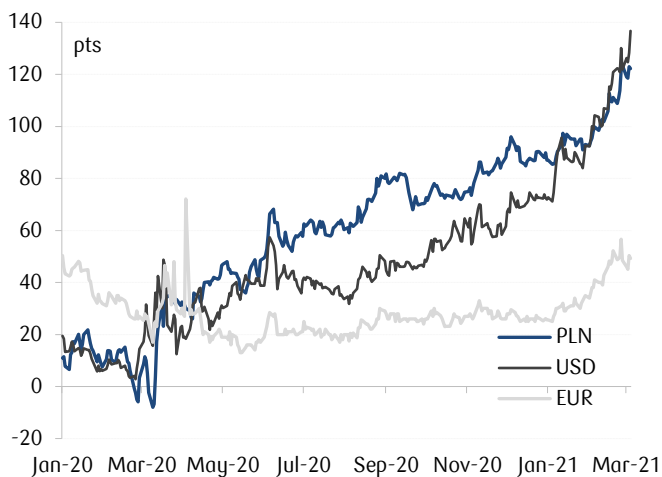
NBP policy rate: PKO BP forecast vs. market expectations



Short-term PLN interest rates



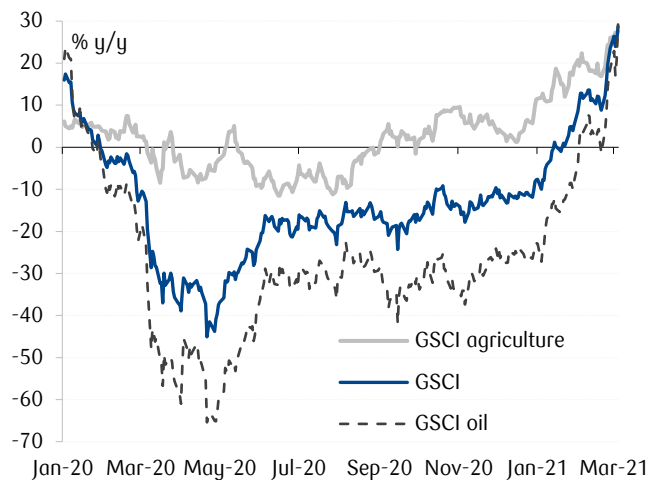
Slope of the swap curve (spread 10Y-2Y)*



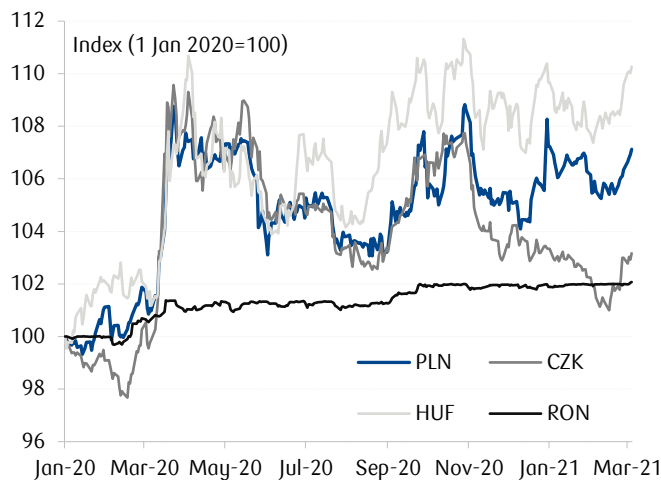
PLN asset swap spread



Global commodity prices (in PLN)

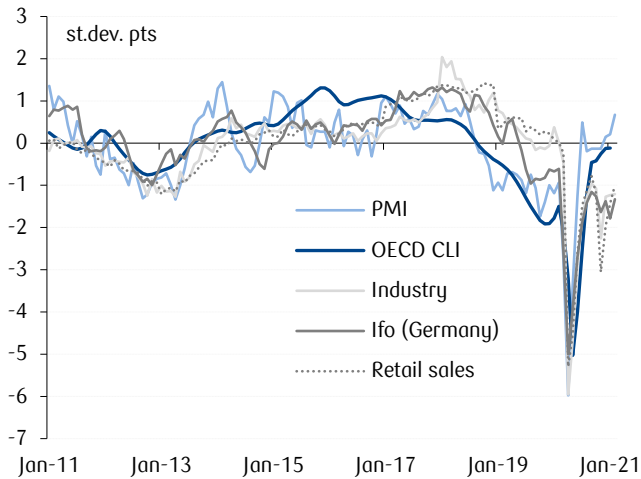


Selected CEE exchange rates against the EUR

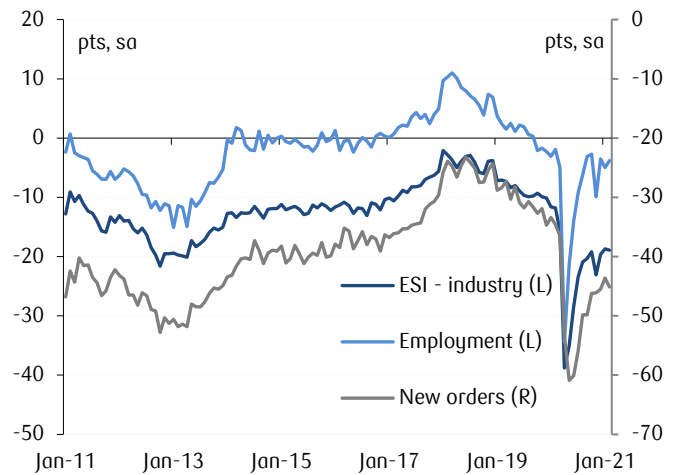


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

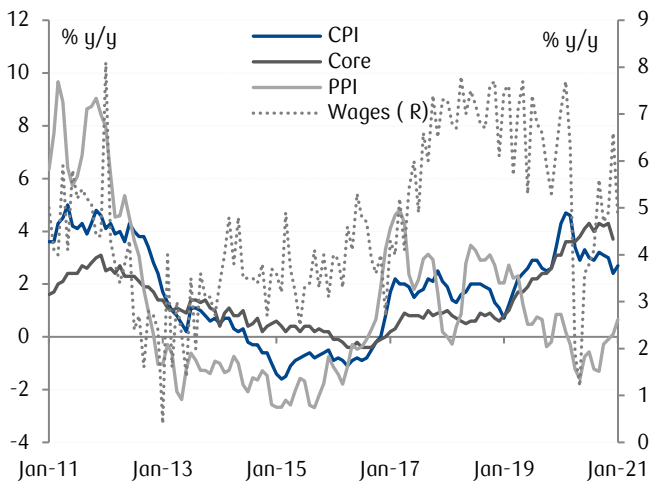
Economic sentiment indicators



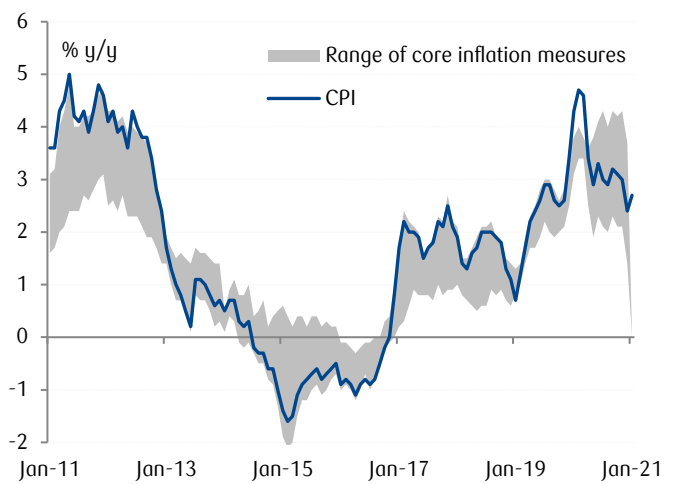
Poland ESI for industry and its components



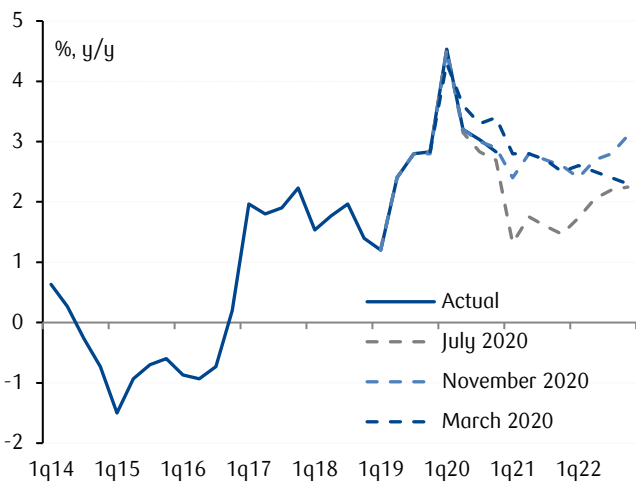
Broad inflation measures



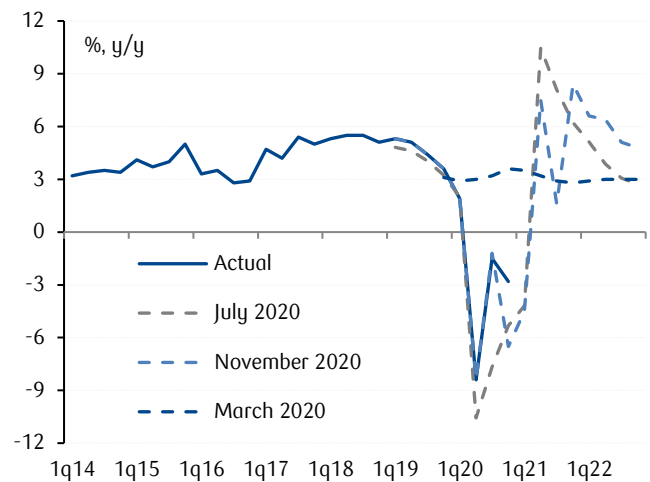
CPI and core inflation measures



CPI inflation - NBP projections vs. actual

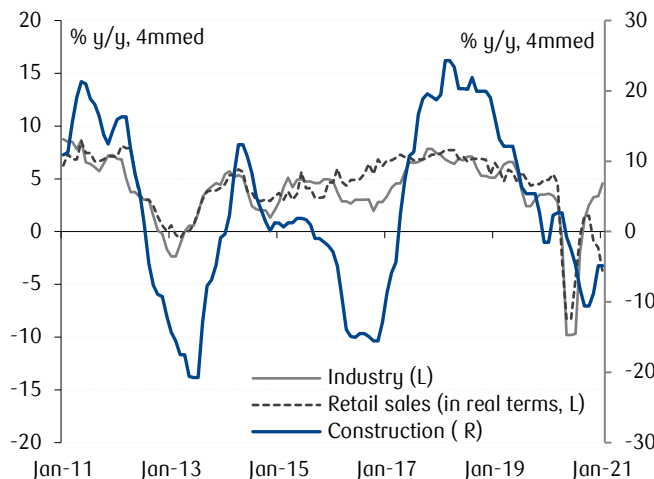


Real GDP growth - NBP projections vs. actual

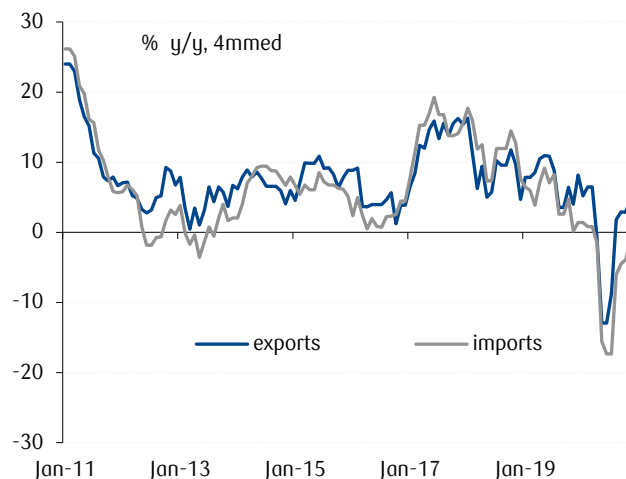


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

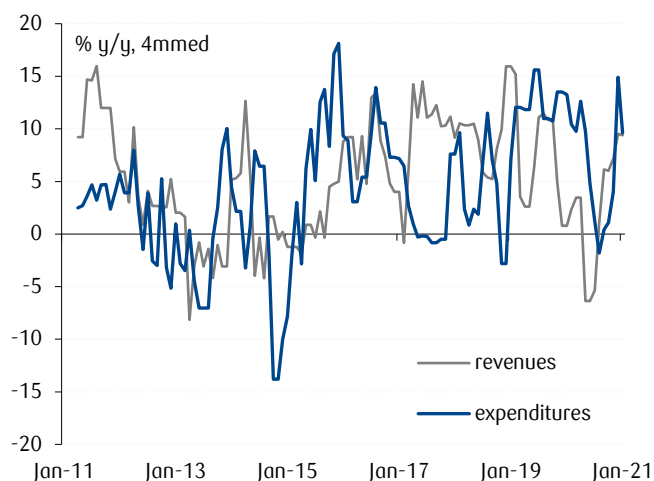
Economic activity indicators



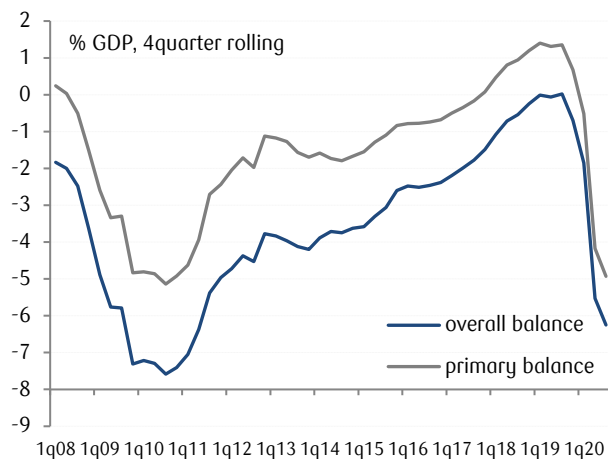
Merchandise trade (in EUR terms)



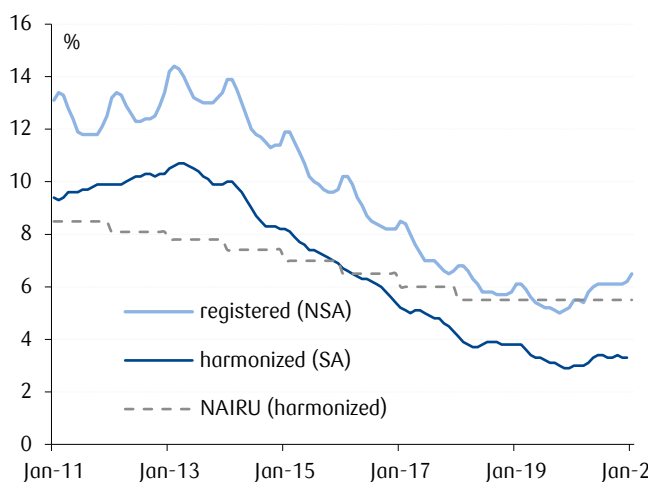
Central government revenues and expenditures*



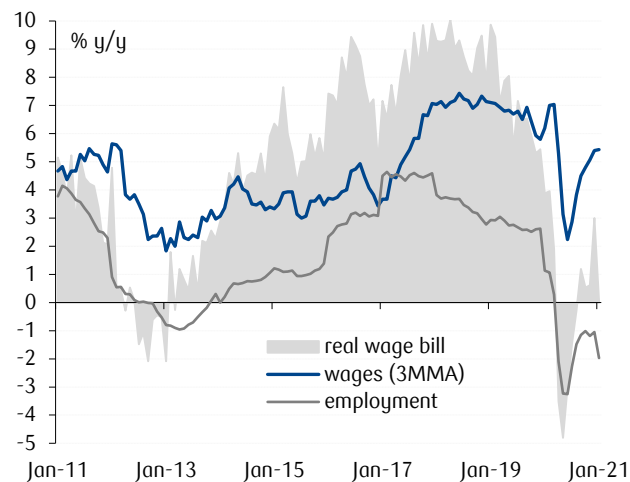
General government balance (ESA2010)



Unemployment rate

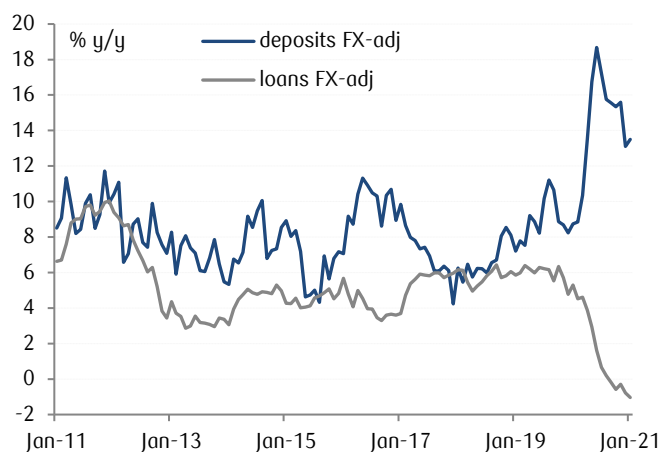


Employment and wages in the enterprise sector

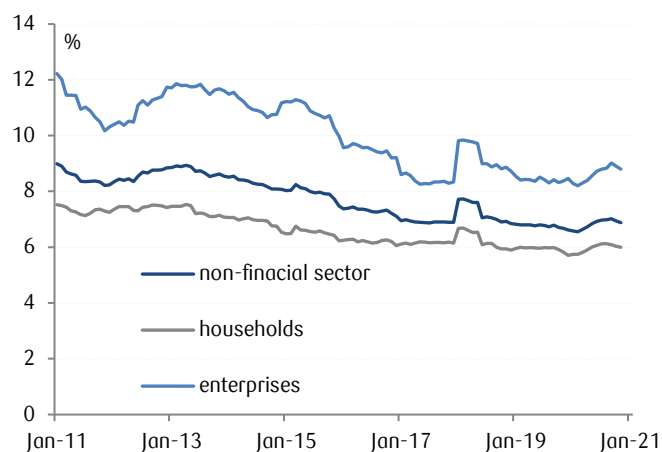


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

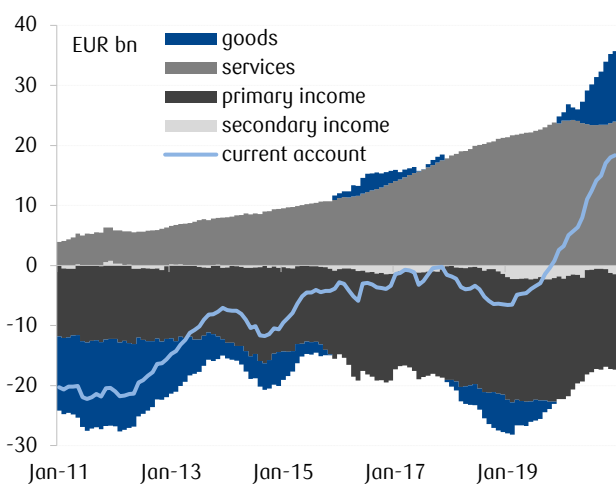
Loans and deposits



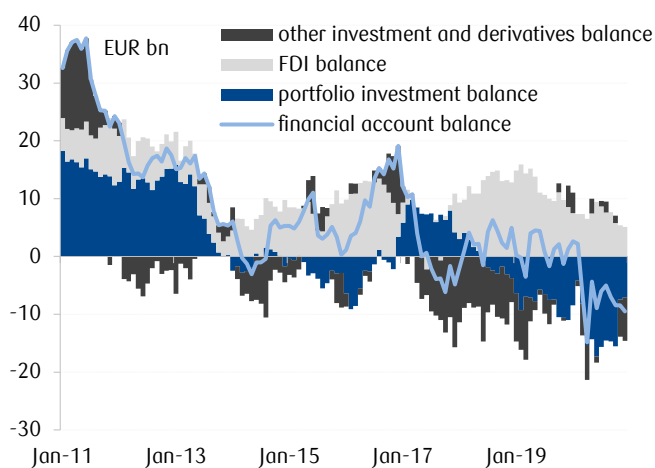
Non-performing loans (NPLs) - by sectors*



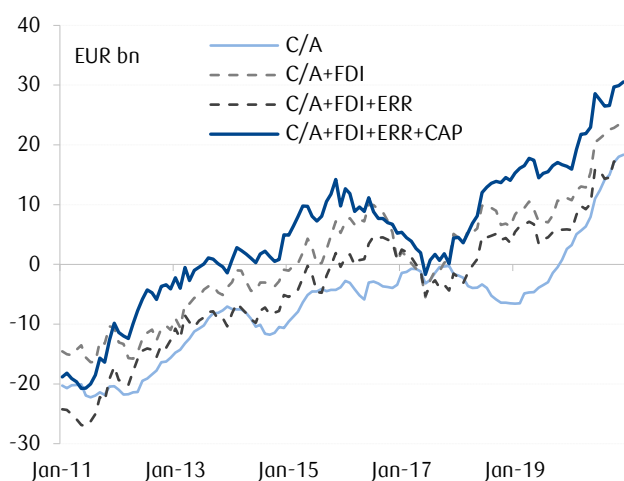
Current account balance



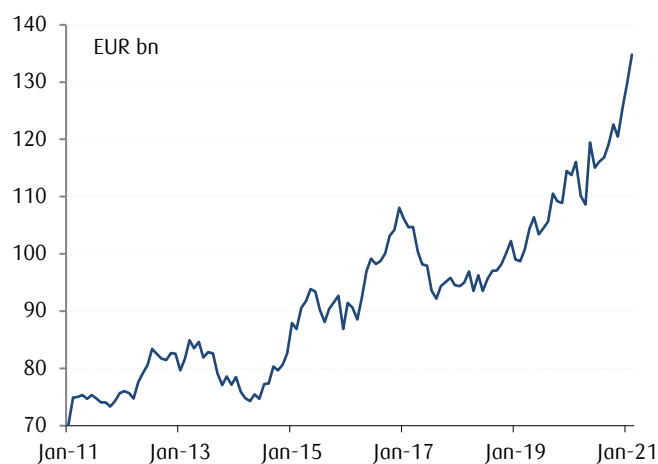
Financial account balance



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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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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