

Please note that the next issue of Poland Macro Weekly will be published on Friday, April 22.

## Deleveraging

### TOP MACRO THEME(S):

- **Deleveraging (p.2):** Poland's net international investment position (net IIP) has improved markedly in recent years indicating less reliance on foreign financing. Net IIP improvement, both in size (as % of GDP) and structure (less reliance on 'hot money') is positive for Poland's rating assessment.

### WHAT ELSE CAUGHT OUR EYE:

- The **Monetary Policy Council** raised interest rates by 100bps (the reference rate to 4.50%, the highest since October 2012). The [post-meeting statement](#) has not changed much as compared to the previous one. Comments from NBP governor at the press conference indicate that the surprisingly large move has not been a front-loading, but simply a reaction to incoming data, i.e. spike in inflation and strong economic activity indicators. He gave no guidance what to expect in the following months. In our view the MPC will go blind with the tightening cycle as long as the headline inflation rises (i.e. until June-July) and then will switch into 'stagnation mode' once it is confirmed that a two-digit inflation means stagflation at the same time. We now assume the reference rate will hit 6.00% in July and stays there until July 2023.
- According to tentative estimates, the registered **unemployment rate in March dropped to 5.4%** from 5.5% in February, slightly weaker than expected.

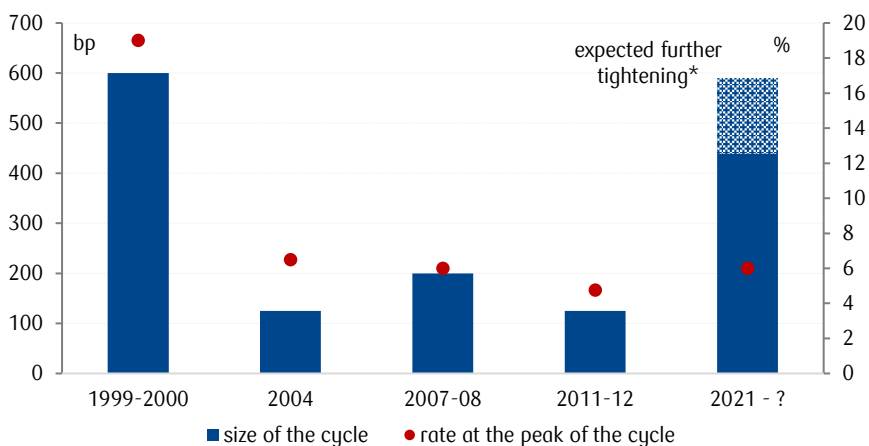
### THE FORTNIGHT AHEAD:

- **Economic activity indicators for March** are likely to reveal negative effects of the war, with retail sales additionally held back by growing prices (see calendar for details).
- **Final CPI figures for March** will shed more light on underlying trend, which most likely barley changed (our estimate of core inflation: 6.8-6.9% y/y).
- **Labour market statistics for March** have been likely affected (employment boosted and wages dented) by refugees seeking jobs.
- Rising imports value and a seasonal decline of EU fund inflows probably dragged **current account balance in February** deep into the red.

### NUMBER OF THE WEEK:

- 100bps – surprisingly large NBP rate hike in April, the largest since 1999.

### Monetary policy tightening cycles in Poland



Source: NBP, PKO Bank Polski. \*implied from FRA curve.

### Chief Economist

Piotr Bujak  
piotr.bujak@pkobp.pl  
tel. +48 22 521 80 84

### Macro Research Team

[@PKO\\_Research](#)

Marta Petka-Zagajewska  
Senior Economist  
marta.petka-zagajewska@pkobp.pl  
tel. +48 22 521 67 97

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

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

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

	2021	2022 <sub>f</sub>
Real GDP (%)	5.7	3.3
Industrial output (%)	15.4	10.0
Unemployment rate <sup>#</sup> (%)	5.4	6.2
CPI inflation <sup>**</sup> (%)	5.1	10.1
Core inflation <sup>**</sup> (%)	4.1	7.7
Money supply M3 (%)	8.9	5.6
C/A balance (% GDP)	-0.6	-1.3
Fiscal balance (% GDP)*	-1.8	-2.8
Public debt (% GDP)*	53.8	52.7
NBP reference rate <sup>##</sup> (%)	1.75	6.00
EURPLN <sup>†##</sup>	4.60	4.55

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

## Deleveraging

- Poland's net international investment position (net IIP) has improved markedly in recent years indicating less reliance on foreign financing. Net IIP improvement, both in size (as % of GDP) and structure (less reliance on 'hot money') is positive for Poland's rating assessment.

Poland's net international investment position (net IIP) has improved markedly in recent years despite a pandemic-induced recession that hit a global economy. Net IIP is a de facto an investment balance sheet of a country i.e. a difference between assets - investments of a given country abroad - and liabilities - foreign investments in a given country. A pre-pandemic trend of a declining net IIP to GDP ratio has continued uninterruptedly in Poland in 2020 and 2021 (see margin chart) and Poland's net IIP has improved from -45.5% of GDP in 4q19 to -38.3% of GDP in 3q21 (as per the latest data available in the IMF's IIP database). The preliminary IIP estimates by the NBP revealed that the downtrend continued in 4q21, with the level of 35% of GDP within the reach.

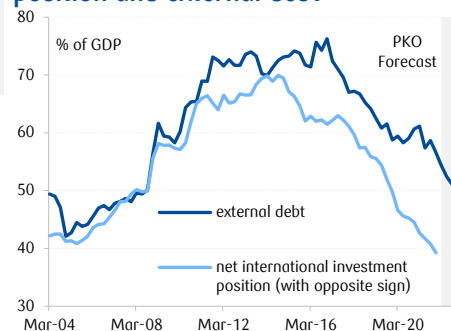
Larger negative IIP generally implies a larger structural current account deficit (due to higher income deficit on the country's balance of payments) and hence a higher reliance on external financing, but CEE region countries are exception from this rule here. Indeed, Central Eastern European countries have traditionally had a large negative net IIP. Poland used to have the most negative net IIP globally in 2017 (-55.6% of GDP), but that has changed in recent years (see global rank of countries, next page). Additionally, a large negative net IIP does not have to automatically translate into a larger current account deficit, if the economy is able to generate a sufficiently strong trade performance. This is the case in Poland where the current account balance has markedly improved since at least 2015, with stable services surplus being a major factor compensating for income deficit and trade balance having hovered around zero before and during the pandemic.

Therefore, the composition of the IIP stock also matters. The CEE countries have a sizable part of their net IIP reflecting their growth model as they have been relying heavily on foreign direct investments. Indeed, Poland's net FDI position (i.e., cumulative FDI stock) amounted to -35.4% of GDP after 3q21 (as per IMF data) explaining a major part of its total (negative) net IIP. Due to its long-term nature FDI is perceived as the most stable and hence the most desired source of external financing. The major caveat right now is the possibility of a new trend emerging from the global supply chains turmoil. If sustained, this could trigger another wave of nearshoring investments, with major global players searching for new locations of their manufacturing plants. What we see right now in Poland is a nearshoring of orders which has lifted industrial output sky-high in late 2021/early 2022. Many companies from the euro area, unable to find enough supplies in South-East Asia, have switched their orders to the CEE region, including Poland. If sustained, this may eventually trigger capital investments here given the high competitiveness of Poland in terms of the undervalued FX rate, labour costs, availability of labour force and shrinking spare capacity in industry.

On the other hand, Poland has reduced its reliance on 'hot' money. Indeed, the net portfolio investment position also improved, from -23.9% of GDP in 2017 to -17.6% of GDP in 4q19 (prior to the pandemic) and -14.8% of GDP in 3q21 (as per the IMF data). The "other investment" component of IIP (see table on the next page), reflecting to a large extent - in case of Poland - households' FX mortgage debt, has also improved (from -16.8% of GDP in 2017 to -15.6% of GDP in 4q19 and -13.5% of GDP in 3q21). Given a strong fiscal position of the public sector as well as a gradual phasing out of FX mortgages, this part of the IIP position is poised to improve further.

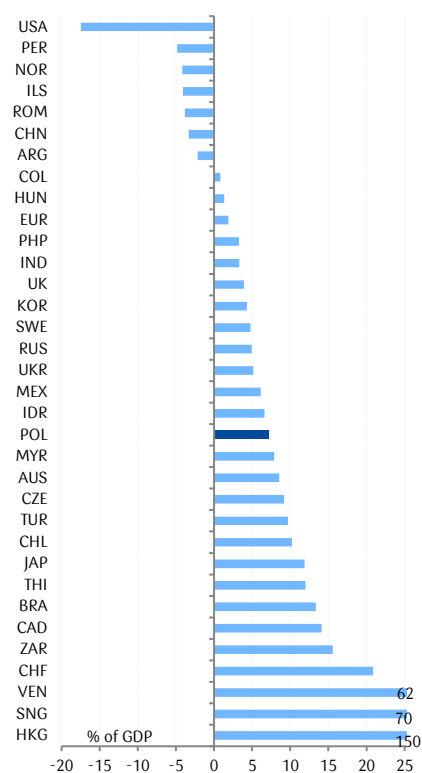
All in all, the net IIP improvement both in terms of its size and structure should continue and this is strongly positive for Poland's rating assessment.

Poland: net international investment position and external debt



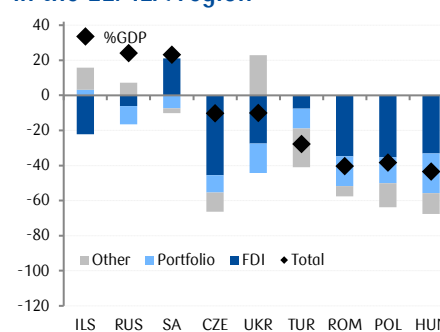
Source: NBP, PKO Bank Polski.

The change in the net IIP since 4q19



Source: IMF, PKO Bank Polski.

The international investment position<sup>^</sup> in the EEMEA region



Source: IMF, PKO Bank Polski. <sup>^</sup>In net terms (assets less liabilities), remaining items - mainly FX reserves (assets).

## The international investment position - global rank of countries

The net international investment position											
Total			Direct investment			Portfolio investment			Other investment		
Country	Variable	Date	Country	Variable	Date	Country	Variable	Date	Country	Variable	Date
	% of GDP	latest data		% of GDP	latest data		% of GDP	latest data		% of GDP	latest data
Hong Kong	567.5	Sep-21	Canada	36.8	Mar-21	Hong Kong	435.4	Sep-21	Argentina	23.6	Sep-21
Singapore	271.7	Sep-21	Japan	35.7	Dec-21	Singapore	333.5	Sep-21	Ukraine	22.9	Sep-21
Norway	247.2	Dec-21	Switzerland	29.8	Sep-21	Norway	240.2	Dec-21	United Kingdom	12.7	Sep-21
Switzerland	110.3	Sep-21	South Africa	21.1	Jun-21	Chile	20.6	Sep-21	Israel	12.6	Dec-21
Japan	76.5	Dec-21	Hong Kong	17.5	Sep-21	Japan	19.4	Dec-21	Sweden	10.4	Sep-21
Canada	49.4	Mar-21	Eurozone	17.4	Sep-21	Canada	15.1	Mar-21	Russia	7.3	Sep-21
Korea	34.8	Dec-21	Korea	15.7	Dec-21	Switzerland	7.9	Sep-21	China	3.9	Sep-21
Israel	33.7	Dec-21	Norway	8.3	Dec-21	Argentina	3.2	Sep-21	Korea	2.8	Dec-21
Argentina	24.7	Sep-21	Sweden	8.0	Sep-21	Israel	3.2	Dec-21	Mexico	1.9	Sep-21
Russia	24.1	Sep-21	China	-5.3	Sep-21	Colombia	-3.3	Dec-21	Indonesia	-1.4	Sep-21
South Africa	23.3	Jun-21	Russia	-6.2	Sep-21	China	-6.1	Sep-21	Peru	-2.4	Sep-21
Sweden	21.1	Sep-21	Turkey	-7.6	Dec-21	Malaysia	-6.4	Dec-21	South Africa	-2.8	Jun-21
Thailand	12.0	Sep-21	Australia	-9.9	Jun-21	South Africa	-7.3	Jun-21	Malaysia	-2.9	Dec-21
China	11.3	Sep-21	India	-10.0	Sep-21	Sweden	-7.5	Sep-21	Australia	-4.6	Jun-21
Malaysia	5.4	Dec-21	Argentina	-10.7	Sep-21	Korea	-8.7	Dec-21	Chile	-5.8	Sep-21
Eurozone	-2.1	Sep-21	Philippines	-11.0	Sep-17	India	-8.8	Sep-21	Romania	-5.8	Sep-21
Chile	-4.6	Sep-21	United Kingdom	-12.3	Sep-21	Czech Republic	-10.0	Sep-21	Thailand	-6.7	Sep-21
Philippines	-5.7	Sep-17	United States	-13.1	Sep-21	Russia	-10.4	Sep-21	Canada	-6.8	Mar-21
Ukraine	-9.9	Sep-21	Indonesia	-13.2	Sep-21	Turkey	-11.2	Dec-21	Brazil	-8.4	Sep-21
Czech Republic	-10.0	Sep-21	Malaysia	-14.1	Dec-21	Thailand	-11.3	Sep-21	Japan	-8.5	Dec-21
India	-11.6	Sep-21	Brazil	-18.9	Sep-21	Poland	-14.8	Sep-21	Philippines	-8.7	Sep-17
United Kingdom	-21.8	Sep-21	Thailand	-21.5	Sep-21	Philippines	-15.1	Sep-17	Singapore	-8.7	Sep-21
Indonesia	-22.9	Sep-21	Israel	-22.2	Dec-21	Eurozone	-16.4	Sep-21	Eurozone	-10.3	Sep-21
Turkey	-27.6	Dec-21	Ukraine	-27.4	Sep-21	Ukraine	-16.8	Sep-21	Czech Republic	-11.0	Sep-21
Brazil	-28.8	Sep-21	Mexico	-29.4	Sep-21	Romania	-17.1	Sep-21	Hungary	-11.9	Sep-21
Poland	-38.3	Sep-21	Hungary	-33.1	Sep-21	Indonesia	-20.6	Sep-21	United States	-11.9	Sep-21
Australia	-39.7	Jun-21	Romania	-34.7	Sep-21	Peru	-21.2	Sep-21	Poland	-13.5	Sep-21
Peru	-39.9	Sep-21	Poland	-35.4	Sep-21	Hungary	-22.6	Sep-21	India	-13.7	Sep-21
Romania	-40.3	Sep-21	Chile	-36.4	Sep-21	Brazil	-23.3	Sep-21	Colombia	-16.5	Dec-21
Hungary	-43.3	Sep-21	Colombia	-42.8	Dec-21	Australia	-27.4	Jun-21	Norway	-17.0	Dec-21
Mexico	-43.5	Sep-21	Czech Republic	-45.5	Sep-21	United Kingdom	-29.9	Sep-21	Hong Kong	-17.9	Sep-21
Colombia	-46.0	Dec-21	Peru	-50.5	Sep-21	Mexico	-32.5	Sep-21	Turkey	-22.1	Dec-21
United States	-69.3	Sep-21	Singapore	-155.9	Sep-21	United States	-47.4	Sep-21	Switzerland	-59.1	Sep-21

Source: IMF, Datastream, PKO Bank Polski.

## Fortnight economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment	
<b>Monday, 11 April</b>							
CHN: PPI inflation (Mar)	2:30	% y/y	8.8	8.1	--	--	
CZE: CPI inflation (Mar)	8:00	% y/y	11.1	--	--	--	
<b>Tuesday, 12 April</b>							
GER: CPI inflation (Mar, final)	7:00	% y/y	7.3	--	--	--	
GER: HICP inflation (Mar, final)	7:00	% y/y	7.6	--	--	--	
GER: ZEW Economic Sentiment (Apr)	10:00	pts.	-39.3	--	--	--	
USA: CPI inflation (Mar)	13:30	% y/y	7.9	8.4	--	--	
USA: Core inflation (Mar)	13:30	% y/y	6.4	6.6	--	--	
<b>Wednesday, 13 April</b>							
EUR: Industrial production (Feb)	10:00	% y/y	-1.3	--	--	--	
POL: Current account balance (Feb)	13:00	EUR mn	64.0	-1907	-2095	Rising imports value and a seasonal decline of EU funds inflows most likely dragged C/A deep into the red. Due to high inflow of foreign orders to Polish industry February should be a decent month for exports. High energy commodities prices pushed the imports growth rate above 30%ish level.	
POL: Exports (Feb)	13:00	% y/y	22.8	19.5	20.0		
POL: Imports (Feb)	13:00	% y/y	37.5	31.8	31.7		
USA: PPI inflation (Mar)	13:30	% y/y	10.0	10.5	--	--	
<b>Thursday, 14 April</b>							
EUR: ECB Refinancing Rate	12:45	%	0.00	0.00	0.00	--	
EUR: EBC deposit rate	12:45	%	-0.50	-0.50	-0.50	--	
USA: Retail sales (Mar)	13:30	% m/m	0.3	0.5	--	--	
USA: Retail sales excl. autos (Mar)	13:30	%, m/m	0.2	0.8	--	--	
USA: Initial Jobless Claims	13:30	thous.	--	--	--	--	
USA: University of Michigan sentiment (Apr, flash)	15:00	pts.	59.4	58.8	--	--	
<b>Friday, 15 April</b>							
POL: CPI inflation (Mar, final)	9:00	% y/y	8.5	10.9	10.9	Final CPI data should show the full structure of categories, which contributed to a 2.4pp inflation growth during one month. Flash publication indicate that main source of inflation surprise were petrol prices, second heating prices and the third one food prices.	
USA: Industrial production (Mar)	14:15	% m/m	0.5	0.4	--		--
<b>Monday, 18 April</b>							
CHN: GDP growth (1q)	3:00	% y/y	4.0	4.3	--	--	
<b>Tuesday, 19 April</b>							
POL: Core inflation (Mar)	13:00	% y/y	6.7	6.9-7.0	6.8-6.9	We expect that large majority of CPI growth in March came from petrol, heating and food prices. That is why we expect only marginal core inflation growth.	
USA: Building Permits (Mar)	13:30	--	--	--	--		--
USA: Housing starts (Mar)	13:30	--	--	--	--		--
<b>Wednesday, 20 April</b>							
GER: PPI inflation (Mar)	7:00	% y/y	25.9	--	--	--	
EUR: Trade balance (Feb)	10:00	--	--	--	--	--	
USA: Existing home sales (Mar)	15:00	--	--	--	--	--	
<b>Thursday, 21 April</b>							

POL: Consumer Confidence (Apr)	9:00	pts.	-39.0	--	--	--	
POL: Wages (Mar)	9:00	% y/y	11.7	10.4	10.2		Wage pressure continued in March fostered by high inflation. Demand on work is still high and employees are still keen on recruiting. We assume that in March 10-30 ths. refugees from Ukraine found job in the enterprise sector. The boom in Polish industry is fading but March result will still be sound. We should also see first effects of supply bottlenecks (mainly in automotive, metallurgy, furniture and mineral industry). First indicators of deteriorating confidence were PMI and GUS surveys.
POL: Employment (Mar)	9:00	% y/y	2.2	2.3	2.5		
POL: Industrial production (Mar)	9:00	% y/y	17.6	12.1	11.7		
POL: PPI inflation (Mar)	9:00	% y/y	15.9	17.6	17.6		PPI inflation in March rose due to higher energy prices because of war in Ukraine and sanctions on Russia.
EUR: HICP inflation (Mar, final)	10:00	% y/y	5.9	--	--	--	
EUR: Core inflation (Mar, final)	10:00	% y/y	3.0	--	--	--	
USA: Initial Jobless Claims	13:30	thous.	--	--	--	--	
EUR: Consumer Confidence (Apr)	15:00	pts.	-18.7	--	--	--	
<b>Friday, 22 April</b>							
GER: Manufacturing PMI (Apr, flash)	8:30	pts.	56.9	--	--	--	
GER: Services PMI (Apr, flash)	8:30	pts.	56.1	--	--	--	
EUR: Manufacturing PMI (Apr, flash)	9:00	pts.	56.5	--	--	--	
EUR: Services PMI (Apr, flash)	9:00	pts.	55.6	--	--	--	
POL: Construction output (Mar)	9:00	% y/y	21.2	15.2	15.2		Polish construction sector has likely slowed down in March due to the outflow of 20-30% of Ukrainian workers (legally app. 370 ths of Ukrainians in sector in 2021) who come back Ukraine to fight against Russia. March data should show again a high growth dynamics. However, consumer confidence has greatly deteriorated since the beginning of Russian aggression. It might be visible in the durable consumer goods sales.
POL: Retail sales (Mar)	9:00	% y/y	8.1	9.0	9.2		
USA: Manufacturing PMI (Apr, flash)	14:45	pts.	58.8	--	--	--	

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

## Selected economic indicators and forecasts

	Jan-22	Feb-22	Mar-22	1q22	2q22	3q22	4q22	2020	2021	2022
<b>Economic activity</b>										
Real GDP (% y/y)	x	x	x	6.0	2.4	2.6	2.7	-2.5	5.7	3.3
Domestic demand (% y/y)	x	x	x	9.2	2.8	2.2	2.6	-3.7	8.2	4.0
Private consumption (% y/y)	x	x	x	5.0	3.0	3.5	3.5	-3.0	6.1	3.8
Gross fixed capital formation (% y/y)	x	x	x	7.5	-10.0	-6.0	2.0	-9.6	7.9	-1.5
Inventories (pp)	x	x	x	3.8	1.5	0.2	-0.5	-0.8	2.7	1.1
Net exports (pp)	x	x	x	-2.7	-0.1	0.5	0.2	0.8	-1.9	-0.5
Industrial output (% y/y)	18.1	17.7	11.7	16.4	9.0	10.5	4.1	-1.2	15.4	10.0
Construction output (% y/y)	20.9	21.4	15.2	18.3	2.4	5.6	3.7	-2.7	1.6	7.5
Retail sales (real, % y/y)	10.6	8.1	9.2	9.1	8.1	5.8	6.1	-2.7	7.6	7.3
Nominal GDP (PLN bn)	x	x	x	679.0	687.7	725.2	840.1	2327	2603	2932
<b>Labour market</b>										
Registered unemployment rate‡(%)	5.5	5.5	5.3	5.3	5.1	5.5	6.2	6.3	5.4	6.2
Employment in enterprises (% y/y)	2.3	2.2	2.5	2.3	2.5	2.8	3.0	-1.2	0.3	2.6
Wages in enterprises (% y/y)	9.5	11.7	10.2	10.7	11.0	8.7	7.9	4.8	9.0	9.6
<b>Prices<sup>^</sup></b>										
CPI inflation (% y/y)	9.4	8.5	10.9	9.5	11.2	10.9	8.9	3.3	5.1	10.1
Core inflation (% y/y)	6.1	6.7	6.7	6.6	8.0	8.3	7.7	3.9	4.1	7.7
15% trimmed mean (% y/y)	7.0	7.0	x	x	x	x	x	3.9	4.1	x
PPI inflation (% y/y)	16.3	16.1	17.6	16.4	15.9	13.9	9.7	-0.5	7.9	13.9
<b>Monetary aggregates‡</b>										
Money supply, M3 (PLN bn)	1973.0	1984.2	2003.9	2003.9	2024.6	2045.8	2097	1822.7	1985.0	2096.7
Money supply, M3 (% y/y)	7.7	8.1	7.6	7.6	7.9	6.9	5.6	16.4	8.9	5.6
Real money supply, M3 (% y/y)	-1.5	-0.3	-2.9	-1.8	-2.9	-3.6	-3.0	12.7	3.6	-4.1
Loans, total (PLN bn)	1402.6	1420.6	1412.0	1412.0	1415.8	1466.2	1474.2	1333.8	1403.5	1474.2
Loans, total (% y/y)	4.9	6.3	5.1	5.1	4.9	6.5	5.0	0.8	5.2	5.0
Deposits, total (PLN bn)	1794.1	1803.8	1828.2	1828.2	1854.2	1894.7	1878.3	1602.2	1780.1	1878.3
Deposits, total (% y/y)	10.2	9.7	9.5	9.5	7.5	5.4	5.5	13.9	11.1	5.5
<b>Balance of payments</b>										
Current account balance (% GDP)	-1.2	-1.6	-1.1	-1.1	-0.9	-1.0	-1.3	2.9	-0.6	-1.3
Trade balance (%GDP)	-0.6	-0.9	-1.2	-1.2	-1.4	-1.7	-2.0	2.4	-0.1	-2.0
FDI (% GDP)	3.8	3.6	3.5	3.5	3.2	2.5	2.1	2.1	3.7	2.1
<b>Fiscal policy</b>										
Fiscal balance (% GDP)	x	x	x	x	x	x	x	-6.9	-1.8	-2.8
Public debt (% GDP)	x	x	x	x	x	x	x	57.4	53.8	52.7
<b>Monetary policy‡</b>										
NBP reference rate (%)	2.25	2.75	3.50	3.50	5.50	6.00	6.00	0.10	1.75	6.00
NBP lombard rate (%)	2.75	3.25	4.00	4.00	6.00	6.50	6.50	0.50	2.25	6.50
NBP deposit rate (%)	1.75	2.25	3.00	3.00	5.00	5.50	5.50	0.00	1.25	5.50
WIBOR 3M <sup>x</sup> (%)	3.02	3.65	4.77	4.77	5.70	6.20	6.20	0.21	2.54	6.20
Real WIBOR 3M <sup>x</sup> (%) <sup>#</sup>	-6.35	-4.82	-6.09	-4.78	-6.21	-5.96	-3.95	-3.06	-2.60	-5.18
<b>Exchange rates<sup>x,‡</sup></b>										
EUR-PLN	4.60	4.69	4.65	4.65	4.64	4.60	4.55	4.61	4.60	4.55
USD-PLN	4.11	4.20	4.18	4.18	4.18	4.11	4.03	3.75	4.06	4.03
CHF-PLN	4.42	4.55	4.52	4.52	4.42	4.34	4.25	4.25	4.45	4.25
EUR-USD	1.12	1.12	1.11	1.11	1.11	1.12	1.13	1.23	1.14	1.13

Source: GUS, NBP, PKO Bank Polski.

<sup>x</sup>PKO BP Market Strategy team forecasts.<sup>‡</sup>period averages for quarterly and yearly data.<sup>#</sup>deflated with current CPI inflation.<sup>‡</sup>period end values.<sup>\*</sup>under revision.

## Monetary policy monitor

MPC Members	Hawk-o-meter*	Recent policy indicative comments^
R. Sura	2.7	"The target of monetary policy tightening invariably is to lower inflation to the target range, that is to below 3.5%, within medium term, while at the same time preventing depreciation of the zloty, which has nothing to do with strong fundamentals of the Polish economy (...) While tightening monetary policy in Poland, we should avoid cooling the economy too much" (15.03.2022, PAP).
C. Kochalski	2.2	Interest rate increases should be introduced in such a way as to reduce inflation costs for the real economy and economic growth" (22.03.2022, Bloomberg).
A. Glapinski	1.8	<b>"The latest decision was not a frontloading, as it was interpreted in some media reports, it is not a decision which accelerates decisions about rate hikes or which [implies] the cycle will be ended faster (...) We simply reacted to the inflowing data and it in no way determines that there will be no more reactions"</b> (07.04.2022, PAP)
L. Kotecki	--	"Inflation has a substantial local component that the MPC can impact, but commodity prices are beyond our control, and they play an important role, (...) Still, sooner or later commodity prices will stop driving up inflation, and may even start mitigating it. (...) " (21.03.2022, PAP)
P. Litwiniuk	--	"In my opinion, such a pace of hikes [by 50 bps] or more generally speaking, gradual actions, would be more welcome than sudden changes in the monetary policy. (...) I hope the decisive steps of the NBP, combined with government actions, will stop that manifestation of a 'vicious circle' of inflation phenomena" (23.02.2022, PAP)
W. Janczyk	--	"I could assume a more cautious approach to monetary policy at the next meetings (...) Unpredictability is hitting its zenith during these weeks (...) That's exactly why I'm seeing some space for being less bold in monetary tightening. The situation's changing though almost every hour, and we need to stay on alert to act accordingly" (18.03.2022, Bloomberg).
H. Wnorowski	--	"In general I am convinced that fighting inflation and stabilization of its level is [important] to both the central bank and the Polish government. (...) That's why instruments at the disposal of the [central] bank, i.e. interest rates and currency rate, will still be used for some time to come. (...) I deeply believe that the February reading will settle well below [the 9.2% January print] and [that] we will be heading towards stabilization [of inflation]." (23.02.2022, PAP)
I. Dqbrowski	--	--
(Vacant places)	--	--

\*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.

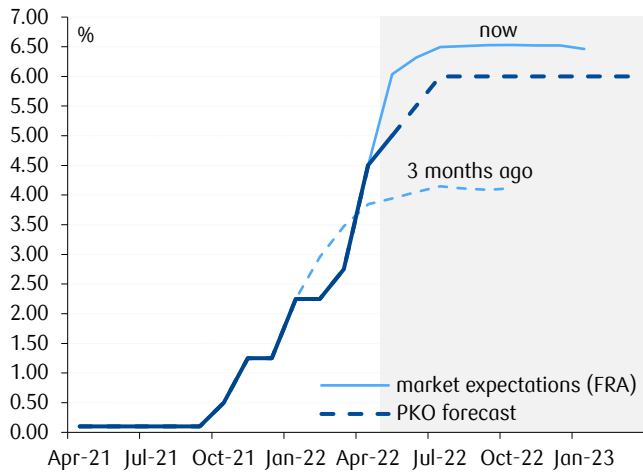
### Interest rates – PKO BP forecasts vs. market expectations

		1M	2M	3M	4M	5M	6M	7M	8M	9M
Date	7-Apr	7-May	7-Jun	7-Jul	7-Aug	7-Sep	7-Oct	7-Nov	7-Dec	7-Jan
WIBOR 3M/FRA†	5.26	6.24	6.52	6.70	6.71	6.73	6.73	6.72	6.72	6.66
implied change (b. p.)		0.98	1.26	1.44	1.45	1.47	1.47	1.46	1.46	1.40
MPC Meeting	6-Apr	5-May	8-Jun	7-Jul	-	7-Sep	5-Oct	9-Nov	7-Dec	-
PKO BP forecast*	4.50	5.00	5.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00
market pricing*		5.48	5.76	5.94	5.95	5.97	5.97	5.96	5.96	5.90

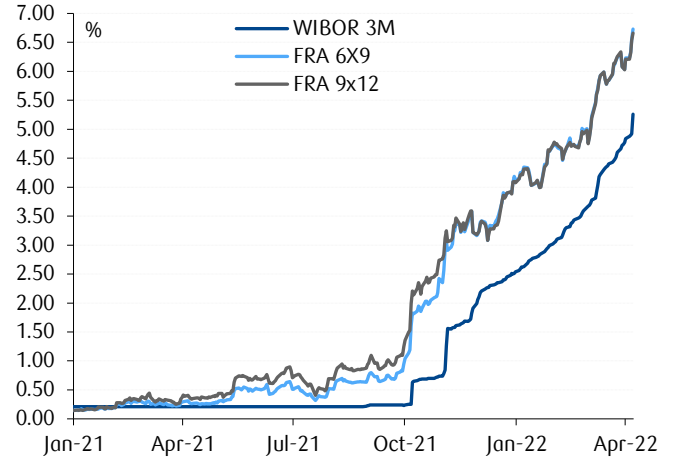
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, \*PKO BP forecast of the NBP reference rate.

## Poland macro chartbook

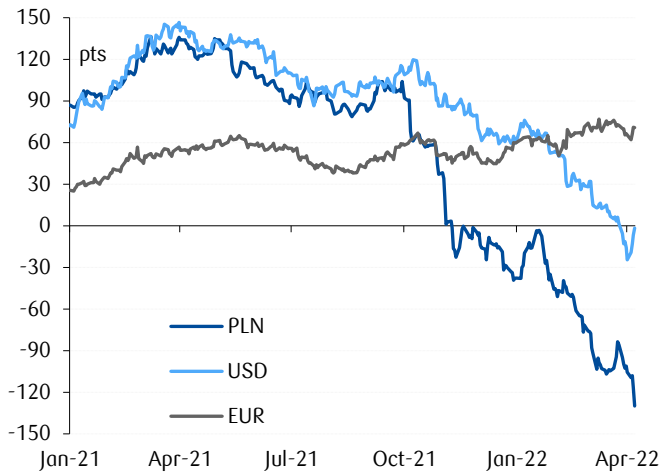
NBP policy rate: PKO BP forecast vs. market expectations



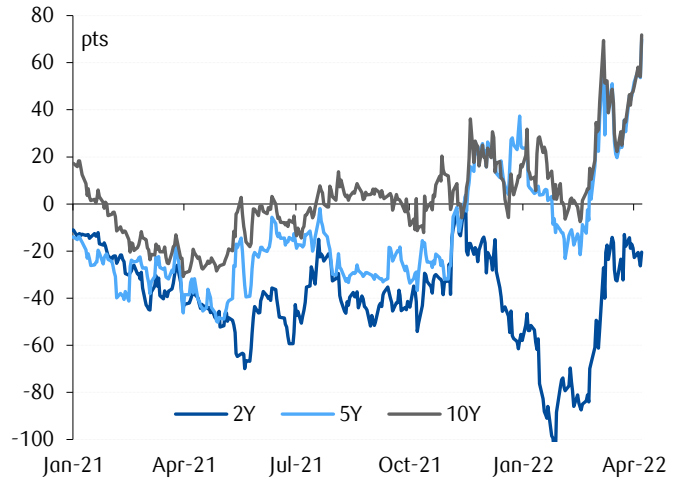
Short-term PLN interest rates



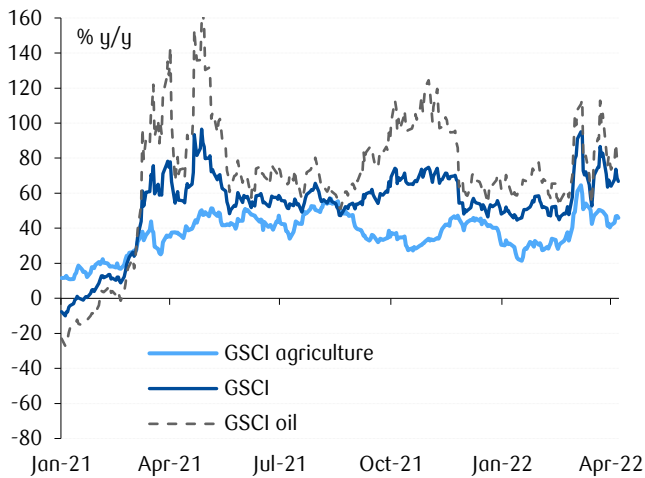
Slope of the swap curve (spread 10Y-2Y)\*



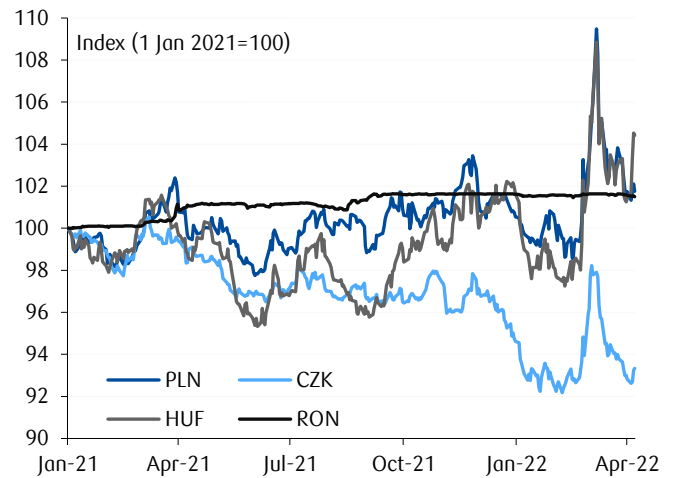
PLN asset swap spread



Global commodity prices (in PLN)



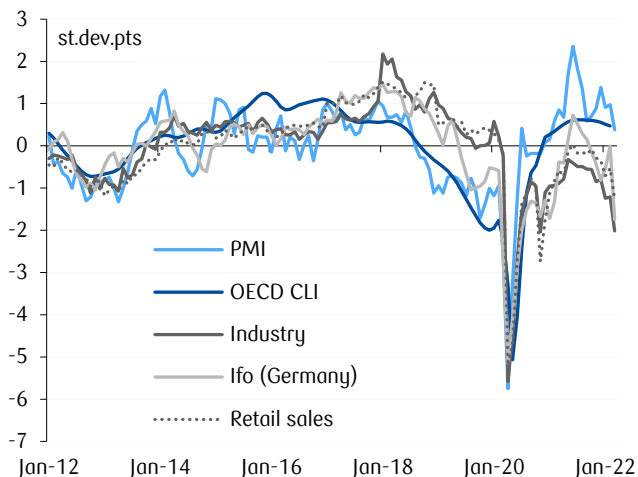
Selected CEE exchange rates against the EUR



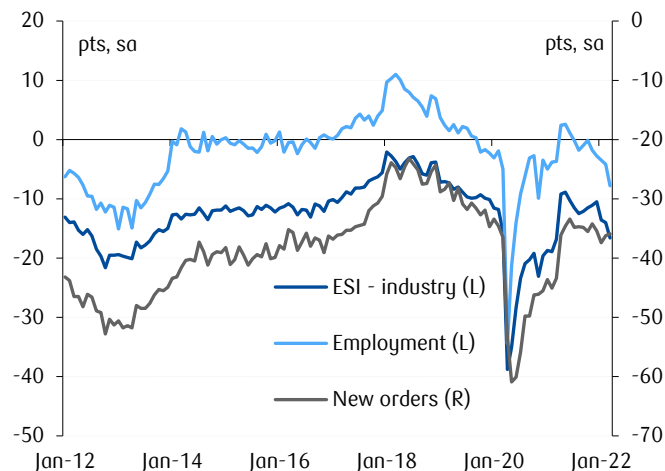
Source: Datastream, NBP, PKO Bank Polski. \*for PLN, and EUR 6M, for USD 3M.



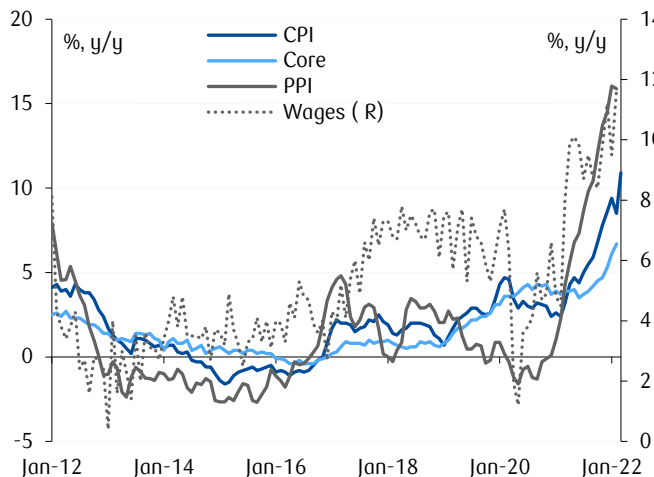
Economic sentiment indicators



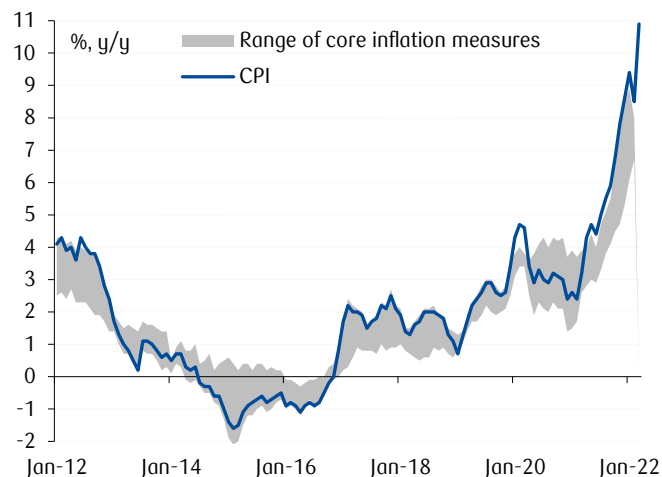
Poland ESI for industry and its components



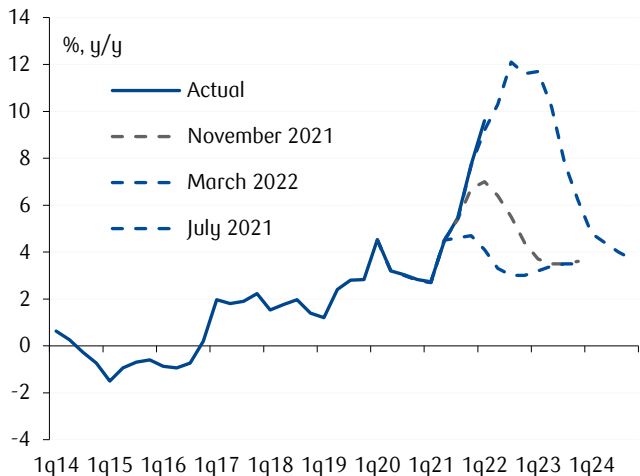
Broad inflation measures



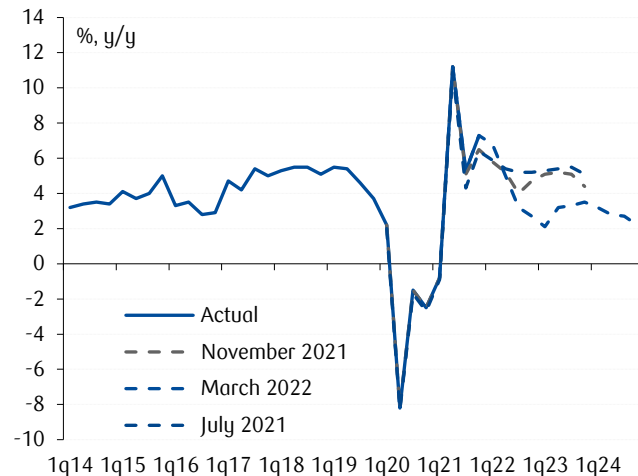
CPI and core inflation measures



CPI inflation – NBP projections vs. actual

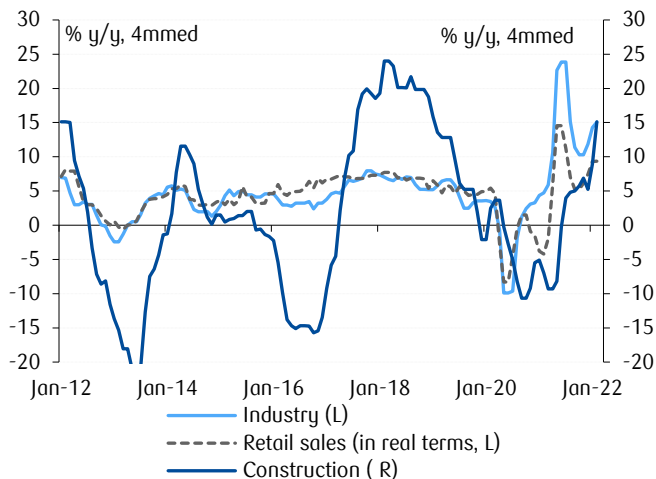


Real GDP growth – NBP projections vs. actual

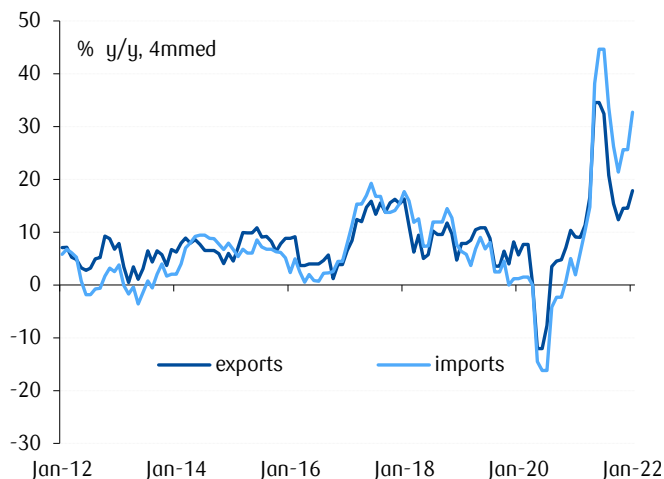


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

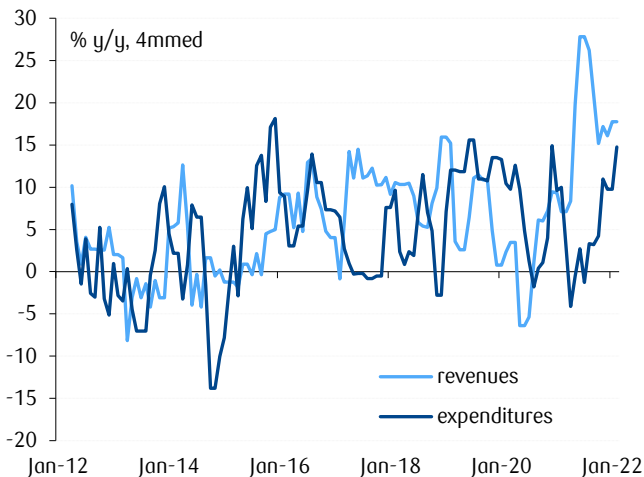
**Economic activity indicators**



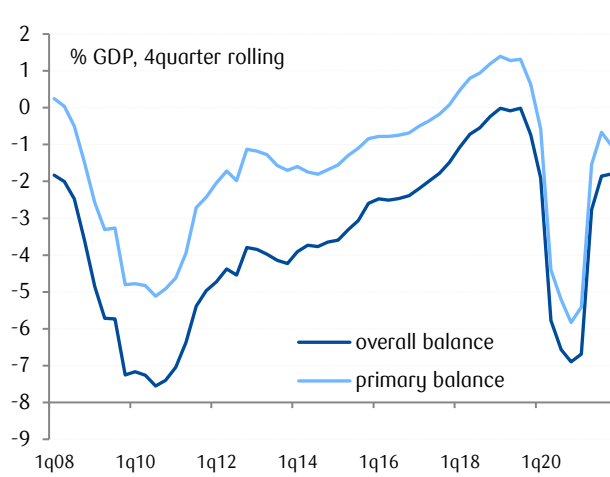
**Merchandise trade (in EUR terms)**



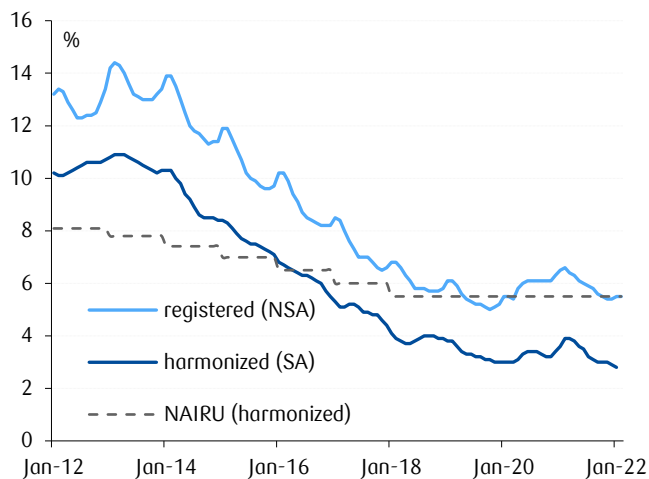
**Central government revenues and expenditures\***



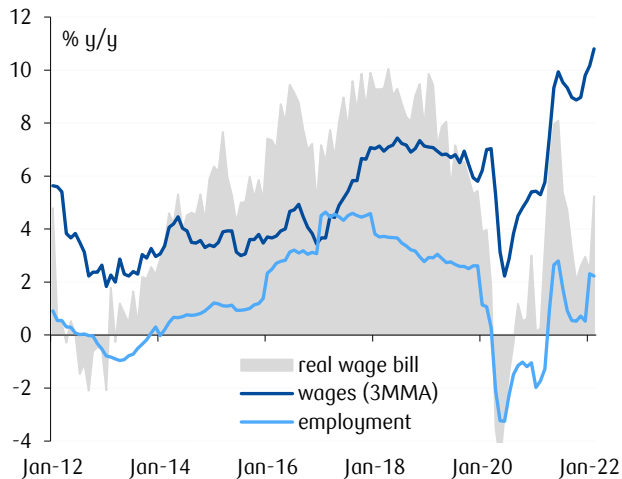
**General government balance (ESA2010)**



**Unemployment rate**

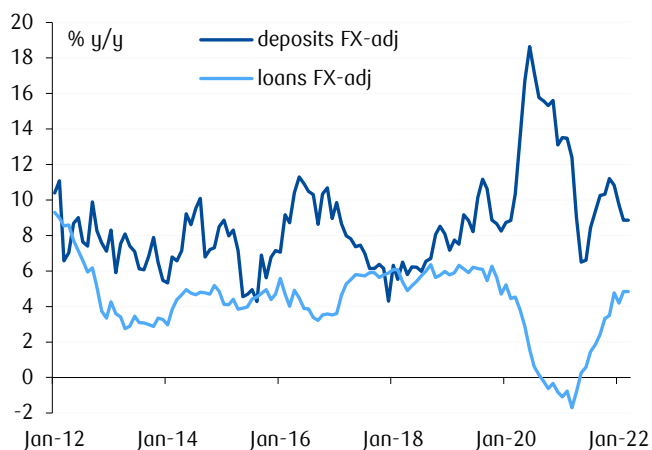


**Employment and wages in the enterprise sector**

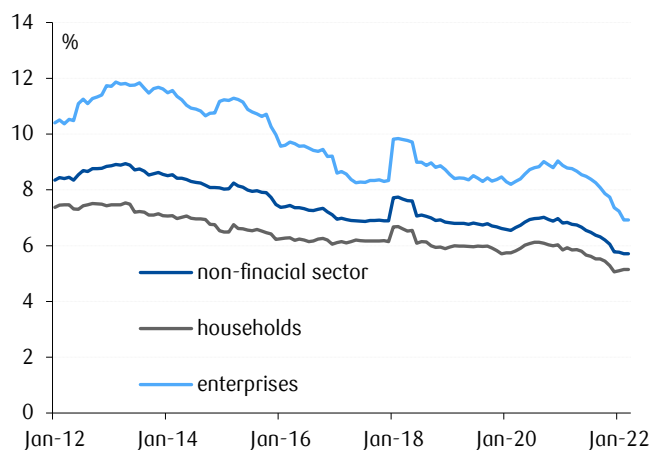


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. \*break in series in 2010 due to methodological changes.

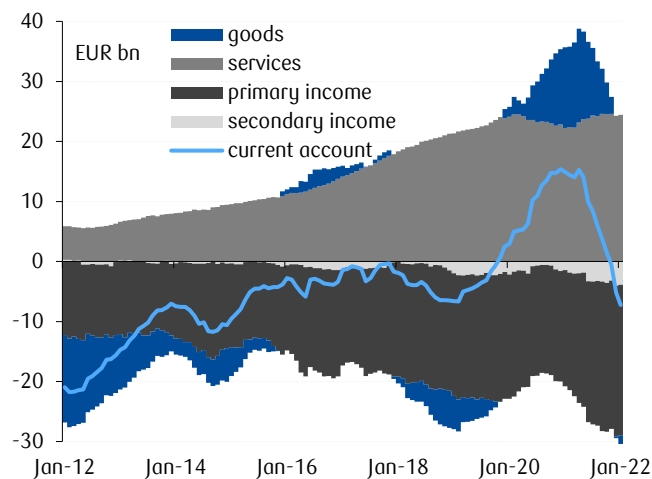
### Loans and deposits



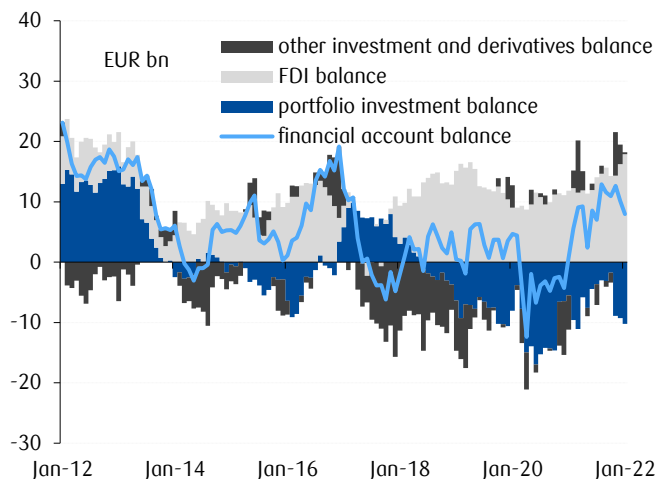
### Non-performing loans (NPLs) - by sectors\*



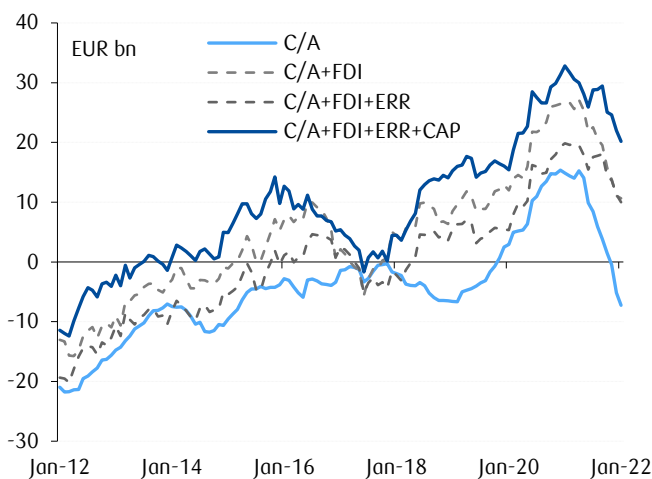
### Current account balance



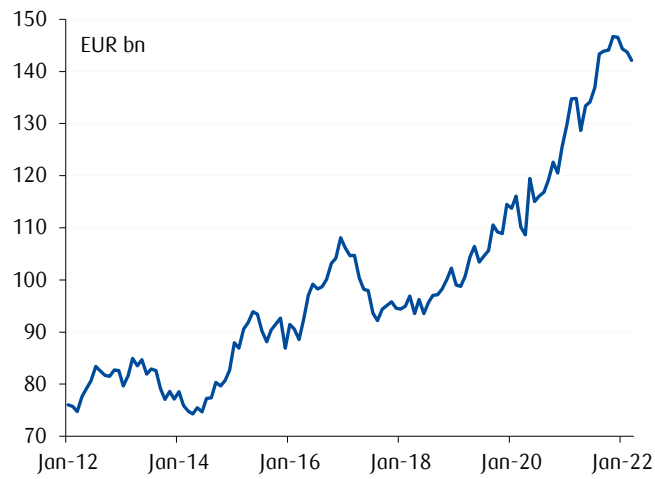
### Financial account balance



### External imbalance measures



### NBP FX reserves (in EUR terms)



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

## Previous issues of PKO Macro Weekly:

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

## Poland's macro in a nutshell

	2021	2022	Comment
<b>Real economy</b>			
- real GDP (%)	5.7	3.3	The war in Ukraine and the economic war between Russia and West create significant risk factors for the GDP outlook (negative impact of higher inflation, surge in risk aversion limiting private demand and investment activity). We have downgraded GDP outlook and now pencil in GDP growth rate in 2022 at 3.3% (down from 4.1%). On the other hand the strong economic momentum at the turn of 21/22 creates some positive buffer in terms of the whole 2022 result.
<b>Prices</b>			
- CPI inflation (%)	5.1	10.1	Another surge in energy prices (this time oil price spike) has neutralized an impact of the anti-inflationary shield on CPI inflation. Assuming that the shield will be prolonged at least until the end of 2022 we estimate CPI inflation at 10.1% in 2022. Food prices in summer as well as global commodity prices and PLN exchange rate are most important risk factors for our forecast.
<b>Monetary aggregates</b>			
- M3 money supply (%)	8.9	5.6	The outbreak of the war in Ukraine can limit down demand on loans significantly with deposits boosted by the state intervention (same as in the case of pandemic response). Our high frequency data signal rising likelihood of such scenario (what implies additional downside risks for GDP growth rate).
<b>External balance</b>			
- current account balance (% GDP)	-0.9	-1.3	Recurring supply constrains (e.g. shortage of automotive components manufactured in Ukraine) has triggered production outages, limiting exports volumes while surging commodity prices boost imports value at the same time. On the other hand, a drop of imports-intensive investments (rising risk aversion of corporations amid extreme uncertainty) should partially offset this negative impact.
<b>Fiscal policy</b>			
- fiscal balance (% GDP)	-1.8	-2.8	High growth rate of nominal GDP supports fiscal revenues. Fiscal result in 2022 will hinge on the size of anti-inflationary shields (most likely they will be extended unit year-end) and a support for refugees, i.e. fiscal spending mainly via off-budget entities.
<b>Monetary policy</b>			
- NBP reference rate (%)	1.75	6.00	The stagflationary impact of war makes policy choices for monetary authorities more tricky. We still believe that monetary tightening will be continued (with three more rate hikes by 50 bp in May/June and July) until the slowdown becomes apparent.

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

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

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