

What's the score?

Top macro theme(s):

- **What's the score? (p. 2):** A two-digit expansion of industry and retailers in March allowed us to re-estimate our 1q21 GDP forecast to -1.0% y/y (with a positive growth rate in q/q sa terms) from -1.5% y/y. Recovery will surely gain momentum once restrictions are removed starting from late April. Strong performance of real economy in March (combined with surprisingly high CPI inflation in March) does not change our outlook for the domestic monetary policy (NBP rates are to stay unchanged for long).

What else caught our eye:

- **Labour market data showed a slower y/y downfall of employment and skyrocketing wages** (above expectations), rising at the highest pace since 2012, mostly due to earlier bonus payments and low statistical base.
- **The central budget recorded a deficit of PLN 3.4bn after March** (vs. a surplus of PLN 0.9bn after February) with a very strong tax collection, as well as surprisingly low transfers to the Social Security Fund.
- **Consumer sentiment slightly improved in April**, but it is still weaker than before the pandemic and weaker than during last summer.
- **Business sentiment improved in April as well**, with exceptions in retail trade, hospitality and IT sector. **With gradual removal of antipandemic restrictions starting next Monday**, we expect the sentiment to improve in May/June.
- **S&P chief analyst for Poland** said that the credit risk assessment of the country is balanced, with a stable outlook. In his view, when the pandemic is over, there might be a pressure to upgrade the rating as long as the ongoing positive macroeconomic trends continue.
- **Money (m3) supply growth rate** went down in March (14.4% y/y, in line with our forecast) amid subdued lending (total loans falling by 1.7% y/y, FX adj.) and a flush of liquidity (deposits rising by 12.5% y/y, FX adj.)

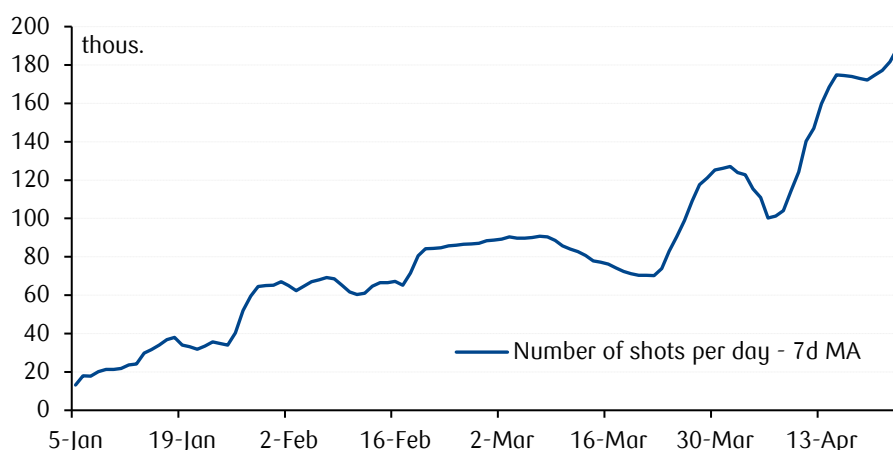
The week ahead:

- **Unemployment rate has likely started moving south in March**, decreasing to 6.4% from 6.5% in February, mostly due to seasonal factors.
- **CPI (flash print) will likely continue steep rise, to 3.7-3.8% in April** from 3.2% in March, mostly on low base effect in fuel prices. On the opposite side, core inflation will start to fall on high base from the previous year.
- We expect no change to **Poland's rating by Moody's on Friday**. In our opinion Moody's is the top candidate to upgrade the country's rating after the pandemic (assuming continuation of the pre-pandemic trends).

Number of the week:

- 19.7% y/y - state budget **tax revenues** growth rate in March (yes, inflation is fiscal-friendly).

Chart of the week: Vaccination pace in Poland is accelerating



Source: Min. of Health, PKO Bank Polski.

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	2020	2021†
Real GDP (%)	-2.7	4.7
Industrial output (%)	-1.0	12.3
Unemployment rate# (%)	6.2	5.4
CPI inflation** (%)	3.4	3.1
Core inflation** (%)	3.9	2.8
Money supply M3 (%)	16.4	10.5
C/A balance (% GDP)	3.5	2.7
Fiscal balance (% GDP)*	-7.0	-3.4
Public debt (% GDP)*	57.5	56.9
NBP reference rate## (%)	0.10	0.10
EURPLN‡#	4.61	4.53

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. *under revision.

What's the score?

- A two-digit expansion of industry and retailers in March improves our estimate of GDP growth in 1q21 to -1.0% y/y from -1.5% y/y. Strong results already during the third wave bode well for the next months when restrictions will be removed.
- Better than expected data from the real economy for March (even combined with surprisingly strong rise in CPI inflation in March) do not change our outlook for the domestic monetary policy. We stick to the view that NBP interest rates will remain unchanged until at least end-22.

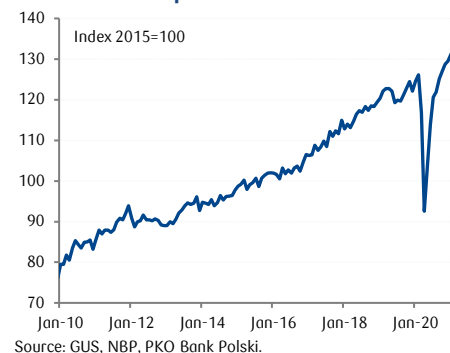
Industrial production in March exceeded all expectations. Output expanded by 18.9% y/y (vs. 2.7% y/y in February; PKO: 10.7%; cons.: 12.5%). In seasonally adjusted terms, industry looks equally impressive (an increase by 15.7% y/y). After March the output level is 7.3% higher than before the pandemic (see margin chart). The impressive headline growth rates of industry have been shaped by: (1) positive effects of the low base from a year ago (purely statistical effect, previously indicated by high-frequency data, e.g. annual growth rate of electricity consumption) as well as (2) negative effects of bottlenecks in global logistics. Problems in supply chains are already visible in a wide range of industries, not only industrial, and companies warn that supply problems may extend as far as into 2022. Bottlenecks might intensify in some industries as it was the case in the automotive in April (VW in outed its assembly lines in Września for 3 weeks due to chip shortages). That said, what counts for future is where the underlying trend will be once these effects are over, i.e. during 3q21. We estimate that the production trend will emerge around 5-6% y/y in summer.

Construction output decreased in March by 10.8% y/y (PKO: -10.0% y/y, cons.: -9.4% y/y). Given a significant public procurement inflow in 2020 we assume that the pipelines for major projects are full, but minor procurements are put on hold now (see margin chart). It most likely reflects local governments restrained approach to investment spending at the start-2021. We still expect construction results to improve in the next months due to rising investment activity.

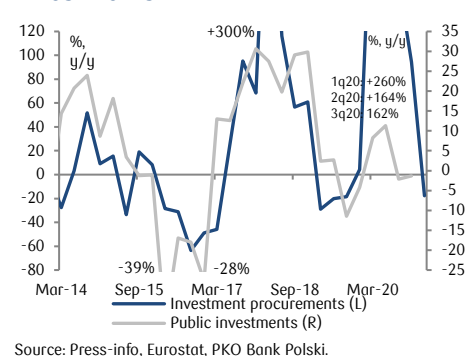
Real retail sales in March expanded by 15.2% y/y (PKO: 9.4% y/y, cons: 9.7% y/y). Here the annual growth rate was also supported by the statistical effects. They can be seen in particular in clothing and footwear sales, which has almost doubled (+93.0% y/y, see also margin chart), car sales (+50.5% y/y) and furniture, RTV and household appliances (+39.0% y/y). Our internal data on card spending indicate, that the impact of this year's restrictions on consumer activity is clearly smaller than a year ago (mid-March this year, shopping centers had to close, and on March 27, shops with interior furnishings joined them). Due to the adjustment process that trade companies have undergone and changes in consumer preferences, the share of online sales has increased to 9.5% from 8.6% in February. Online shopping was most popular (with a 32% share) in the case of clothing stores.

Going forward, despite a prolonged period of restrictions in April, the headline retail sales growth rate for April should be even more impressive (the base effect will be even stronger and the current spending activity of consumer seems to be gaining momentum). Our call is supported by consumer sentiment, that improved in April, despite the 3rd wave of covid (but was still worse than before the pandemic and during looser restrictions last summer). **We expect, that once restrictions in Poland are lifted, a consumption boom should emerge.** Protected

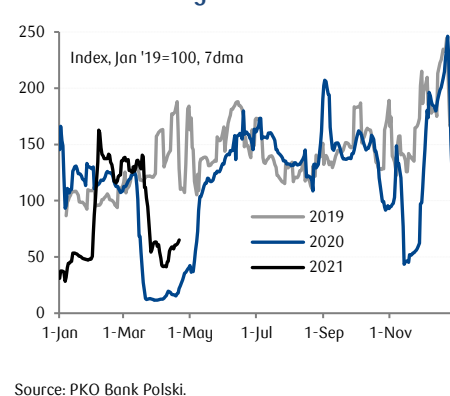
Industrial output - level



Public procurements vs public investments



Card transaction of PKO customers - sales of clothing and footwear



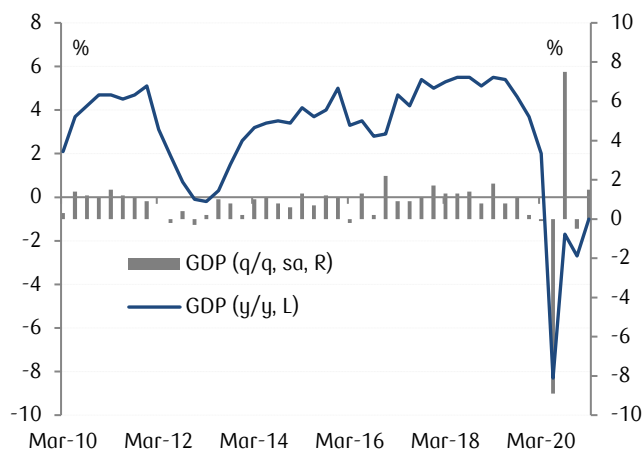
jobs, rising incomes and elevated savings that has accumulated during the pandemic, will help to boost spending.

A full set of monthly data for 1q21 allowed us to re-estimate our 1q21 GDP forecast to **-1.0% y/y** (vs. our previous estimate of -1.5% y/y). We also believe that 1q21 was most likely the last quarter with a negative annual GDP growth rate. In 1q21 rising private consumption (as indicated per retail sales) and investments still in decline (see charts below) were accompanied by robust exports - a bright star of the economy in 2020. We still feel comfortable with our forecast of the full-year GDP growth at 4.7%. Purely arithmetically, the (probably) better 1q21 result than we have thought might suggest that the balance of risks for our 4.7% forecast is now skewed to the upside.

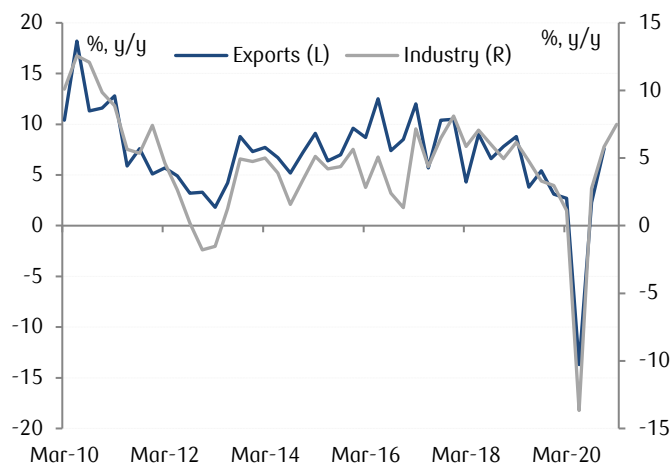
In our opinion, strong data from the real economy for March do not change the **outlook for domestic monetary policy**. We think, that the MPC, which is following in the footsteps of the major central banks (Fed, ECB), will look through the elevated inflation levels. We maintain our forecast that NBP interest rates will remain unchanged at least until the end of 2022.

1q21 GDP preview

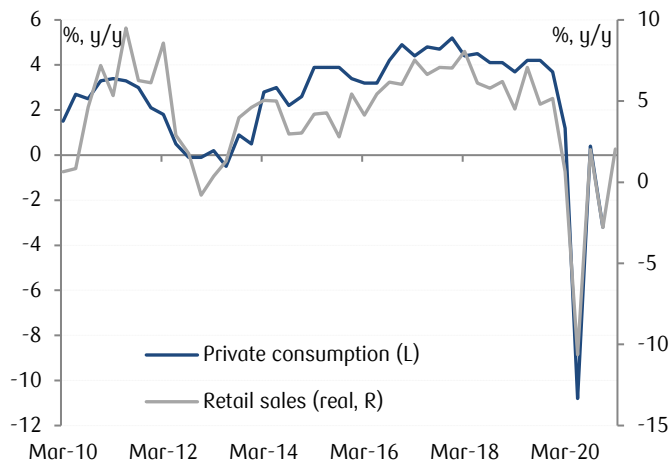
GDP*



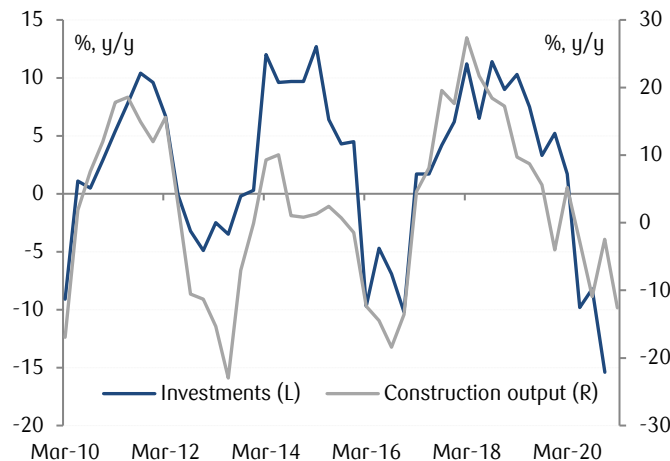
Exports



Consumption



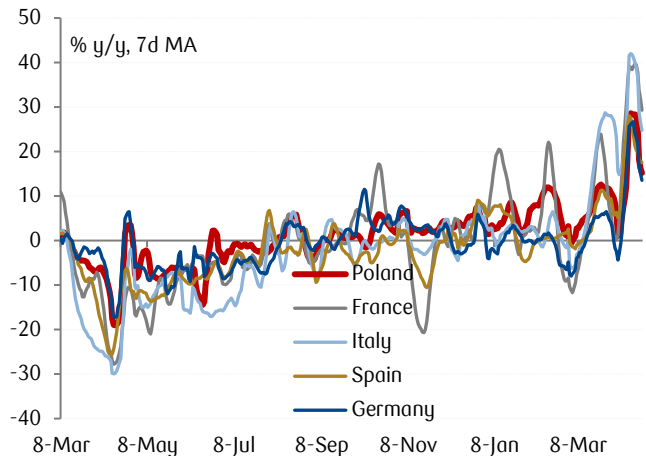
Investments



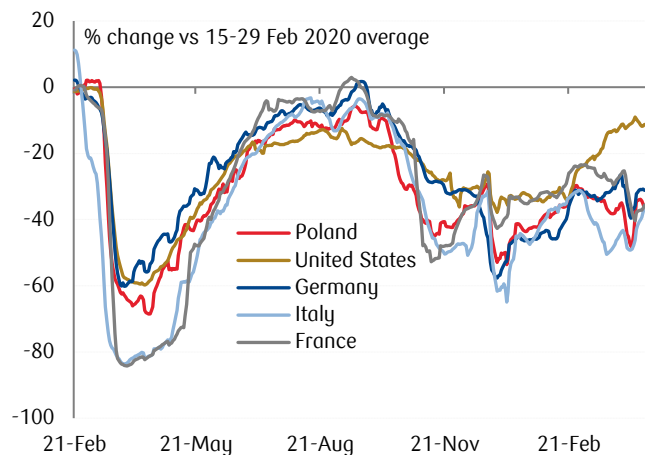
Source: GUS, PKO Bank Polski. *1q21 - PKOe.

Macro monitoring with alternative data

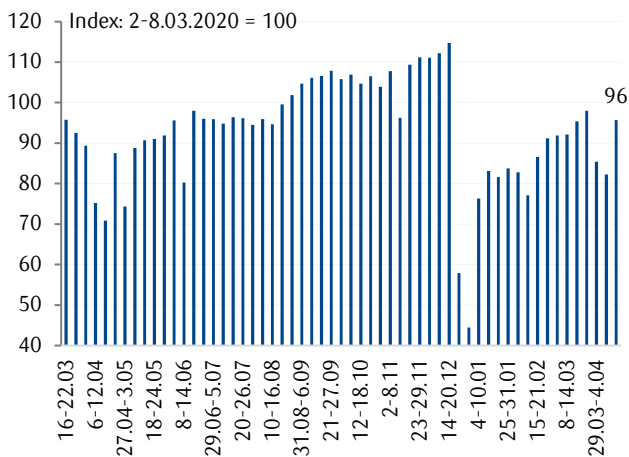
Electric energy consumption (total)



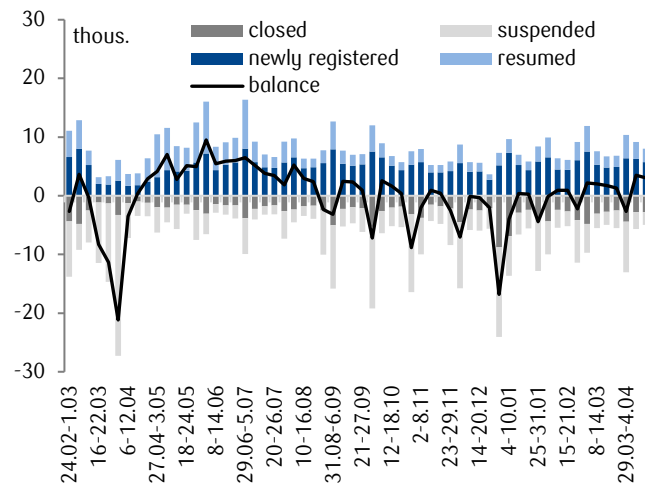
Mobility*



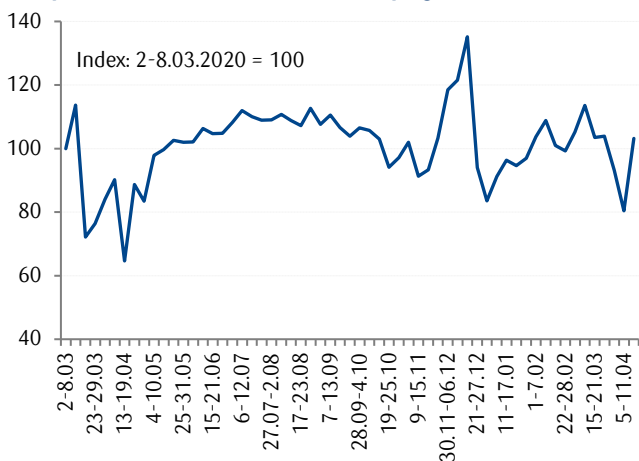
Heavy truck traffic



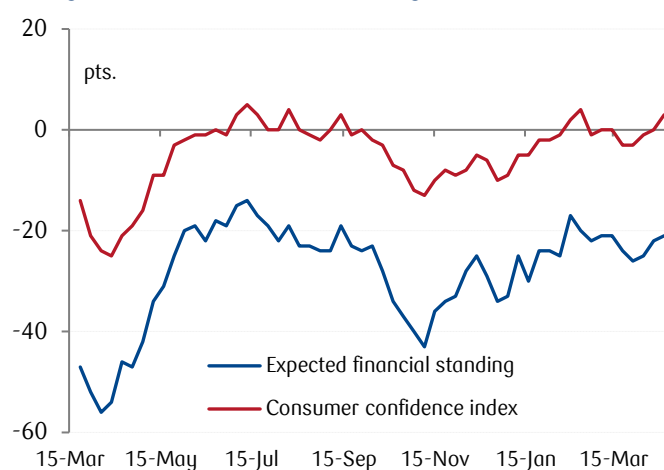
Economic activity status (acc. to CEiDG**)



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, 26 April						
GER: Ifo Business Climate Index (Apr)	9:00	pts.	96.6	97.7	--	--
POL: Unemployment Rate (Mar)	9:00	%	6.5	6.4	6.4	A seasonal downtick of unemployment rate amid a flattish underlying trend.
USA: Durable goods orders (Mar, flash)	13:30	% m/m	-1.2	2.0	--	--
Tuesday, 27 April						
JAP: BoJ meeting	--	%	-0.10	-0.10	-0.10	--
SWE: Riksbank meeting	8:30	%	0.00	0.00	0.00	--
HUN: MNB meeting	13:00	%	0.60	0.60	0.60	--
USA: S&P CoreLogic CS 20-City (Feb)	14:00	% y/y	11.1	--	--	--
USA: Consumer confidence (Apr)	15:00	pts.	109.7	111.7	--	--
Wednesday, 28 April						
USA: Trade Balance (Mar)	13:30	bn USD	-86.7	-87.1	--	--
USA: Fed meeting	19:00	%	0.00-0.25	0.00-0.25	0.00-0.25	--
Thursday, 29 April						
GER: Unemployment Rate (Apr)	8:55	%	6.0	6.0	--	--
EUR: M3 money supply (Mar)	9:00	% y/y	12.3	--	--	--
EUR: Economic Sentiment Indicator (Apr)	10:00	pts.	101	102.1	--	--
EUR: Consumer Confidence (Apr, final)	10:00	pts.	-10.8	-8.1	--	--
GER: HICP inflation (Apr, flash)	13:00	% y/y	2.0	2.1	--	--
USA: Initial Jobless Claims	13:30	thous.	547	550	--	--
USA: GDP growth (1q)	13:30	% q/q saar	4.3	6.1	--	--
USA: Personal consumption (1q)	13:30	% q/q saar	2.3	--	--	--
Friday, 30 April						
POL: Moody's rating	--	--	A2, stable	--	A2, stable	We expect no change in Poland's rating.
POL: CPI inflation (Apr, flash)	9:00	% y/y	3.2	3.6	3.7-3.8	Inflation headed north in April on fuel prices, but core inflation has likely started declining.
GER: GDP growth (1q)	9:00	% y/y	-2.7	--	--	--
EUR: HICP inflation (Apr, flash)	10:00	% y/y	1.3	1.5	--	--
EUR: Core inflation (Apr, flash)	10:00	% y/y	0.9	--	--	--
EUR: GDP growth (1q, flash)	10:00	% y/y	-4.9	-2.0	--	--
USA: Personal Income (Mar)	13:30	% m/m	-7.1	20.1	--	--
USA: Personal spending (Mar)	13:30	% m/m	-1.0	4.2	--	--
USA: PCE Deflator (Mar)	13:30	% y/y	1.6	2.1	--	--
USA: Core PCE inflation (Mar)	13:30	% y/y	1.4	1.8	--	--
USA: University of Michigan sentiment (Apr, final)	15:00	pts.	84.9	87.5	--	--

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

Selected economic indicators and forecasts

	Jan-21	Feb-21	Mar-21	4q20	1q21	2q21	3q21	2019	2020	2021
Economic activity										
Real GDP (% y/y)	x	x	x	-2.7	-1.0	9.1	5.4	4.7	-2.7	4.7
Domestic demand (% y/y)	x	x	x	-2.9	-2.0	9.1	4.5	3.6	-3.7	4.0
Private consumption (% y/y)	x	x	x	-3.2	0.0	14.8	2.0	4.0	-3.0	4.2
Gross fixed capital formation (% y/y)	x	x	x	-15.4	-9.1	3.0	2.4	6.1	-9.6	1.9
Inventories (pp)	x	x	x	0.6	-1.0	-1.2	1.7	-1.4	-0.9	0.0
Net exports (pp)	x	x	x	0.4	0.9	0.7	0.4	1.2	0.8	1.0
Industrial output (% y/y)	0.9	2.7	18.9	5.2	7.7	26.1	10.4	4.0	-1.0	12.3
Construction output (% y/y)	-10.0	-16.9	-10.8	-2.4	-12.5	-4.6	4.2	3.6	-2.7	-2.5
Retail sales (real, % y/y)	-6.0	-3.1	15.2	-2.8	1.9	7.9	1.3	5.4	-2.7	2.4
Nominal GDP (PLN bn)	x	x	x	651.7	566.0	594.8	633.8	2293	2324	2507
Labour market										
Registered unemployment rate‡(%)	6.5	6.5	6.4	6.2	6.4	5.8	5.4	5.2	6.2	5.4
Employment in enterprises (% y/y)	-2.0	-1.7	-1.3	-1.1	-1.7	2.1	1.0	2.7	-1.2	0.6
Wages in enterprises (% y/y)	4.6	4.5	5.9	5.9	5.7	8.0	5.5	6.6	4.8	6.1
Prices^										
CPI inflation (% y/y)	2.6	2.4	3.2	2.7	2.7	3.8	3.6	2.3	3.3	3.5
Core inflation (% y/y)	3.9	3.7	3.9	4.1	3.8	3.3	3.1	1.9	3.9	3.2
15% trimmed mean (% y/y)	2.6	2.3	2.9	2.9	2.6	x	x	1.9	3.9	3.3
PPI inflation (% y/y)	1.0	2.0	3.9	-0.1	2.3	2.9	3.4	1.2	-0.5	3.0
Monetary aggregates‡										
Money supply, M3 (PLN bn)	1820.2	1836.6	1862.9	1822.7	1862.5	1906.2	1936.3	1565.6	1822.7	2013.7
Money supply, M3 (% y/y)	16.8	16.3	14.4	16.4	14.4	9.2	9.9	8.3	16.4	10.5
Real money supply, M3 (% y/y)	13.9	13.5	10.9	13.4	11.3	5.1	6.1	5.8	12.7	6.8
Loans, total (PLN bn)	1337.3	1336.6	1344.0	1333.9	1344.0	1343.3	1363.7	1323.6	1333.9	1383.8
Loans, total (% y/y)	-0.1	-0.2	-1.7	0.8	-1.7	0.1	1.9	5.1	0.8	3.7
Deposits, total (PLN bn)	1628.0	1644.3	1670.0	1602.2	1670.0	1633.3	1652.3	1406.8	1602.2	1686.7
Deposits, total (% y/y)	13.9	13.7	12.5	13.9	12.5	0.9	1.5	8.2	13.9	5.3
Balance of payments										
Current account balance (% GDP)	3.7	3.7	3.7	3.6	3.7	3.1	3.0	0.5	3.6	3.0
Trade balance (%GDP)	2.5	2.5	2.6	2.4	2.6	2.4	2.2	0.2	2.4	1.9
FDI (% GDP)	1.4	1.3	1.2	1.4	1.2	1.1	1.3	1.6	1.4	1.7
Fiscal policy										
Fiscal balance (% GDP)	x	x	x	x	x	x	x	-0.7	-7.0	-3.4
Public debt (% GDP)	x	x	x	x	x	x	x	45.6	57.5	56.7
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 ^x (%)	0.21	0.21	0.21	0.21	0.21	0.20	0.20	1.71	0.21	0.20
Real WIBOR 3M ^x (%) [#]	-2.39	-2.23	-2.97	-2.44	-2.53	-3.93	-3.71	-0.58	-3.06	-3.48
Exchange rates^{x,‡}										
EUR-PLN	4.54	4.52	4.66	4.61	4.66	4.57	4.55	4.26	4.61	4.53
USD-PLN	3.75	3.72	3.97	3.76	3.97	3.84	3.79	3.80	3.75	3.71
CHF-PLN	4.21	4.12	4.21	4.26	4.21	4.15	4.14	3.92	4.25	4.08
EUR-USD	1.21	1.21	1.17	1.23	1.17	1.19	1.20	1.12	1.23	1.22

Source: GUS, NBP, PKO Bank Polski.

^xPKO 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	"It seems to me that the first signal of normalization could be hiking the mandatory reserve rate now, as professor Hardt suggests, and then hiking the reference rate by 10-15 bps in order to reduce the disparity between rates in the group of CEE economies, which have the highest inflation in the EU," he said. "This could take place already in the second half of this year, when inflation exceeds 4%" (20.04.2021, PAP)
L. Hardt	4.2	"We cannot go below zero due to various reasons, in my opinion we absolutely cannot go below zero (...) The longer the central bank is active on the longer end of the yield curve and the more assets it purchases, (...) the more efficacy of this channel declines. (...) When the economy starts recovering ... we hope that firms will start with investments, at least replacement once to start with, so such a tool [PAP: like TLTRO] would be useful". (PAP, 20.04.2021)
J. Kropiwnicki	3.2	"I'm not particularly alarmed by higher inflation, at least in the first half of the year, as supply and cost factors are the main reasons for higher price growth, and monetary policy has no big impact on them" (10.03.2021, Biznes 24, Bloomberg).
C. Kochalski	2.2	"In the coming quarters there will be no decision situation for interest rate hikes (...) It's just that I don't think that in the prospect of 2022 we will reach such state of lasting and balanced growth that would be conducive to changing this monetary policy parameter." (15.04.2021, 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	"Our task is to increase the chances of a return to rapid economic growth after the pandemic, while maintaining price stability and macroeconomic balance. This means that we must continue our current monetary policy measures. (...) We must ensure low financing costs for all sectors. We can't allow any sudden changes in the exchange rate or bond yields to limit our growth prospects." (23.03.2021, Dziennik Gazeta Prawna daily).
J. Zyzyński	1.5	"The current level of the zloty rate is more optimal from the point of view of the economy, it pleases the council very much, hence we changed the phrasing for the zloty rate (...) The central bank keeps readiness to enter the market so that the FX rate holds at an optimal level and remains relatively stable, without excessive fluctuations (...) Poland should keep rates flat to end of MPC's term (...) Council will flag potential monetary policy tightening in advance" (18.02.2021, PAP)
E. Lon	1.1	"As for postulates for hiking Polish interest rates, I believe there will be no such need at least until the end of the current MPC term " (08.03.2021, wgospodarce.pl, PAP)

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

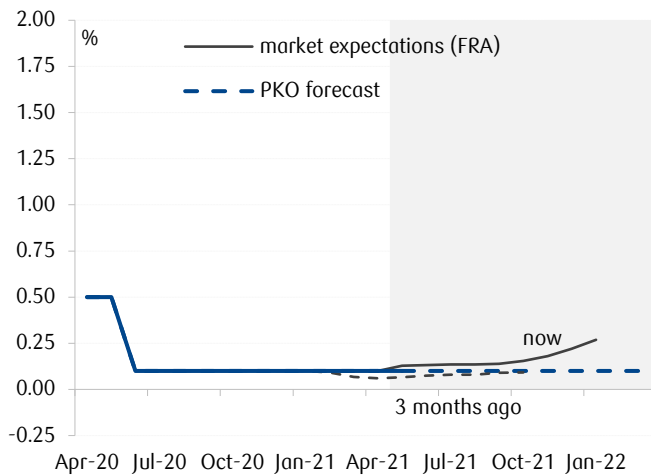
Interest rates – PKO BP forecasts vs. market expectations

	1M	2M	3M	4M	5M	6M	7M	8M	9M	
Date	22-Apr	22-May	22-Jun	22-Jul	22-Aug	22-Sep	22-Oct	22-Nov	22-Dec	22-Jan
WIBOR 3M/FRA†	0.21	0.24	0.24	0.24	0.25	0.25	0.26	0.29	0.33	0.38
implied change (b. p.)		0.03	0.03	0.03	0.04	0.04	0.05	0.08	0.12	0.17
MPC Meeting	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*		0.13	0.13	0.13	0.14	0.14	0.15	0.18	0.22	0.27

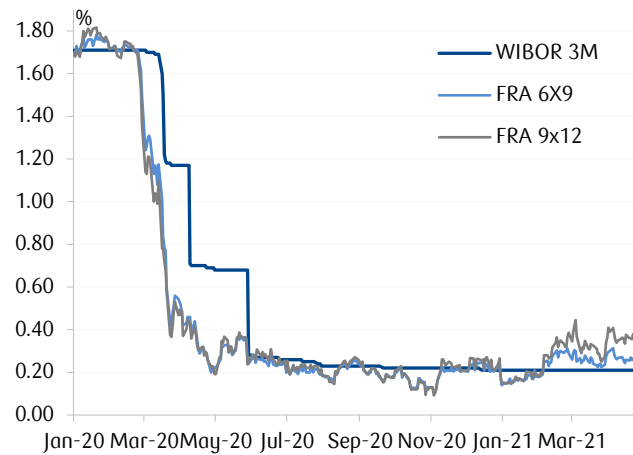
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, *PKO BP forecast of the NBP reference rate.

Poland macro chartbook

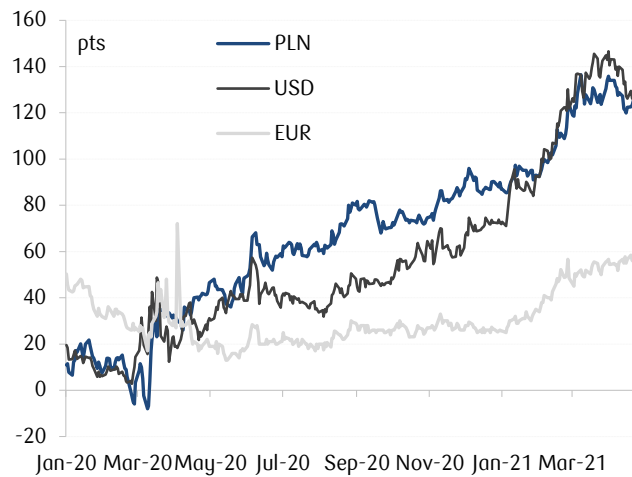
NBP policy rate: PKO BP forecast vs. market expectations



Short-term PLN interest rates



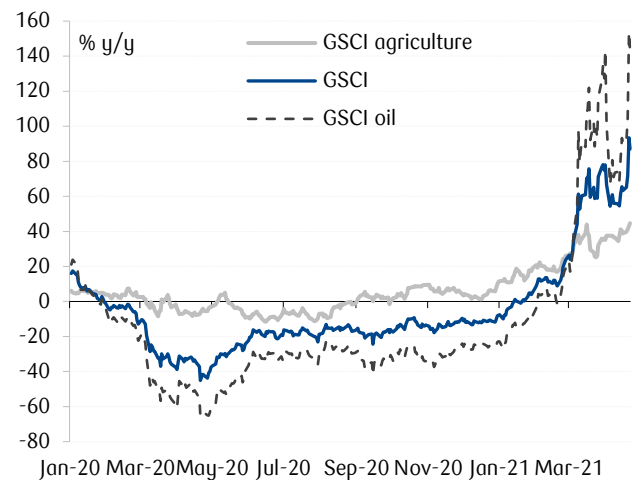
Slope of the swap curve (spread 10Y-2Y)*



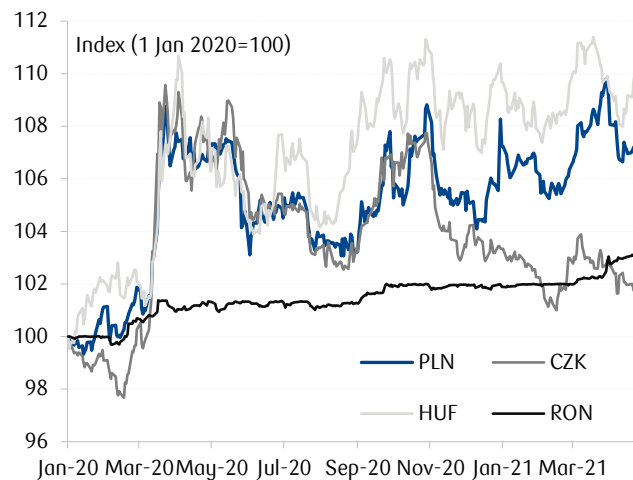
PLN asset swap spread



Global commodity prices (in PLN)

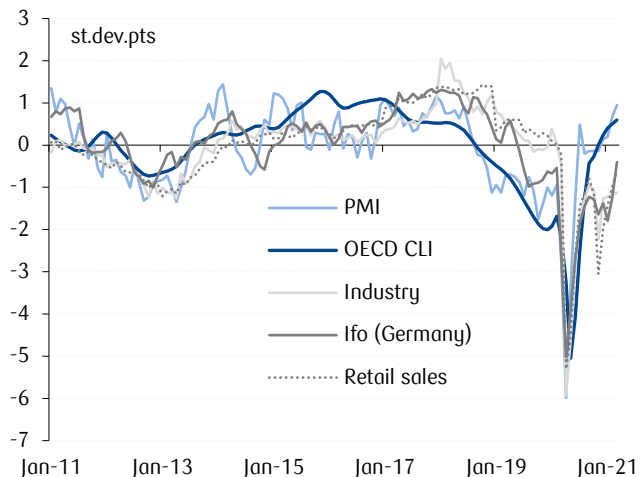


Selected CEE exchange rates against the EUR

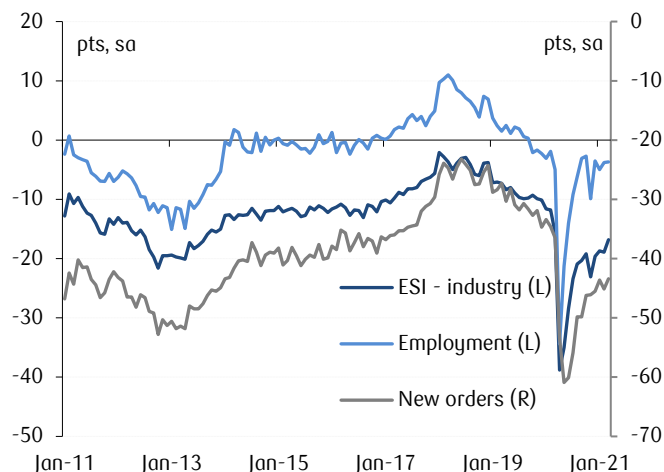


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

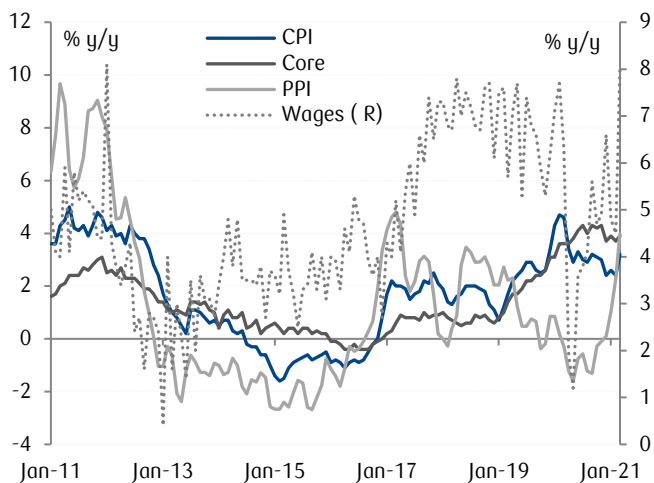
Economic sentiment indicators



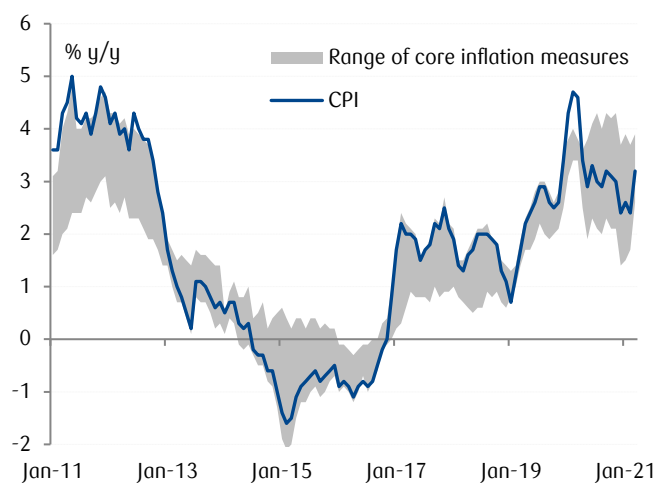
Poland ESI for industry and its components



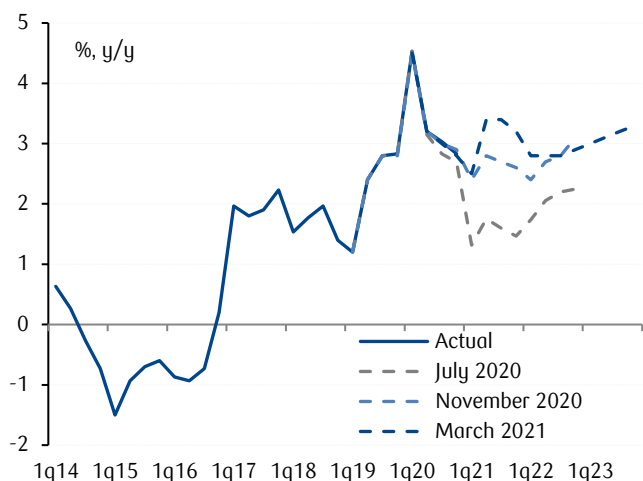
Broad inflation measures



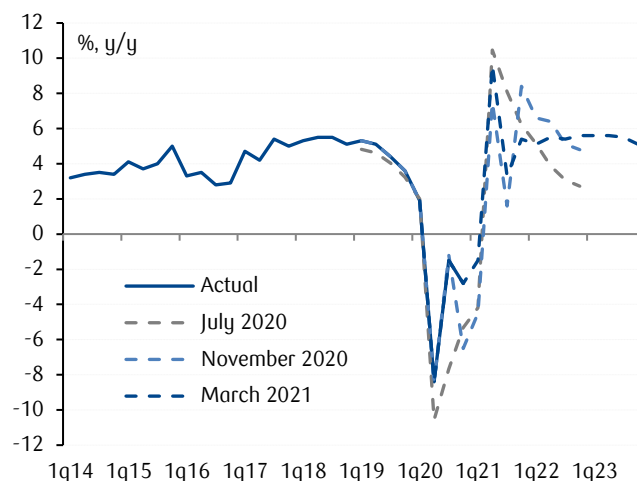
CPI and core inflation measures



CPI inflation - NBP projections vs. actual

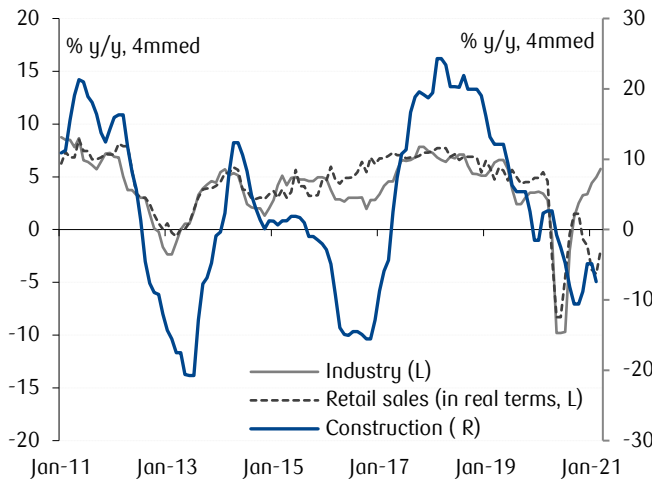


Real GDP growth - NBP projections vs. actual

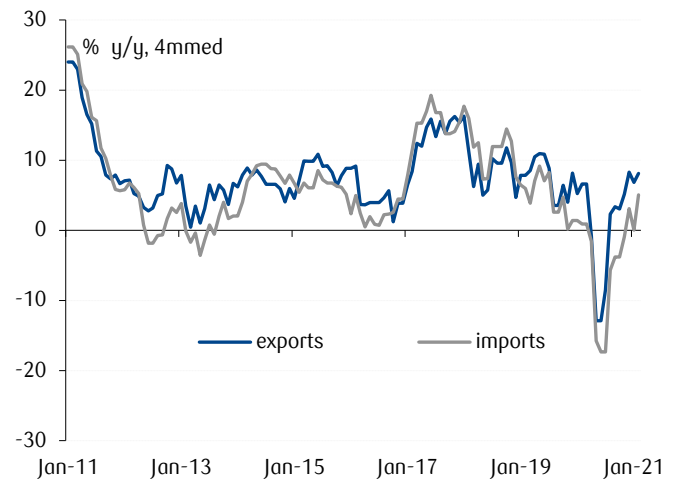


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

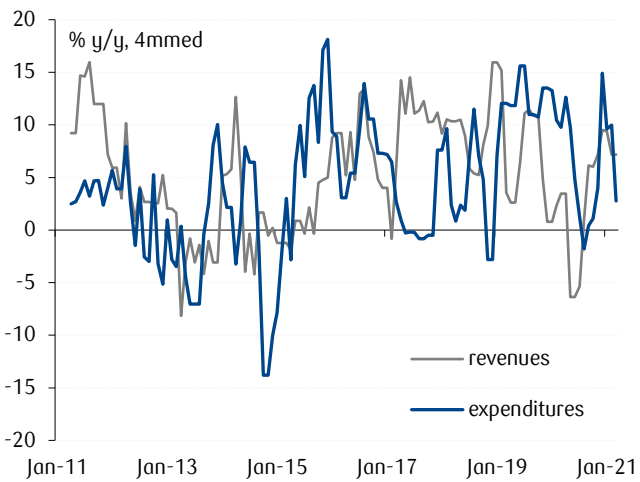
Economic activity indicators



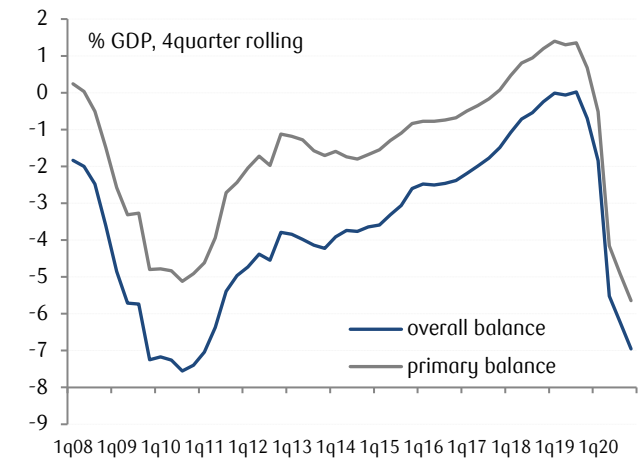
Merchandise trade (in EUR terms)



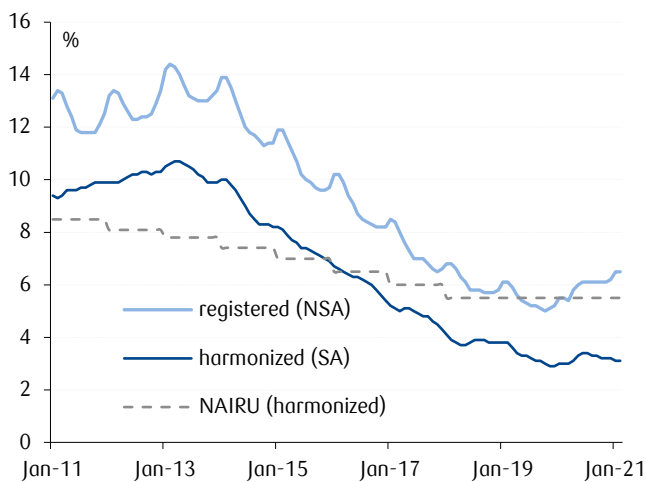
Central government revenues and expenditures*



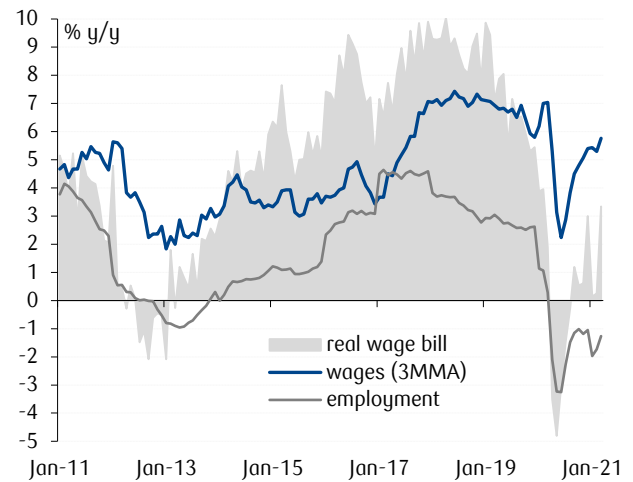
General government balance (ESA2010)



Unemployment rate

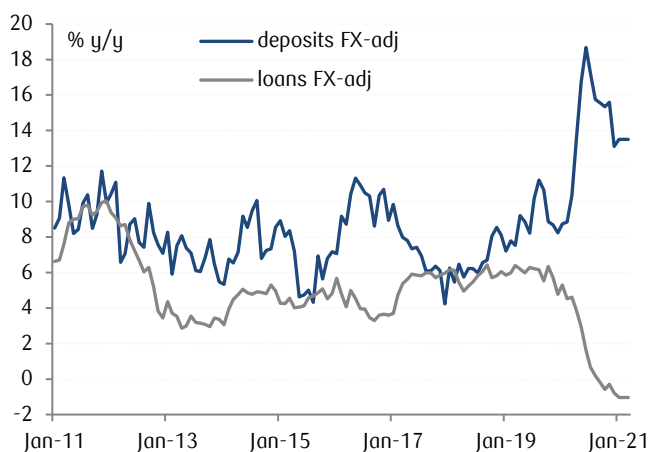


Employment and wages in the enterprise sector

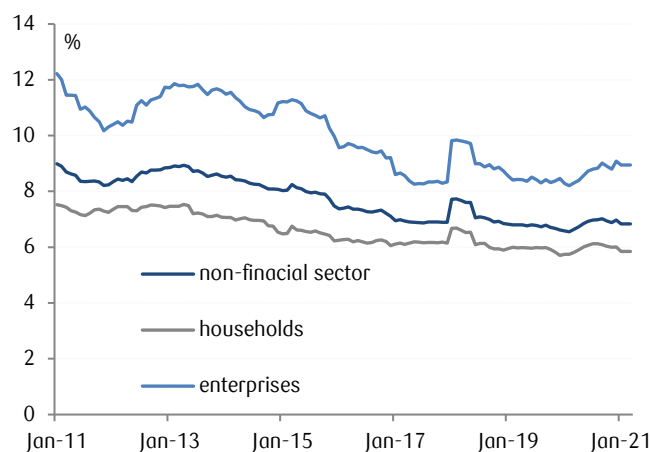


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

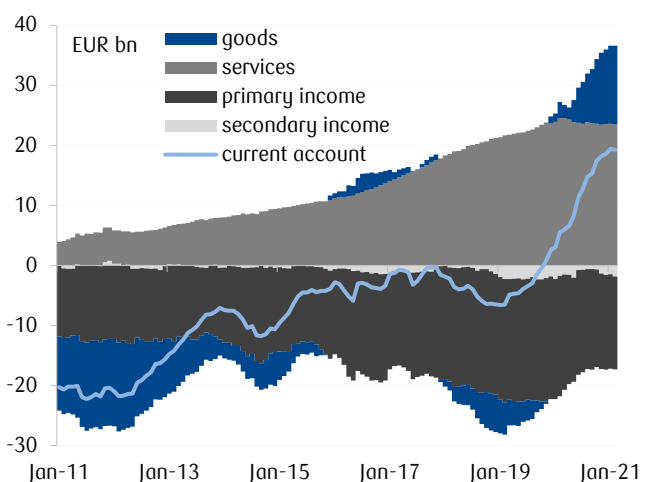
Loans and deposits



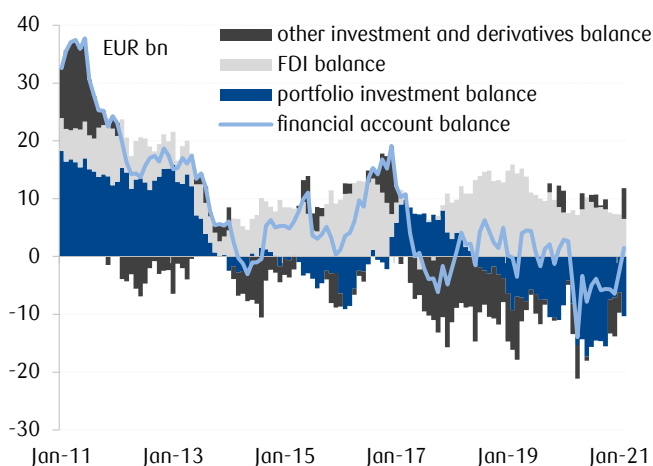
Non-performing loans (NPLs) - by sectors*



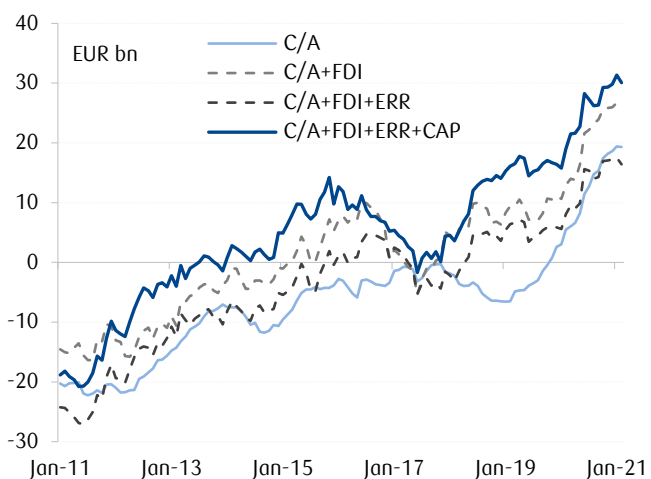
Current account balance



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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- [Choke points in focus](#) (Mar 12, 2021)
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- [This time is \(really\) different](#) (Feb 26, 2021)
- [Bottlenecks, winter and lockdowns](#) (Feb 19, 2021)
- [Green fiscal island](#) (Feb 12, 2021)
- [Spotlight: fiscal stance](#) (Feb 5, 2021)
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Poland's macro in a nutshell

	2020	2021	Comment
Real economy			
- real GDP (%)	-2.7	4.7	Despite a more difficult-than-expected start of the year, we still forecast a strong rebound in the domestic economy in 2021. The global recovery supports Poland's exports. We still believe that consumption (along with easing restrictions) and "shifted" fiscal stimulation will be an important driver of growth this year. 1q21 will be the last quarter of negative GDP growth rate. 2q21 will be determined by a low base. In 2h21 a longer period of GDP growth will begin, driven by fiscal, monetary and trade impulse and a decline in the savings rate, followed by an inflow of EU funds.
Prices			
- CPI inflation (%)	3.4	3.5	Inflation will rise above the upper inflation target band (3.5%) in April and remain there at least until the end of the year, driven by strong economic recovery and regulatory changes (power levy, trade tax, sugar levy).
Monetary aggregates			
- M3 money supply (%)	16.4	10.5	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	2.8	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)	-7.0	-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.

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