

## Less reliant on Germany?

### TOP MACRO THEME(S):

- **Less reliant on Germany? (p. 2):** Growing divergence between Polish and German GDP growth rates reflects: (1) stronger German dependency (esp. the output of investment goods) on the Chinese credit cycle, (2) different structure of the automotive industry; (3) strong expansion of the Polish transport sector in Germany and (4) ever stronger nearshoring, which benefits Poland more than Germany.

### WHAT ELSE CAUGHT OUR EYE:

- **Inflation in April surprised to the upside across the CEE region.** CPI inflation (small differences in methodologies) in Poland rose to 12.4% y/y, in Czechia to 14.2% y/y, in Hungary to 9.5% y/y and in Romania to 13.8% y/y. The increases were driven mainly by energy and food prices. Rising inflation rates fuel expectations for rates hikes, but an exception is Czechia, where newly appointed CNB governor A.Michl is extreme dove (voted against every rate hike in 2021 and 2022).
- **NBP governor A.Glapinski was re-appointed for the second term (6 years).**
- **Current account deficit in March hit EUR 3.0bn, or 2.2% of GDP** (the highest since Oct'14), mostly on higher energy prices. C/A deficit will remain wider than 2% of GDP in the remainder of 2022, limiting comfort space for both fiscal and monetary policy.

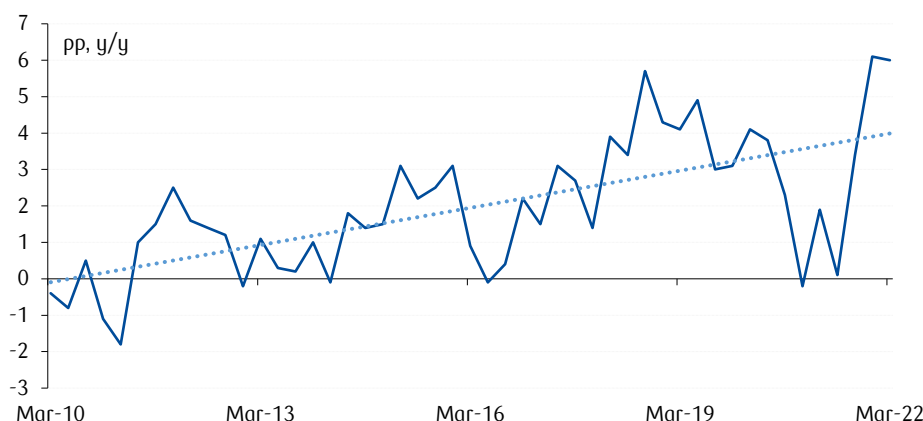
### THE WEEK AHEAD:

- We estimate that **core inflation in April** rose to 7.7% y/y vs 6.9% y/y in March.
- **Flash estimate will likely show GDP growth in 1q22 of around 10% y/y**, on strong low base effect, vivid industrial production and strong consumption (boosted by expenses by and on behalf of Ukrainian refugees).
- **Labor market was still strong in April.** Wage growth likely remained at double-digit level and employment growth got closer to 3% y/y.
- We estimate that **PPI inflation in April was 21.9% y/y vs 20.0% y/y in March**, with large impact from supply bottlenecks, commodities and energy prices.

### NUMBER OF THE WEEK:

- **9.7% y/y** – average wage growth in the national economy in 1q22, weaker than in the enterprise sector (11.2% y/y).

### GDP growth rate differential – Poland vs. Germany



Source: Eurostat, PKO Bank Polski. 1q22 for Poland – PKOe.

### Chief Economist

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

### Macro Research Team

[@PKO\\_Research](https://twitter.com/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

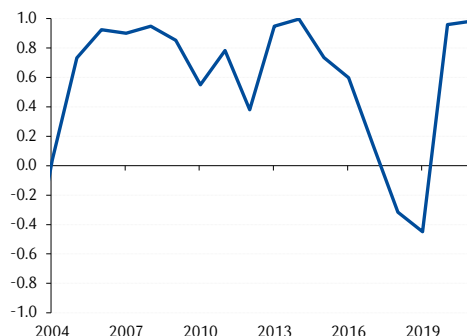
	2021	2022 <sub>†</sub>
Real GDP (%)	5.9	4.0
Industrial output (%)	15.4	12.9
Unemployment rate <sup>#</sup> (%)	5.4	5.8
CPI inflation <sup>**</sup> (%)	5.1	11.2
Core inflation <sup>**</sup> (%)	4.1	7.0
Money supply M3 (%)	8.9	5.6
C/A balance (% GDP)	-0.6	-2.3
Fiscal balance (% GDP)*	-1.9	-2.8
Public debt (% GDP)*	53.8	52.7
NBP reference rate <sup>##</sup> (%)	1.75	6.50
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

## Less reliant on Germany?

- Positive correlation of the GDP growth rate in Poland and Germany has markedly weakened in recent years. Shortly before the pandemic, this correlation even turned negative. Below we share a few thoughts on this issue.
- In our view, the discrepancy between Polish and German GDP growth rates reflects: (1) stronger German dependency (esp. the output of investment goods) on the Chinese credit cycle, (2) different structure of the automotive industry (large inflow of foreign direct investments to Poland in electromobility area); (3) strong expansion of the Polish transport sector at the expense of German competitors and (4) ever stronger nearshoring, which benefits Poland much more than Germany.
- We believe that the high competitiveness, rising diversification and increasing complexity of the Polish economy will make it largely resilient to the fate of the German one. Nearshoring could become key factor responsible for further decoupling. The potential significant inflow of foreign orders and investments to the Polish economy may ensure that it will maintain strong growth, even when the largest economy in the euro area is slowing down.

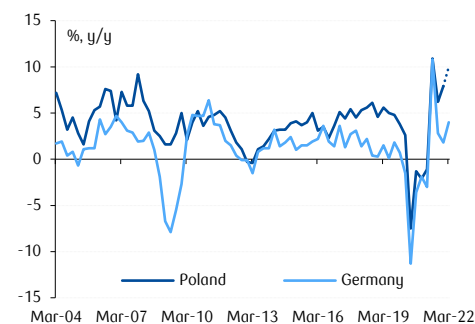
GDP growth rates (Poland and Germany) correlation\*



Source: Eurostat, PKO Bank Polski. \*4-year window; yearly data.

The historically strong, positive correlation between the GDP growth rate in Poland and Germany clearly decreased in the few years before the pandemic and even turned negative (see margin chart). In 2018-2019 the disproportion between growth rates in Poland and Germany increased beyond the historical pattern: Poland grew 5.1%, while Germany 1.1%, the GDP growth trends also diverged (Poland - accelerating while Germany - weakening). The pandemic restored the strong positive correlation of GDP growth in both countries, but it 'diverged' again in 2h21 (see margin chart).

GDP growth rates

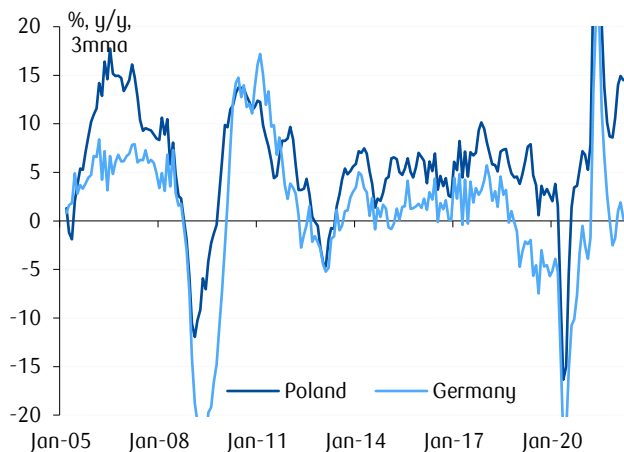


Source: Eurostat, PKO Bank Polski. 1q22 - PKOe.

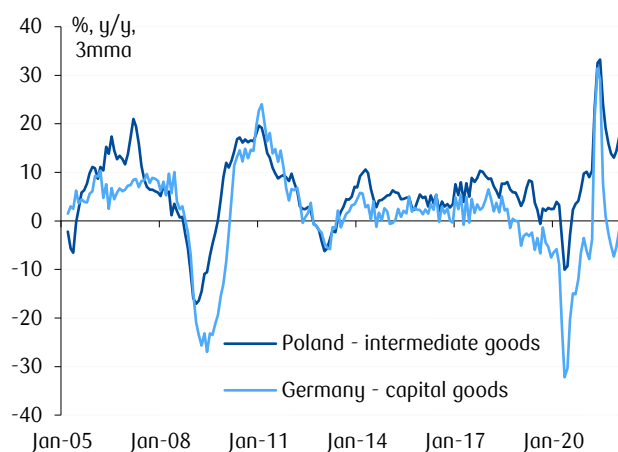
'Decoupling' of Poland and Germany reflects the different fate of the industrial sectors in both countries. In 2017-2019, German manufacturing was in decline while its Polish counterpart flourished along with the entire economy. This is an effect of a different position of both economies in global production chains, among others. Manufacturing in Poland is exposed to the global economy via intermediate goods while Germany has taken a firm position in capital goods supply. Going further, it implies higher exposure of Germany to the global cycle in which China plays an important role (see chart pack, next page).

Poland was saved from a negative credit impulse in China in 2018-2019. Unlike Germany, output in Poland improved on the inflow of new foreign direct investments and the related change in the structure of the automotive industry

### Manufacturing output



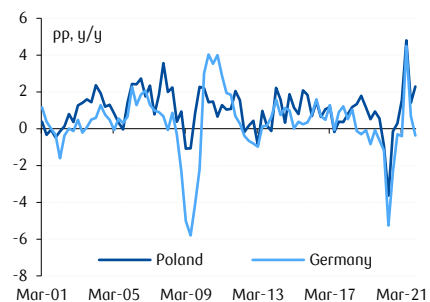
### Production chains



Source: Eurostat, PKO Bank Polski.

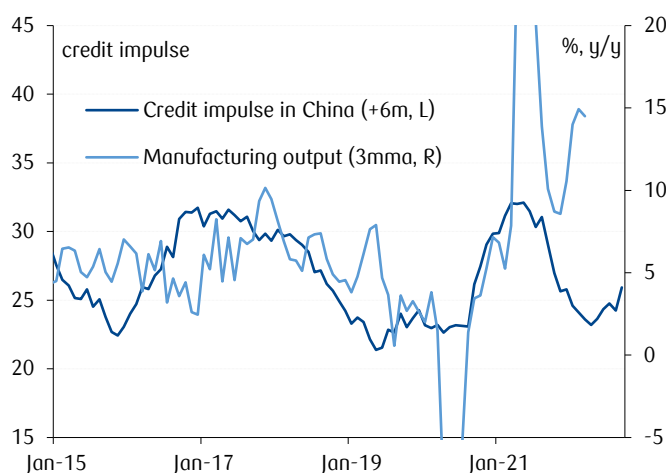
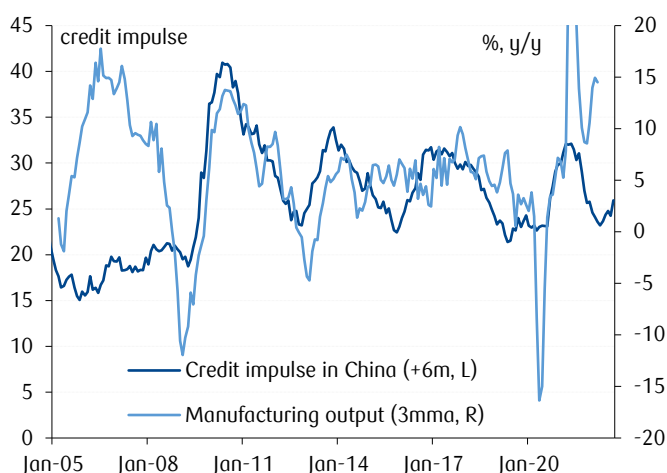
that made the results of Polish manufacturing and exports significantly different from the global and German business cycle in this particular industry. Due to robust inflows of FDIs (esp. greenfields) to Poland (including, the new, 'electromobile' part of the automotive sector) the growth rate in the production of motor vehicles and parts in Poland significantly exceeded that of the automotive industry in Germany. The years 2018-2019 were a period of high investment activity of foreign-owned corporations (see chart, next page). As a result, the automotive industry saw a marked increase in production in Poland, while in Germany the earlier upward trend collapsed. This trend continues today and the downward trend in the production of the German automotive industry is even accelerating (see the 'automotive wedge' chart, next page).

Contribution of manufacturing to value added (GDP) growth rate

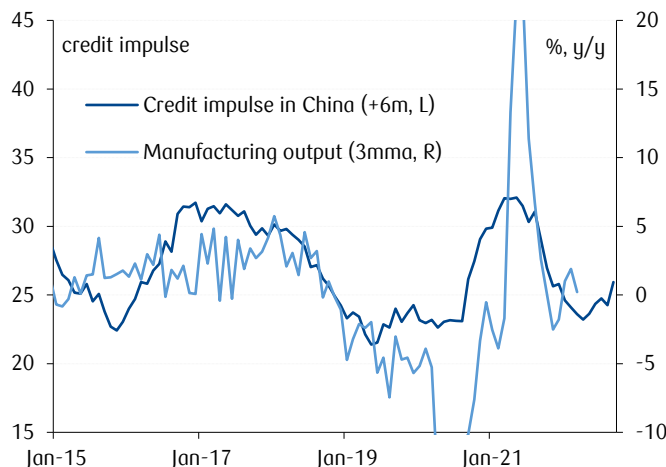
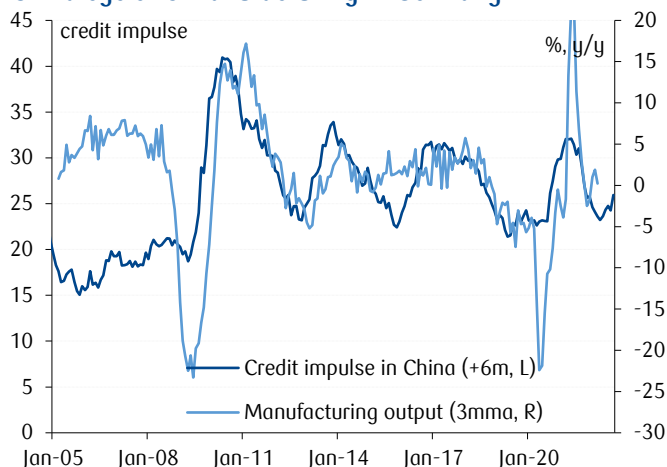


Source: Eurostat, PKO Bank Polski.

China cycle vs manufacturing in Poland



China cycle vs manufacturing in Germany

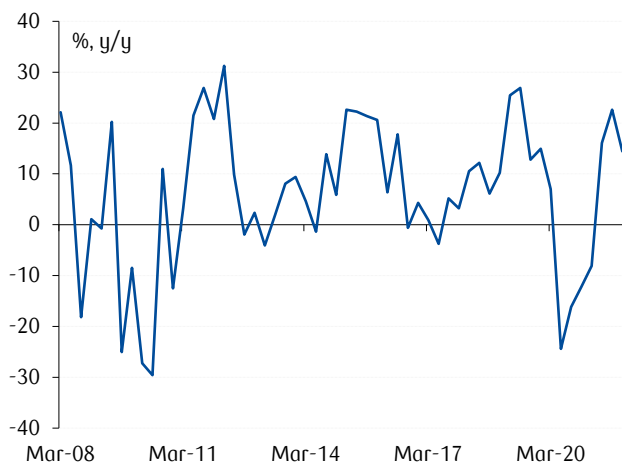


Source: Eurostat, Macrobond, Bloomberg, PKO Bank Polski.

**The growing importance the transport sector in generating GDP in Poland was an additional factor contributing to the divergence of the growth rates.** It mainly manifested in the rapid growth of transport services' exports before the pandemic. This was related to Poland's increasing share in the single EU services market. The share of Polish carriers in international road transport in the EU increased from 23.3% in 2011 to 33.2% in 2020. Road cabotage also plays an important role. Share of Poland's carriers in this type of road freight transport in Germany increased from 56.4% in 2011 to 73.5% in 2020.

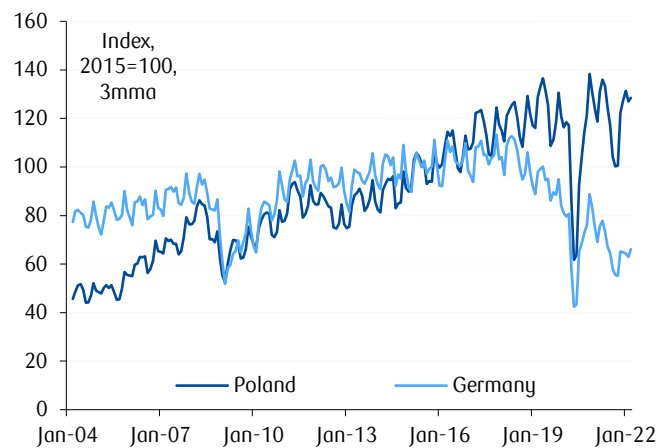
In addition to structural changes in industry and transport, a new trend has emerged, strengthening the Polish economy as compared to the German one – namely nearshoring of orders. The pandemic, as a ‘synchronized’ shock, affected practically the entire global economy at the same time, thus changes in the GDP growth rates in Poland and Germany correlated again. However, already in 3q21, the discrepancies between Poland and Germany re-emerged. Companies from Western Europe, after a significant increase in transport costs from Asia, began to look for suppliers in Central Europe, which resulted in a significant stream of orders reaching Poland. The sustainability of this trend will depend not only on economic factors. An important role will also be played by, among others, further development of the geopolitical situation, determining the flow of goods (sanctions, supply limitations, transport costs) and the level of the country's risk.

**Investments of foreign-owned corporations in Poland**

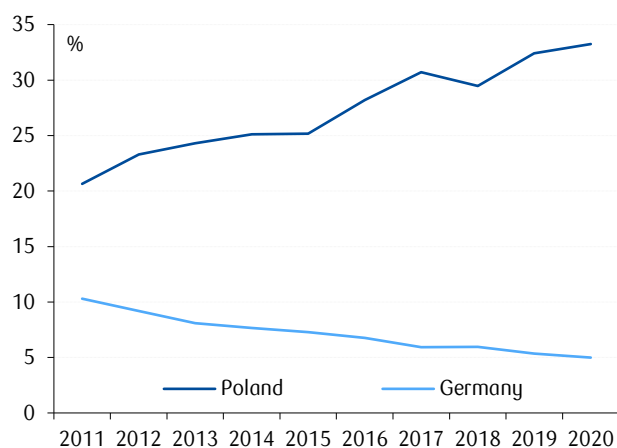


Source: Pont, Eurostat, PKO Bank Polski.

**‘Automotive wedge’ – output index**

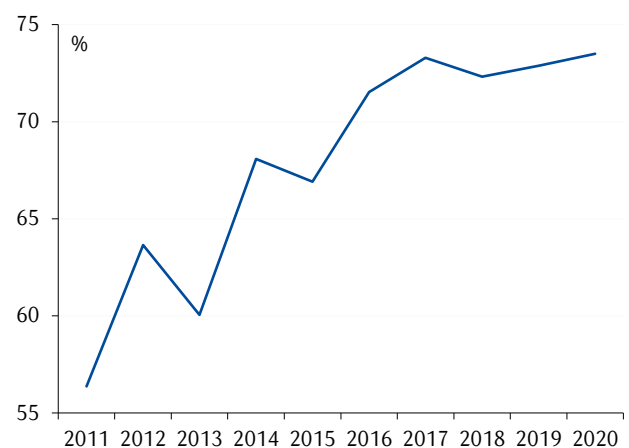


**Share in international road freight transport in the EU\***



Source: Eurostat, PKO Bank Polski.\*share in a work-load (tonne-kilometre).

**Share of Germany in road cabotage of Polish carriers\***



## Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment	
<b>Monday, 16 May</b>							
EUR: Trade balance (Mar)	10:00	bn EUR	7.6	--	--	--	
POL: Core inflation (Apr)	13:00	% y/y	6.9	7.4	7.4	Core inflation should increase to 7.4% y/y. Core inflation grows slower than overall CPI.	
<b>Tuesday, 17 May</b>							
POL: GDP growth (1q)	9:00	% y/y	7.3	8.1	10.1	GDP has likely been boosted by base effect as well as vivid consumption, strong foreign demand and extra expenses from (and on behalf of) Ukrainian war refugees.	
EUR: Employment (1q)	10:00	% y/y	4.6	--	--		--
EUR: GDP growth (1q)	10:00	% y/y	4.7	5.0	--		--
USA: Retail sales (Apr)	13:30	% m/m	0.5	1.0	--		--
USA: Retail sales excl. autos (Apr)	13:30	% m/m	1.1	0.4	--		--
USA: Industrial production (Apr)	14:15	% m/m	0.9	0.4	--		--
<b>Wednesday, 18 May</b>							
EUR: HICP inflation (Apr, final)	10:00	% y/y	7.4	7.5	--	--	
EUR: Core inflation (Apr, final)	10:00	% y/y	2.9	3.5	--	--	
USA: Building Permits (Apr)	13:30	mln	1.87	1.81	--	--	
USA: Housing starts (Apr)	13:30	mln	1.79	1.78	--	--	
<b>Thursday, 19 May</b>							
HUN: One week deposit rate ()	8:00	%	6.45	6.45	--	--	
USA: Initial Jobless Claims (May)	13:30	thd	--	--	--	--	
USA: Existing home sales (Apr)	15:00	mln	5.77	5.65	--	--	
<b>Friday, 20 May</b>							
GER: PPI inflation (Apr)	7:00	% y/y	30.9	28.2	--	Strong wage pressure in enterprises should be maintained. 10+ figures results from high inflation as well as productivity growth. Labor market is still vibrant. This statistics does not include majority of Ukrainians working in Poland. Supply bottlenecks are highly visible in automotive and electronics, but the other sectors outperform. We still see high foreign demand. Higher energy prices (esp. fuel and gas) as well as supply bottlenecks are still pushing PPI inflation up.	
POL: Wages (Apr)	9:00	% y/y	12.4	12.6	12.2		
POL: Employment (Apr)	9:00	% y/y	2.4	2.7	2.8		
POL: Industrial production (Apr)	9:00	% y/y	17.3	15.4	14.5		
POL: PPI inflation (Apr)	9:00	% y/y	20.0	20.4	21.9		
EUR: Consumer Confidence (May)	15:00	pts.	-22.0	--	--		--

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

## Selected economic indicators and forecasts

	Feb-22	Mar-22	Apr-22	1q22	2q22	3q22	4q22	2020	2021	2022
<b>Economic activity</b>										
Real GDP (% y/y)	x	x	x	10,1	2,0	2,2	2,3	-2,2	5,9	4,0
Domestic demand (% y/y)	x	x	x	10,0	2,3	1,8	2,2	-2,9	7,6	3,9
Private consumption (% y/y)	x	x	x	6,7	4,0	3,5	3,5	-3,0	6,1	4,4
Gross fixed capital formation (% y/y)	x	x	x	5,0	-10,0	-6,0	2,0	-4,9	3,8	-2,0
Inventories (pp)	x	x	x	3,7	0,7	0,0	-0,9	-1,2	2,4	1,1
Net exports (pp)	x	x	x	0,7	-0,1	0,5	0,2	0,6	-1,2	-0,5
Industrial output (% y/y)	17,3	17,3	14,5	18,4	9,0	10,5	4,1	-1,2	15,4	12,9
Construction output (% y/y)*	21,2	27,6	16,3	23,3	14,0	11,0	0,8	-2,7	1,6	12,3
Retail sales (real, % y/y)	8,1	9,6	15,5	9,4	8,1	5,8	6,1	-2,7	7,6	7,3
Nominal GDP (PLN bn)	x	x	x	709,5	689,5	731,7	841,1	2339	2614	2972
<b>Labour market</b>										
Registered unemployment rate‡(%)	5,5	5,4	5,3	5,4	5,2	5,7	5,8	6,3	5,4	5,8
Employment in enterprises (% y/y)	2,2	2,4	2,8	2,3	2,6	2,9	3,1	-1,2	0,5	2,7
Wages in enterprises (% y/y)	11,7	12,4	12,2	11,2	11,3	9,0	8,2	4,8	8,8	9,9
<b>Prices<sup>^</sup></b>										
CPI inflation (% y/y)	8,5	11,0	12,4	9,6	12,6	12,4	10,4	3,3	5,1	11,2
Core inflation (% y/y)	6,7	6,9	7,7	6,6	7,5	7,4	6,6	3,9	4,1	7,0
15% trimmed mean (% y/y)	7,0	7,8	x	7,3	x	x	x	3,9	4,1	x
PPI inflation (% y/y)	16,1	20,0	21,9	17,6	19,9	17,1	13,1	-0,5	7,8	16,9
<b>Monetary aggregates‡</b>										
Money supply, M3 (PLN bn)	1985,0	2003,9	2005,1	2003,9	2024,6	2045,8	2096,7	1822,7	1985,0	2096,7
Money supply, M3 (% y/y)	8,1	7,6	8,4	7,6	7,9	6,9	5,6	16,4	8,9	5,6
Real money supply, M3 (% y/y)	-0,3	-3,0	-4,0	-1,8	-4,2	-4,9	-4,3	12,7	3,6	-5,0
Loans, total (PLN bn)	1420,6	1430,4	1430,4	1430,4	1437,7	1455,1	1464,4	1333,8	1403,5	1464,4
Loans, total (% y/y)	6,3	6,4	6,4	6,4	6,5	5,7	4,3	0,8	5,2	4,3
Deposits, total (PLN bn)	1803,8	1794,3	1794,3	1794,3	1832,6	1843,9	1830,2	1602,2	1780,1	1830,2
Deposits, total (% y/y)	9,7	7,4	7,4	7,4	6,2	2,5	2,8	13,9	11,1	2,8
<b>Balance of payments</b>										
Current account balance (% GDP)	-1,7	-2,2	-2,1	-2,2	-1,9	-2,1	-2,3	2,9	-0,6	-2,3
Trade balance (%GDP)	-1,0	-1,7	-1,7	-1,7	-1,8	-2,1	-2,5	2,4	-0,1	-2,5
FDI (% GDP)	3,7	3,8	3,7	3,8	3,5	2,8	2,1	2,1	3,6	2,1
<b>Fiscal policy</b>										
Fiscal balance (% GDP)	x	x	x	x	x	x	x	-6,9	-1,9	-2,8
Public debt (% GDP)	x	x	x	x	x	x	x	57,1	53,8	52,7
<b>Monetary policy‡</b>										
NBP reference rate (%)	2,75	3,50	4,50	3,50	6,00	6,50	6,50	0,10	1,75	6,50
NBP lombard rate (%)	3,25	4,00	5,00	4,00	6,50	7,00	7,00	0,50	2,25	7,00
NBP deposit rate (%)	2,25	3,00	4,00	3,00	5,50	6,00	6,00	0,00	1,25	6,00
WIBOR 3M <sup>x</sup> (%)	3,65	4,77	6,05	4,77	6,40	6,70	6,70	0,21	2,54	6,70
Real WIBOR 3M <sup>x</sup> (%) <sup>#</sup>	-4,82	-6,20	-6,22	-4,82	-6,22	-5,67	-3,66	-3,06	-2,60	-4,53
<b>Exchange rates*‡</b>										
EUR-PLN	4,69	4,65	4,66	4,65	4,64	4,60	4,55	4,61	4,60	4,55
USD-PLN	4,20	4,18	4,41	4,18	4,22	4,14	4,06	3,75	4,06	4,14
CHF-PLN	4,55	4,52	4,55	4,52	4,46	4,38	4,25	4,25	4,45	4,25
EUR-USD	1,12	1,11	1,06	1,11	1,10	1,11	1,12	1,23	1,14	1,10

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^
R. Sura	2.7	"The basic monetary policy canon is as follows: the looser government's fiscal policy amid high inflation, the more decisive the reaction of monetary authorities has to be (...) Hence our decisive interest rate hikes that have not ended, as some would like to suggest. (...) I personally believe that interest rates will be hiked at the scale and pace adequate for incoming macroeconomic data," (12.04.2022, wnp.pl, PAP).
C. Kochalski	2.2	"I see room for rate hikes, also because economic conditions are good and the industry continues to grow at a fast pace. (...) At the same time, some caution is needed because we cannot predict how economies will react to the war in Ukraine longer term. (...) the current level of rates is safe, and what is more, room for hikes exists. (...) Economic slowdown amid forecast inflation still far away from the NBP target would not be a sufficient argument for me to stop the cycle." (27.04.2022, Parkiet).
A. Glapinski	1.8	"We have been raising interest rates for several months and will continue to do so until we are confident that inflation will come down permanently. (...) We're doing everything we can to bring inflation down as quickly as possible. That will bring interest rates down. At some point that moment will come, hopefully it will be the end of 2023, that debtors will hear in the media that interest rates are finally going down." (6.05.2022, NBP)
L. Kotecki	--	"In my opinion, these rate increases are necessary. Of course, the most important reason of rate increases is inflation, which will continue to rise. We have such a situation in Poland, and it seems desirable to meet with the Minister of Finance to talk a little bit about the policy mix, which is upside down in Poland." (9.05.2022, PAP)
P. Litwiniuk	--	"Based on Polish economic data, I hope we are already close to that space, [that] necessity concerning regulating the price of money coming from the banking sector. (...)the [only] thing certain today is that nothing is certain [and] there is no ceiling, at least it doesn't stem from any regulations" (20.04.2022, 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	--	"The markets must also take into account the possibility of interest rates reaching 7.5% (...) We are currently in a situation where we can't impose any limits on ourselves." (19.04.2022, businessinsider.pl; PAP)
I. Dąbrowski	--	--
(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

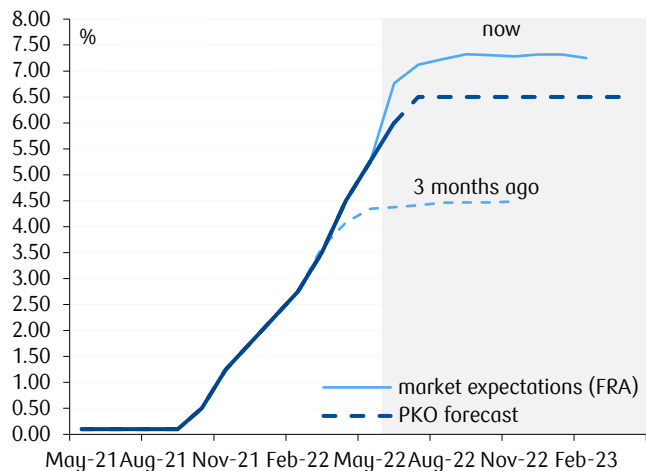
	1M	2M	3M	4M	5M	6M	7M	8M	9M	
<b>Date</b>	12-May	12-Jun	12-Jul	12-Aug	12-Sep	12-Oct	12-Nov	12-Dec	12-Jan	12-Feb
<b>WIBOR 3M/FRA†</b>	6.40	6.96	7.32	7.43	7.52	7.51	7.48	7.52	7.52	7.45
<b>implied change (b. p.)</b>		0.56	1.32	1.83	2.32	2.31	2.28	2.32	2.32	2.25
<b>MPC Meeting</b>	5-May	8-Jun	7-Jul	-	7-Sep	5-Oct	9-Nov	7-Dec	-	-
<b>PKO BP forecast*</b>	5.25	6.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
<b>market pricing*</b>		5.81	6.57	7.08	7.57	7.56	7.53	7.57	7.57	7.50

†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.

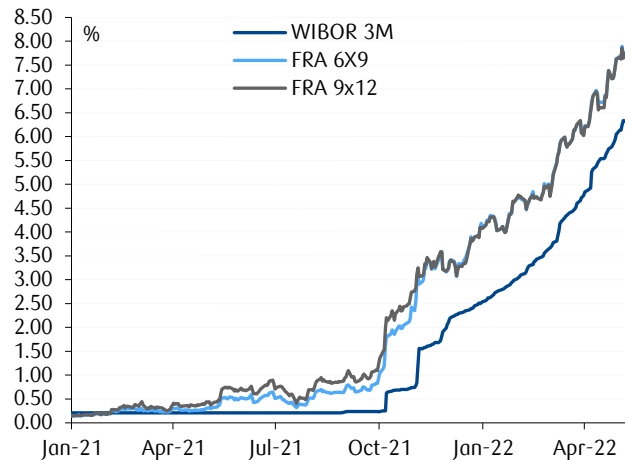


## Poland macro chartbook

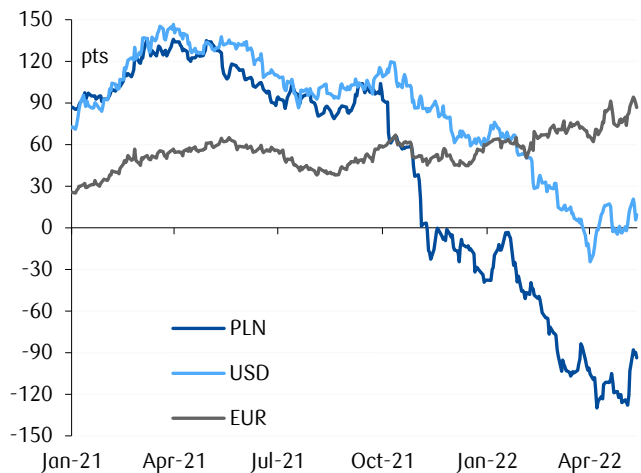
NBP policy rate: PKO BP forecast vs. market expectations



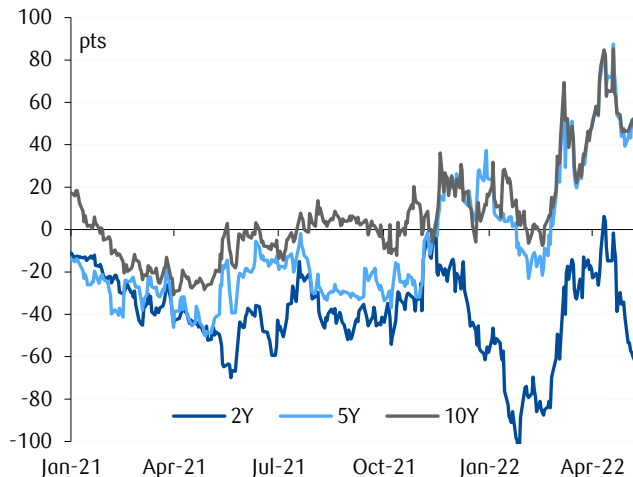
Short-term PLN interest rates



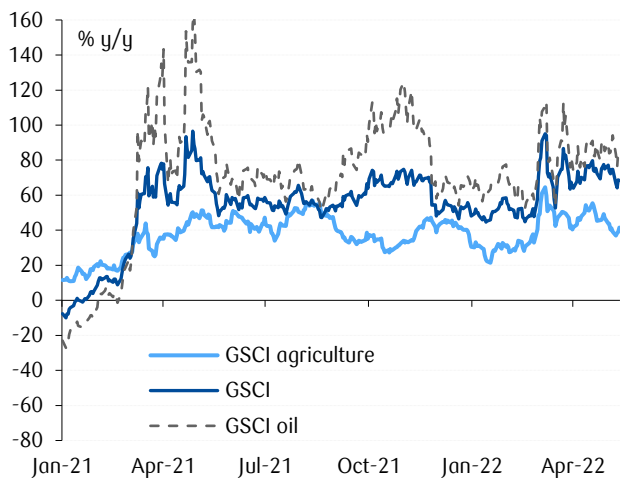
Slope of the swap curve (spread 10Y-2Y)\*



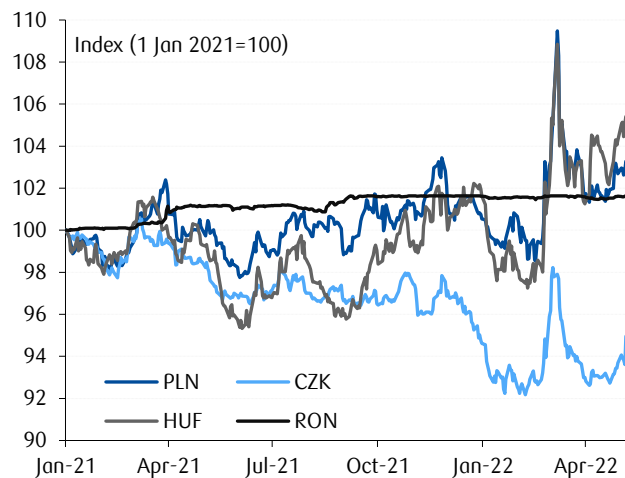
PLN asset swap spread



Global commodity prices (in PLN)



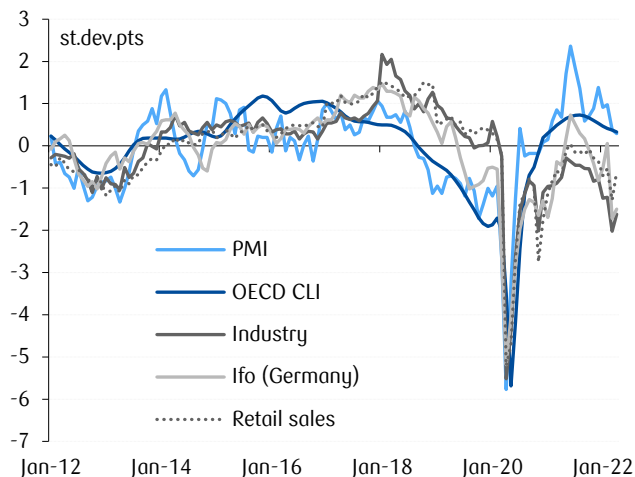
Selected CEE exchange rates against the EUR



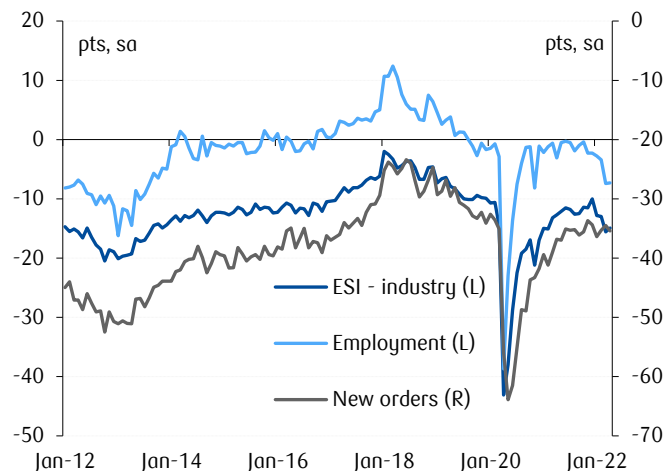
Source: Datastream, NBP, PKO Bank Polski. \*for PLN, and EUR 6M, for USD 3M.



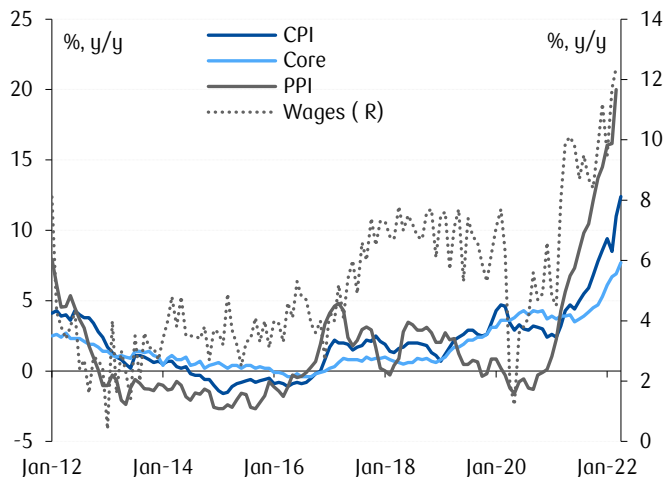
Economic sentiment indicators



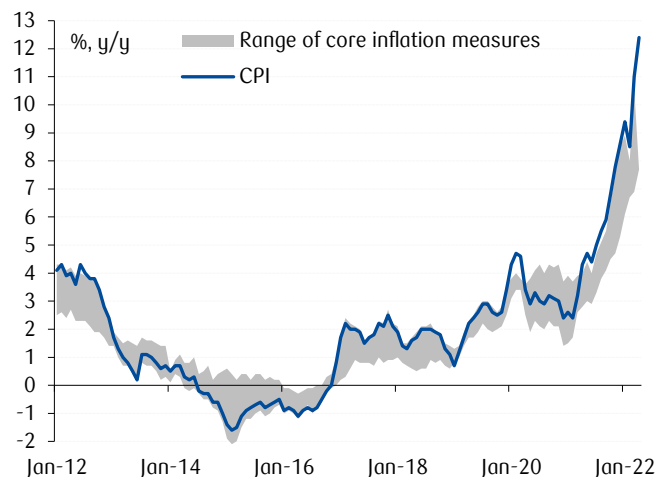
Poland ESI for industry and its components



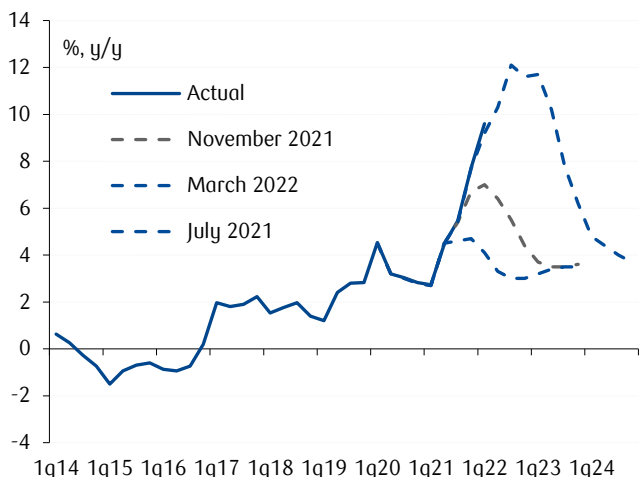
Broad inflation measures



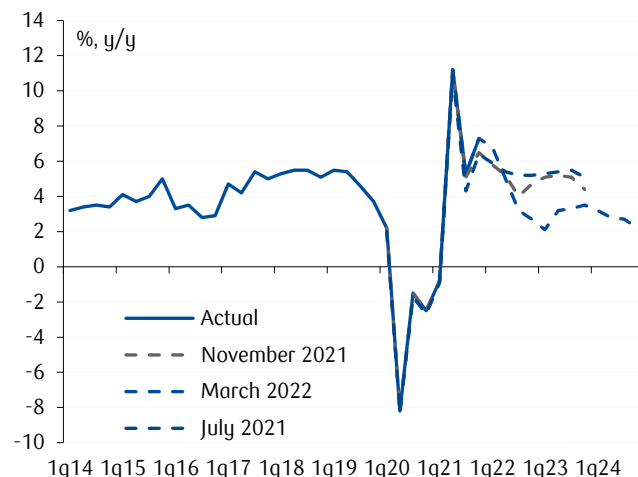
CPI and core inflation measures



CPI inflation – NBP projections vs. actual

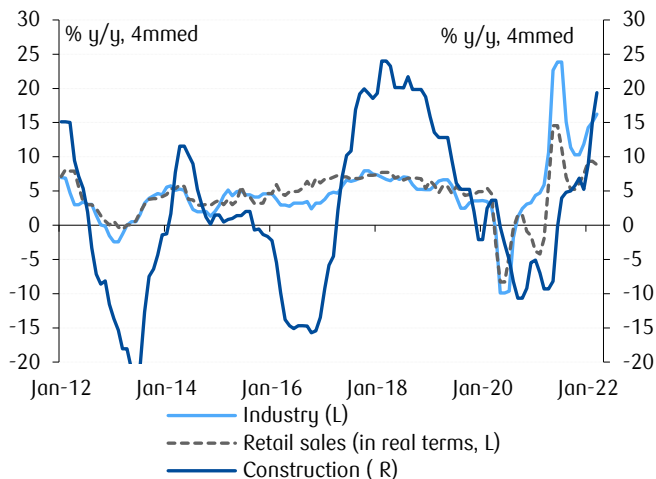


Real GDP growth – NBP projections vs. actual

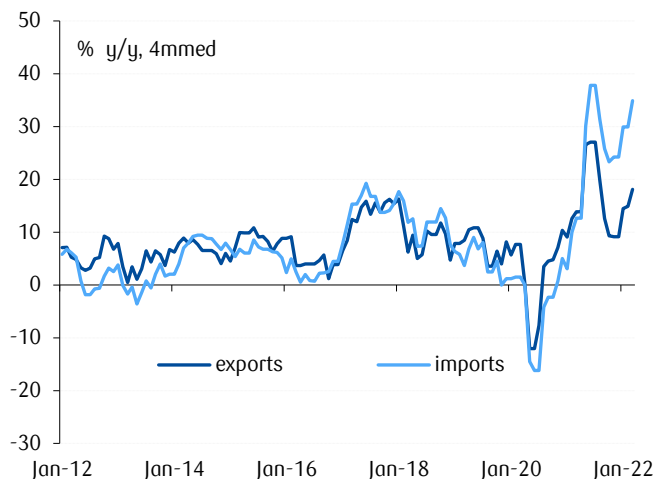


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

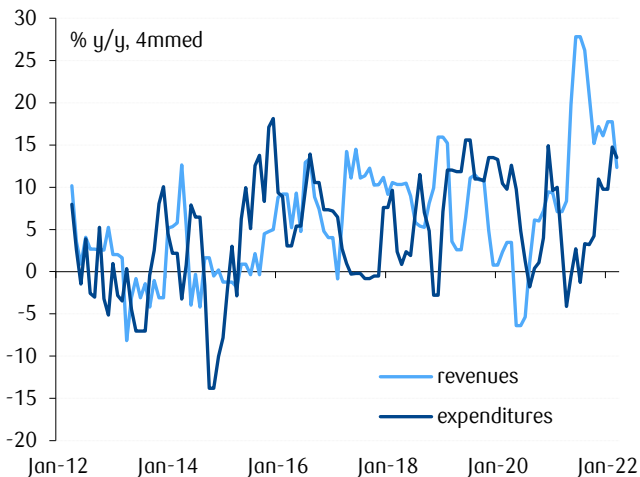
**Economic activity indicators**



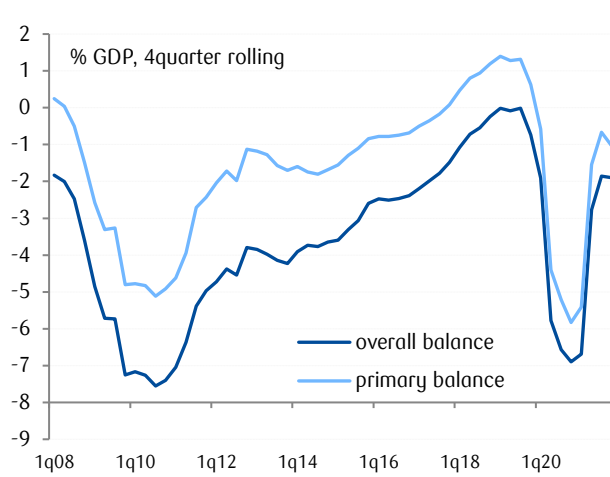
**Merchandise trade (in EUR terms)**



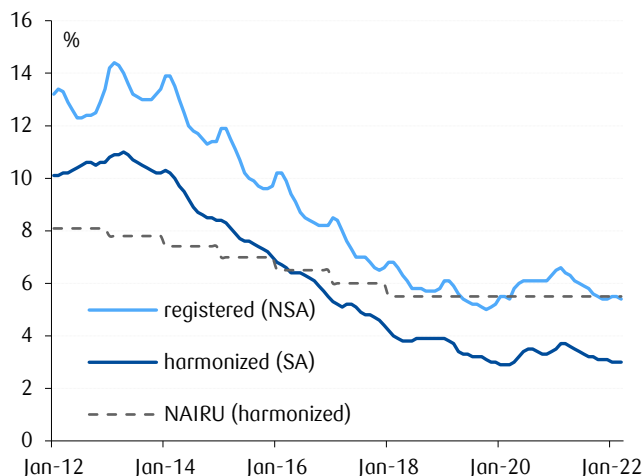
**Central government revenues and expenditures\***



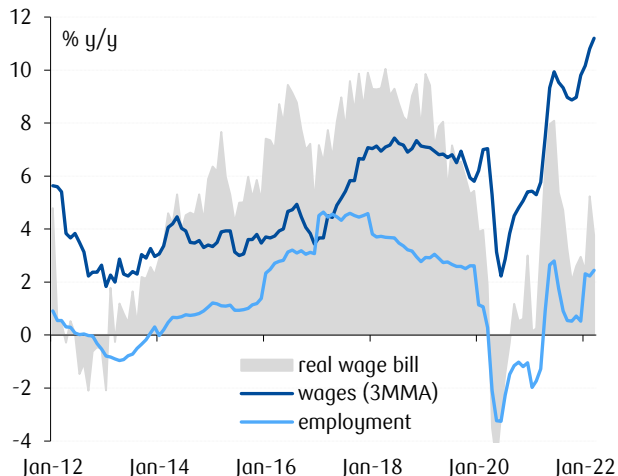
**General government balance (ESA2010)**



**Unemployment rate**

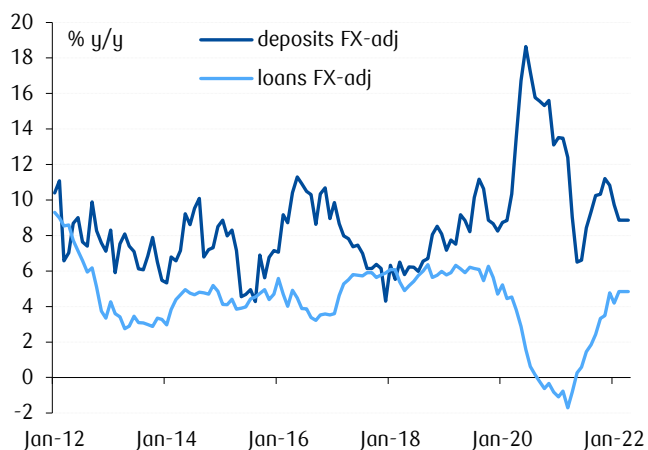


**Employment and wages in the enterprise sector**

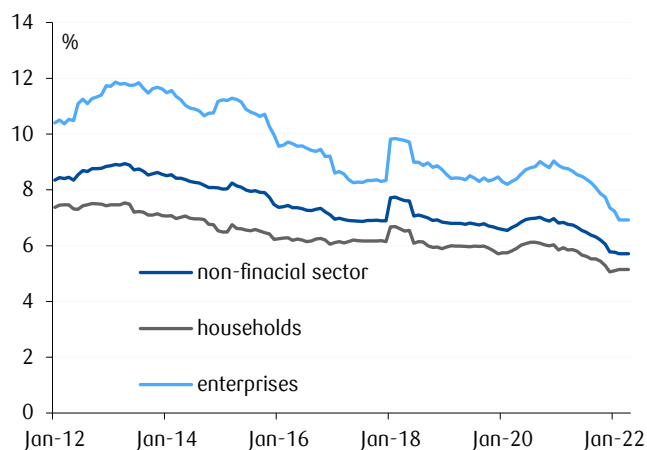


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. \*break in series in 2010 due to methodological changes.

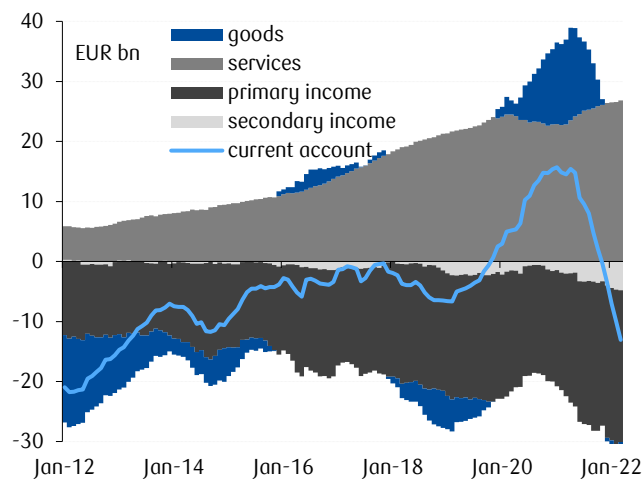
### Loans and deposits



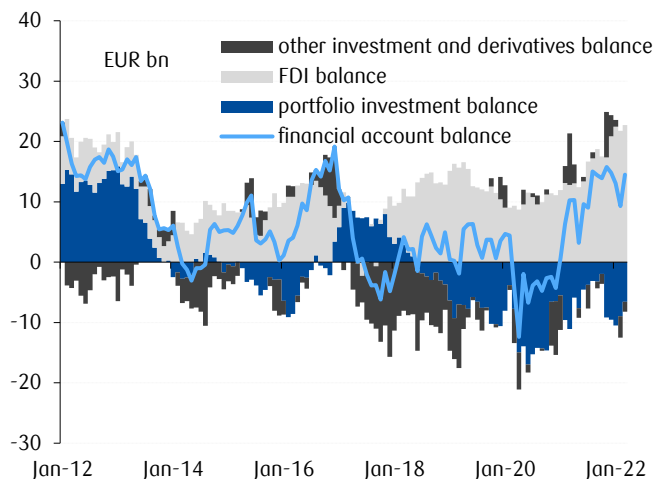
### Non-performing loans (NPLs) - by sectors\*



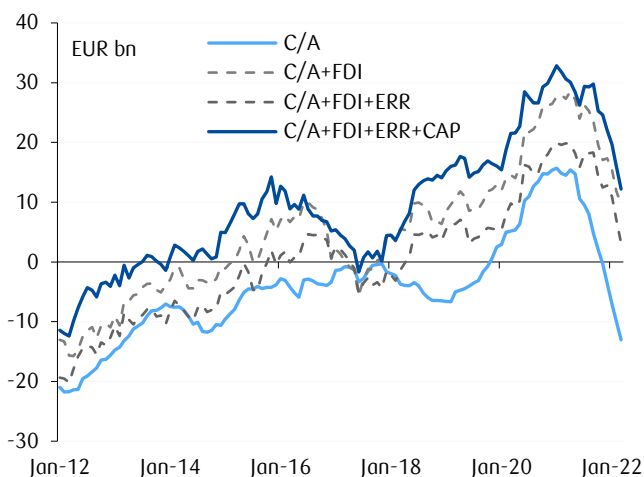
### Current account balance



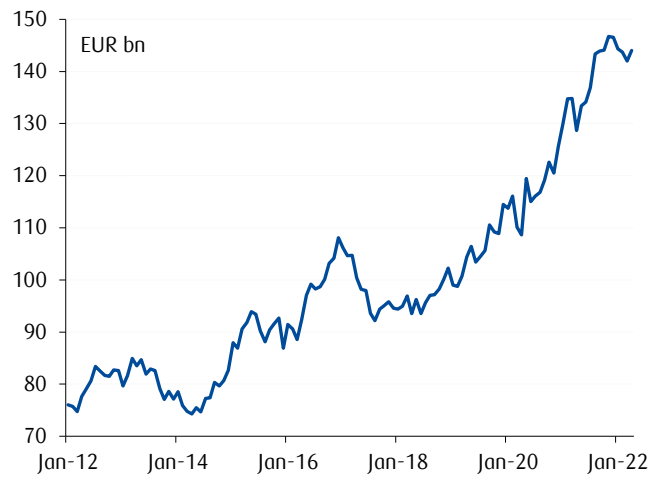
### Financial account balance



### 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:

- [MPC is slowing down](#) (May 6, 2022)
- [100bps month by month?](#) (Apr 29, 2022)
- [Nothing lasts forever](#) (Apr 22, 2022)
- [Deleveraging](#) (Apr 8, 2022)
- [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)

## Poland's macro in a nutshell

	2021	2022	Comment
<b>Real economy</b>			
- real GDP (%)	5.9	4.0	Extremely strong 1q21 (monthly data indicate GDP growth of app. 10% y/y) led us to revise our GDP forecast upward, to 4.0% (from 3.3%), but the projected economic trajectory has not changed significantly. The war in Ukraine and the economic war between Russia and the West create significant risk factors for the GDP outlook (negative impact of higher inflation, surge in risk aversion limiting private demand and investment activity).
<b>Prices</b>			
- CPI inflation (%)	5.1	11.2	Another surge in energy prices (this time oil price spike) has neutralized the impact of the anti-inflationary shield on CPI inflation. The CPI was pushed up further by soaring food prices. Assuming that the shield will be prolonged at least until the end of 2022 we estimate CPI inflation at 11.2% in 2022. Food prices in summer as well as global commodity prices and PLN exchange rate are the 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 could significantly limit demand for loans with deposits boosted by the state intervention (the 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)	-0.6	-2.3	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 (higher risk aversion of corporations amid extreme uncertainty) should partially offset this negative impact.
<b>Fiscal policy</b>			
- fiscal balance (% GDP)	-1.9	-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	6.50	We assume that the MPC will continue rate hikes until July (100bps in May and then at least 100-150bps altogether at meetings in June and July) with terminal rate reaching at least 6.50-7.00%. Later on, Polish central bankers may adopt a wait-and-see approach, which would turn into the end of the cycle, if inflation starts descending (as currently indicated by forecasts) while both global and domestic economy get weaker.

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

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.