

Missing parts

Top macro theme(s):

- **Missing parts (p. 2):** Monthly economic activity indicators for Jul-Sep reveal that normalisation of GDP growth has continued in 3q21. We stick to our estimate of GDP growth in 3q21 (above 5% y/y), but the uncertainty surrounding the estimate is unexceptionally high this time due to the lack of hard data on sectors that now show the strongest recovery.

What else caught our eye:

- **Core inflation rose to 4.2% y/y in September** (from 3.9% in August) on rising prices of furniture, household appliances, communication, and in HoReCa. **PPI inflation reached 10.2% y/y**, mostly on surging prices of energy commodities, as well as industrial supplies.
- **Labour market data for September** showed no sign of a price-wage spiral, as employment growth decelerated to 0.6% y/y from 0.9% in August, whereas wage growth slowed down to 8.7% y/y from 9.5% a month before.
- **Consumer confidence sunk in October.** As the next wave of pandemic does not seem to significantly impact the sentiment, we see mounting inflation as the main culprit. Meanwhile, **economic sentiment in October** slightly improved, mainly in transportation, IT, finance and construction, and is now significantly higher than year ago.
- **M3 money supply** trend moderated in September to 8.6% y/y, mainly on base effects, amid rising deposits and slowly rebounding loans.
- **Minutes of the last MPC meeting** showed that the Council hiked rates fearing that inflation might not return to the target within the projection horizon, whilst the risk that pandemic might hurt the economy declined.
- **S&P Ratings' analyst for Poland** said that the rating action would be possible in case of a delay or a suspension of EU funds transfer to Poland. This and other matters are being discussed during the ongoing **summit of the European Council**, which did not conclude before the PMW was closed.

The week ahead:

- **We expect the unemployment rate to be confirmed at 5.6% in September** (as estimated by the MinLab). Labour market is recovering despite ongoing threats to the general economy.
- **Flash CPI should show yet another strong increase in October with headline close to 6.5% y/y** (vs. 5.9% in August).

Number of the week:

- **2.8% of GDP** – fiscal deficit (ESA) after 2q21 (4q rolling) as per Eurostat data, down from 6.7% of GDP after 1q21.

Chart of the week: HICP inflation: headline vs FROOPP*



Source: Eurostat, PKO Bank Polski. *Frequent Out of Pocket Purchases.

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	2020	2021 _†
Real GDP (%)	-2.5	5.4
Industrial output (%)	-1.0	14.1
Unemployment rate [#] (%)	6.2	5.8
CPI inflation ^{**} (%)	3.4	4.8
Core inflation ^{**} (%)	3.9	3.9
Money supply M3 (%)	16.4	9.0
C/A balance (% GDP)	2.9	0.3
Fiscal balance (% GDP)*	-7.1	-1.7
Public debt (% GDP)*	57.4	56.8
NBP reference rate ^{##} (%)	0.10	0.50
EURPLN ^{‡##}	4.61	4.56

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. *#under revision.

Missing parts

- Monthly economic activity indicators for Jul-Sep (industrial and construction output, retail sales) reveal that normalisation of GDP growth rate has continued in 3q21. At the same time they prove that the economy remains on a solid recovery path. We stick to our estimate of GDP growth rate in 3q21 (app. 6% y/y), but the uncertainty surrounding the estimate is unexceptionally high this time due to the lack of hard data on sectors that now show the strongest recovery (incl. HoReCa, recreation).**

Industrial production in September increased by 8.8% y/y (PKO: 9.5%, cons.: 8.2%) following an increase by 11.2% y/y in August. The recovery in industry was almost a broad-based one (output expanded in 30 out of 34 industrial sectors). The automotive industry was the most noticeable outlier with production result deep in a negative territory (-17.3% y/y due to supply shortages), deducting ~2pp from the total output growth rate. Other **export-oriented industries** fared well suggesting that exports might be even benefiting from disrupted supply lines from Asia. Our anecdotal evidence suggests that some companies from Western Europe redirected their orders from China to the CEE region again, as China suffered from, among others, seaport congestion and energy crisis.

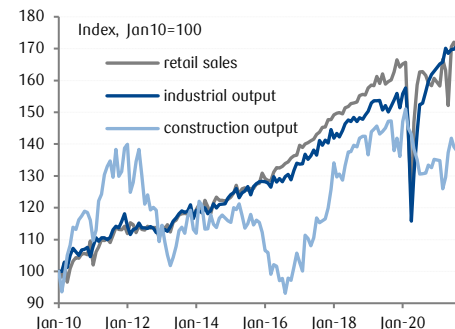
Construction output growth rate disappointed in September (4.3% y/y vs. 10.2% y/y in May) amid declining output in buildings and only sluggish growth of engineering, whilst specialist works looked solid. That said, output in 3q21 as a whole somewhat accelerated to 5.8% y/y from 1.8% y/y in 2q21.

Retail sales in September grew by 5.1% y/y - in line with expectations (PKOe: 5.0%, cons: 5.1%). Real retail sales expansion has been restricted by rising prices. Indeed, sales deflator hit 5.7% y/y in Sept. (up from 5.0% y/y in Aug) and was the highest since the data is available (i.e. 2004). Car sales also declined in Sept. due to limited new car availability - yet another visible sign of supply chain disruptions.

Taking into account 3q21 as a whole (see margin table), 'traditional' monthly economic activity indicators normalized after a superb 2q21 - which was mainly driven by low base effects. Industry expanded by 10.5% y/y (vs. 30.2% y/y in 2q21), construction activity increased by 5.8% y/y (vs. 1.8% y/y in 2q21) and real retail sales grew by 4.8% y/y (vs. 14.4% y/y in 2q21).

Pandemic hit services disproportionately strongly. As the 3q21 was relatively calm in this aspect, with low numbers of new infections and only minor restrictions, it brought a strong rebound of demand for services, which seemed to be the most booming part of the economy during summer. That said, services are not surveyed on a monthly basis, contrary to the above mentioned three main sectors of the economy. Our anecdotal evidence (incl. internal card transaction data of PKO clients) suggests that air transportation, HoReCa and entertainment - that were deep underwater in the previous holiday season - could have a significant positive contribution to GDP growth in 3q21. To better judge how the impact on GDP was, we have corrected our monthly GDP proxy for 3q21. All-in-all, **we stick to our estimate of GDP growth rate in 3q21 (app. 6% y/y), but the uncertainty surrounding the estimate is unexceptionally high this time, at around +/-1.5pp.** Construction output in 3q21 is consistent with our earlier estimate of investments growth rate (PKOe: +3.0% y/y, vs. 5.6% y/y in 2q21), while retail sales together with our card data on consumption of services point at 3.6% y/y expansion of private consumption in 3q21 (vs. 13.1% y/y in 2q21).

Level of economic activity



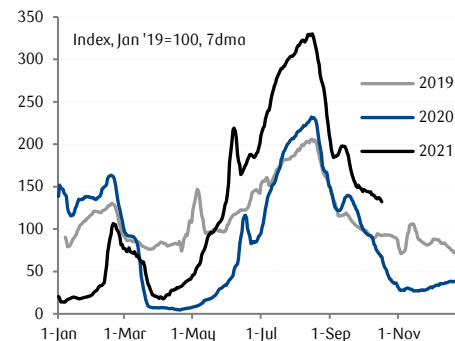
Source: GUS, PKO Bank Polski.

Monthly activity indicators

% y/y	2q21	3q21
Industry	30.2	10.5
Construction	1.8	5.8
Retail sales	14.4	4.8
Wholesale trade*	34.0	19.2
Wages^	9.5	9.0
Employment^	2.1	1.1
Unemployment rate#	5.9	5.6

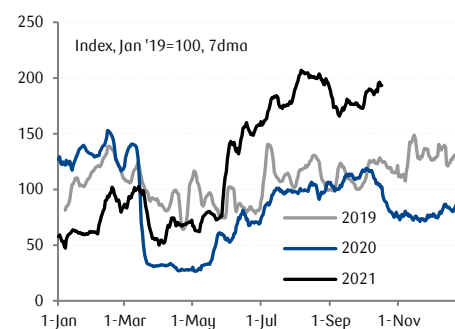
Source: NBP, PKO Bank Polski.*in nominal terms; ^in enterprises; #%; end of period.

Card transactions - HoReCa



Source: PKO Bank Polski.

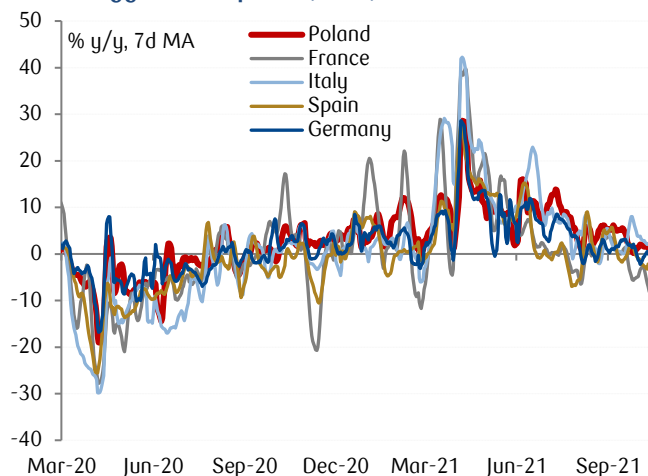
Card transactions - entertainment



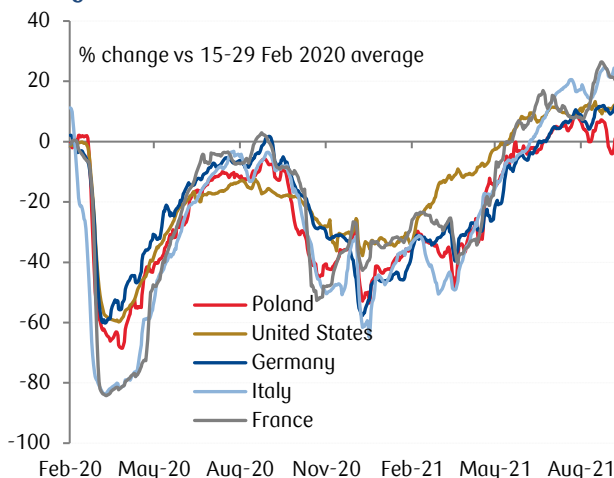
Source: PKO Bank Polski.

Macro monitoring with alternative data

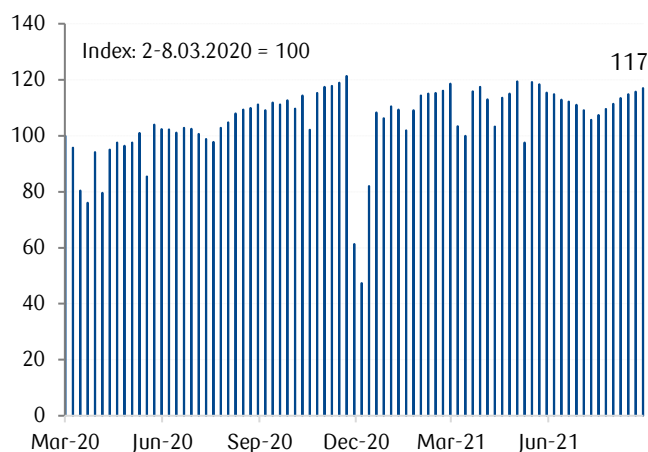
Electric energy consumption (total)



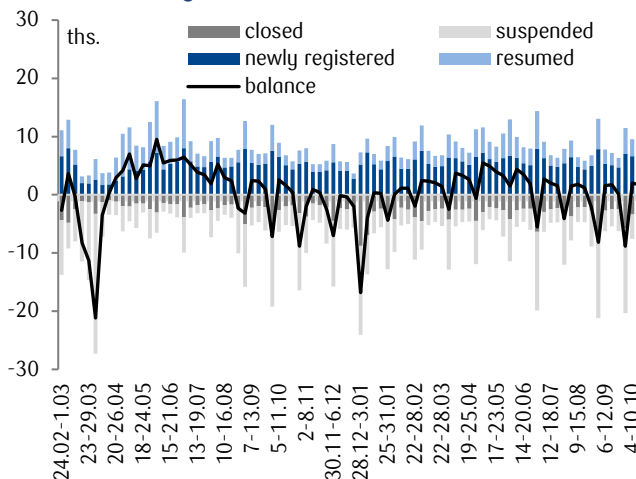
Mobility*



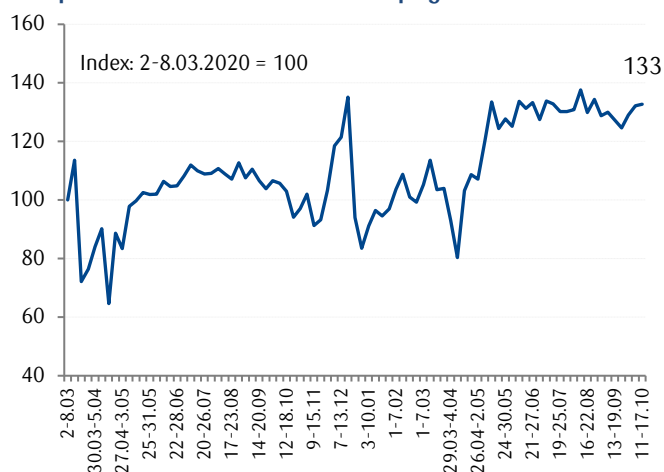
Heavy truck traffic^^



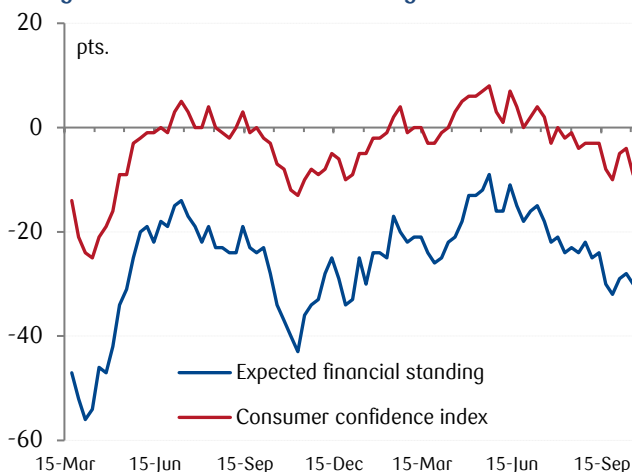
Economic activity status (acc. to CEIDG**)



Consumption based on PKO BP card payments



Weekly consumer confidence survey



Source: PSE, Apple, Google, GDDKIA, CEIDG, Kantar, PKO Bank Polski, *weighted with market share of iOS and Android, no new google data available, 7DMA, **Central Registration and Information on Business. ^^Last plot Sept. 26th, due to change in tolling system, latest data have not been available so far.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday, 25 October						
GER: Ifo Business Climate Index (Oct)	9:00	pts.	98.8	--	--	--
POL: Unemployment Rate (Sep)	9:00	%	5.8	5.6	5.6	Labour market is recovering despite ongoing threats to the general economy.
Tuesday, 26 October						
USA: S&P CoreLogic CS 20-City (Aug)	14:00	% y/y	19.95	--	--	--
USA: New home sales (Sep)	15:00	thous.	740	760	--	--
USA: Consumer confidence (Oct)	15:00	pts.	109.3	110	--	--
Wednesday, 27 October						
EUR: M3 money supply (Sep)	9:00	% y/y	7.9	--	--	--
USA: Trade Balance (Sep)	13:30	bn USD	-87.6	-87.3	--	--
USA: Durable goods orders (Sep, flash)	13:30	% m/m	1.8	-0.5	--	--
GER: Retail sales (Sep)	10:20	% y/y	0.4	--	--	--
Thursday, 28 October						
JAP: BoJ meeting	--	%	-0.10	--	--	--
GER: Unemployment Rate (Oct)	8:55	%	5.5	--	--	--
EUR: Consumer Confidence (Oct, final)	10:00	pts.	-4.0	-5.3	--	--
EUR: Economic Sentiment Indicator (Oct)	10:00	pts.	117.8	--	--	--
EUR: ECB Refinancing Rate	12:45	%	0.00	0.00	0.00	--
EUR: EBC deposit rate	12:45	%	-0.50	-0.50	-0.50	--
GER: CPI inflation (Oct, flash)	13:00	% y/y	4.1	--	--	--
GER: HICP inflation (Oct, flash)	13:00	% y/y	4.1	--	--	--
USA: Initial Jobless Claims	13:30	thous.	290	--	--	--
USA: GDP growth (3q)	13:30	% q/q saar	6.7	3.0	--	--
USA: Personal consumption (3q)	13:30	% q/q saar	12	--	--	--
Friday, 29 October						
POL: CPI inflation (Oct, flash)	9:00	% y/y	5.9	--	6.3-6.5	Flash CPI should show yet another strong increase in October, mostly due to rising prices of energy.
GER: GDP growth (3q)	9:00	% y/y	9.8	--	--	--
EUR: Core inflation (Oct, flash)	10:00	% y/y	1.9	--	--	--
EUR: CPI inflation (Oct)	10:00	% y/y	3.4	--	--	--
EUR: GDP growth (3q)	10:00	% y/y	14.3	--	--	--
USA: Personal Income (Sep)	13:30	% m/m	0.2	-0.3	--	--
USA: Personal spending (Sep)	13:30	% m/m	0.8	0.5	--	--
USA: PCE Deflator (Sep)	13:30	% y/y	4.3	--	--	--
USA: Core PCE inflation (Sep)	13:30	% y/y	3.6	3.7	--	--
USA: University of Michigan sentiment (Oct, final)	15:00	pts.	71.4	71.4	--	--
POL: Moody's rating	--	--	A2, stable	--	A2, stable	We think some wording on EU-PL relations will be brought to the foreground.

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

Selected economic indicators and forecasts

	Jul-21	Aug-21	Sep-21	1q21	2q21	3q21	4q21	2020	2021	2022
Economic activity										
Real GDP (% y/y)	x	x	x	-0.8	11.2	5.7	5.9	-2.5	5.4	5.1
Domestic demand (% y/y)	x	x	x	0.3	12.4	5.3	5.3	-3.7	5.7	5.1
Private consumption (% y/y)	x	x	x	0.1	13.1	3.6	6.8	-3.0	5.6	4.7
Gross fixed capital formation (% y/y)	x	x	x	1.7	5.6	3.0	5.0	-9.6	4.0	7.2
Inventories (pp)	x	x	x	-0.2	2.8	1.8	-0.1	-0.8	1.0	0.3
Net exports (pp)	x	x	x	-1.1	-0.3	0.7	1.0	0.8	0.1	0.3
Industrial output (% y/y)	9.5	13.2	8.8	7.8	30.2	10.5	7.9	-1.0	14.1	6.4
Construction output (% y/y)	3.3	10.2	4.3	-12.5	1.8	5.8	3.0	-2.7	x	x
Retail sales (real, % y/y)	3.9	5.4	5.1	1.2	14.4	4.8	8.7	-2.7	8.1	4.9
Nominal GDP (PLN bn)	x	x	x	587.4	617.0	636.9	714.5	2327	2556	2750
Labour market										
Registered unemployment rate‡(%)	5.8	5.8	5.6	6.4	5.9	5.6	5.8	6.2	5.8	4.8
Employment in enterprises (% y/y)	1.8	0.9	0.6	-1.7	2.1	1.1	1.0	-1.2	0.7	1.3
Wages in enterprises (% y/y)	8.7	9.5	8.7	7.4	9.5	9.0	8.5	4.8	8.3	8.3
Prices^										
CPI inflation (% y/y)	5.0	5.5	5.9	2.7	4.5	5.4	6.5	3.4	4.8	5.7
Core inflation (% y/y)	3.7	3.9	4.2	3.8	3.8	3.9	4.2	3.9	3.9	4.1
15% trimmed mean (% y/y)	3.6	4.1	4.5	2.6	3.2	4.1	x	3.9	x	x
PPI inflation (% y/y)	8.5	9.6	10.1	2.4	6.4	9.4	11.6	-0.5	7.4	6.3
Monetary aggregates‡										
Money supply, M3 (PLN bn)	1883.6	1902.8	1914.2	1862.5	1876.0	1914.2	1986.7	1822.7	1986.7	2097.9
Money supply, M3 (% y/y)	8.2	9.1	8.6	14.4	7.4	8.6	9.0	16.4	9.0	5.6
Real money supply, M3 (% y/y)	3.1	3.5	2.6	11.3	2.8	3.0	2.3	12.6	4.0	-0.1
Loans, total (PLN bn)	1360.9	1365.4	1380.1	1344.0	1349.2	1380.1	1392.7	1333.8	1392.7	1474.4
Loans, total (% y/y)	2.3	2.6	3.2	-1.7	0.6	3.2	4.4	0.8	4.4	5.9
Deposits, total (PLN bn)	1754.3	1774.0	1813.5	1670.0	1724.8	1813.5	1818.1	1602.2	1818.1	1893.6
Deposits, total (% y/y)	8.9	9.8	11.4	12.4	6.6	11.4	13.5	13.9	13.5	4.2
Balance of payments										
Current account balance (% GDP)	1.3	1.0	1.0	2.7	1.7	1.0	0.3	2.9	0.3	0.9
Trade balance (%GDP)	2.1	1.7	1.5	2.7	2.4	1.5	0.9	2.4	0.9	0.4
FDI (% GDP)	2.4	2.5	2.5	2.2	2.2	2.5	2.4	2.1	2.4	1.8
Fiscal policy										
Fiscal balance (% GDP)	x	x	x	x	x	x	x	-7.1	-1.7	-1.3
Public debt (% GDP)	x	x	x	x	x	x	x	57.4	56.8	54.3
Monetary policy‡										
NBP reference rate (%)	0.10	0.10	0.10	0.10	0.10	0.10	0.50	0.10	0.50	1.25
NBP lombard rate (%)	0.50	0.50	0.50	0.50	0.50	0.50	1.00	0.50	1.00	2.00
NBP deposit rate (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50
WIBOR 3M ^x (%)	0.21	0.23	0.23	0.21	0.21	0.23	0.65	0.21	0.65	1.40
Real WIBOR 3M ^x (%) [#]	-4.76	-5.23	-5.64	-2.53	-4.26	-5.19	-5.84	-3.06	-4.12	-4.28
Exchange rates*‡										
EUR-PLN	4.57	4.54	4.62	4.66	4.52	4.62	4.56	4.61	4.56	4.44
USD-PLN	3.84	3.84	3.95	3.97	3.80	3.95	3.97	3.75	3.97	3.86
CHF-PLN	4.24	4.20	4.26	4.21	4.12	4.26	4.18	4.25	4.18	3.96
EUR-USD	1.19	1.18	1.17	1.17	1.19	1.17	1.15	1.23	1.15	1.15

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^
E. Gatnar	4.8	"For me, it is the start of monetary policy normalization (...) The hike was meant to show that interest rates can be moved, that the level of "0.1% or even the current 0.5% isn't here for eternity (...)," (08.10.2021, PAP, Biznes24.tv)
K. Zubelewicz	4.5	"Today, the reference rate at the level of 2.0% certainly would not be too high (...) Only a higher price of money than before the crisis would guarantee a return of inflation to the target in the mid-term, but I don't count on that (...) True, there are isolated supply-side problems, but since the total output is higher it means that other sectors are making up for these problems with increased output. In my opinion, the main source of inflation is the demand impulse" (18.10.2021, PAP)
L. Hardt	4.3	"The NBP could potentially support the green transition process right now, for example via preferential haircut levels for green assets in hedging repo operations". (22.10.2021, PAP).
J. Kropiwnicki	2.8	"We hiked rates by 40 bps exactly in order not to have any further expectations for hikes for now after a considerable move, higher than expected. (...)All MPC members supported the motion for hiking the interest rate and the mandatory reserve rate" (11.10.2021, PAP).
J. Zyzynski	2.6	"We are waiting for the November projection, for the next inflation data. If it turns out that this jump in inflation month on month is worrying, the Council could react with interest rates in December or January (2022). (...) I was in favour of waiting with changes until the end of the year and keeping rates low, but inflation in September surprised me. (...) It was necessary to signal that we are withdrawing these cuts - this is how I interpreted our decision. We are taking our foot off the gas" (20.10.2021, Reuters)
R. Sura	2.5	"The October interest rate hike is described as surprising. One should note here that the NBP has been withdrawing from monetary accommodation for some time via limiting the asset purchase program, which had not been adequately noted and interpreted by the market. (...) At the same time, I cannot say whether I will vote in favor of another interest rate hike in November or in the following months, because the Council will be the first to know my decision. Still, I see need for normalization of interest rates to pre-pandemic levels." (22.10.2020, PAP).
G. Ancyparowicz	2.4	"I believe that some very cautious restoring of that level, at least that level, of interest rates that we had before the pandemic is inevitable (...) But I wouldn't be able to say what will be the schedule as it would depend on general situation and forecasts" (19.10.2021, PAP)
C. Kochalski	2.0	"In my opinion, that moment [PAP: for considering monetary policy tightening] has not come yet (...) The pace of inflation returning to the target must be set prudently, in the context of occurring shocks as well as uncertainty as to pandemic developments (...) It is of key importance that the pace of inflation's return to the target does not thwart the revival in the Polish economy." (23.09.2021, PAP).
A. Glapinski	1.7	"In yesterday's statement - not by accident - the phrase that it's the beginning of a tightening is missing, but there is also no mention that [PAP: the 40 bp rate hike] is a one-off (...) Further decisions will depend on the shape of future inflation and business sentiment (...)" (07.10.2021, PAP)
E. Lon	1.0	"It's possible (...) that in the frame of the monetary policy tightening one interest rate hike will suffice and next hikes won't be necessary, (...) Everything is possible in this respect and, personally, I would not exclude anything." (11.10.2021, RadioMaryja.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

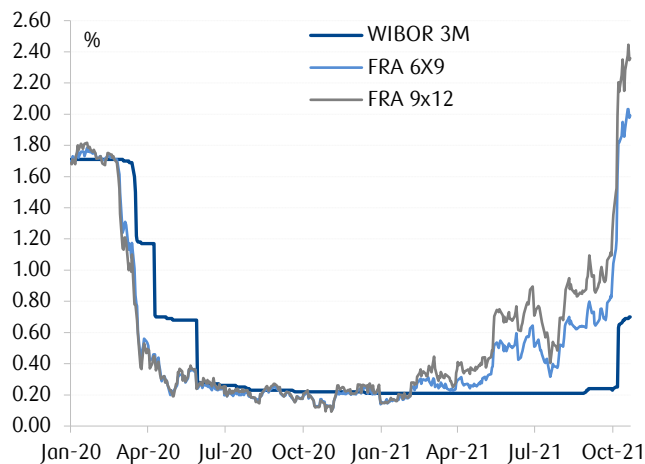
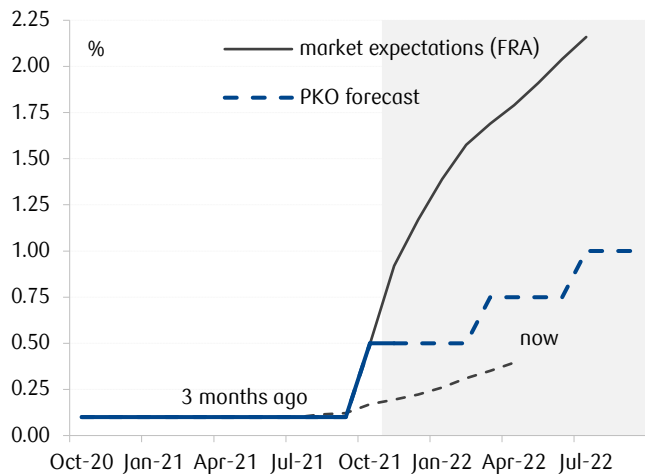
	1M	2M	3M	4M	5M	6M	7M	8M	9M	
Date	21-Oct	21-Nov	21-Dec	21-Jan	21-Feb	21-Mar	21-Apr	21-May	21-Jun	21-Jul
WIBOR 3M/FRA†	0.70	1.12	1.37	1.59	1.78	1.89	1.99	2.11	2.24	2.36
implied change (b. p.)		0.42	0.67	0.89	1.08	1.19	1.29	1.41	1.54	1.66
MPC Meeting	6-Oct	3-Nov	8-Dec	-	-	-	-	-	-	-
PKO BP forecast*	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00
market pricing*		0.92	1.17	1.39	1.58	1.69	1.79	1.91	2.04	2.16

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

Poland macro chartbook

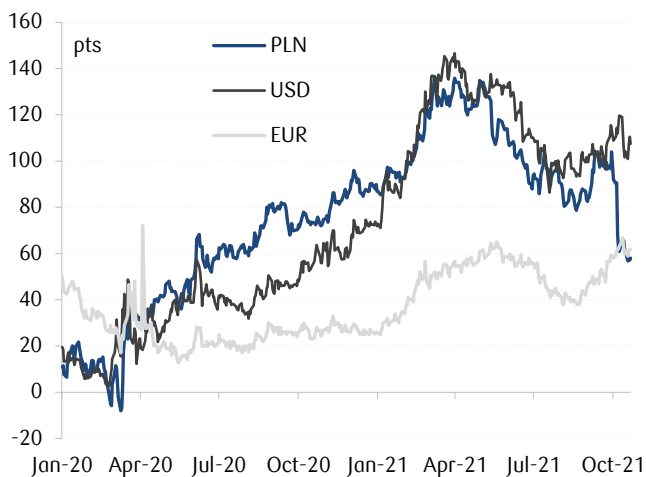
NBP policy rate: PKO BP forecast vs. market expectations

Short-term PLN interest rates



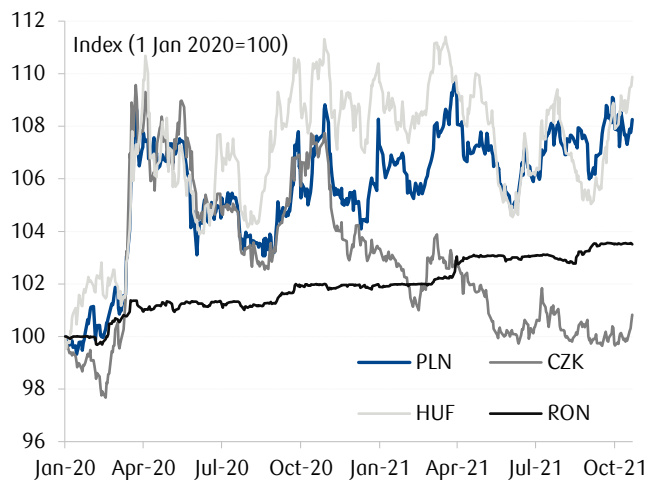
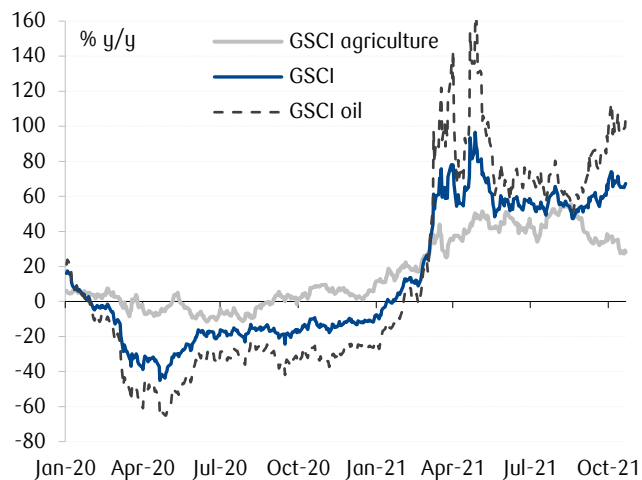
Slope of the swap curve (spread 10Y-2Y)*

PLN asset swap spread



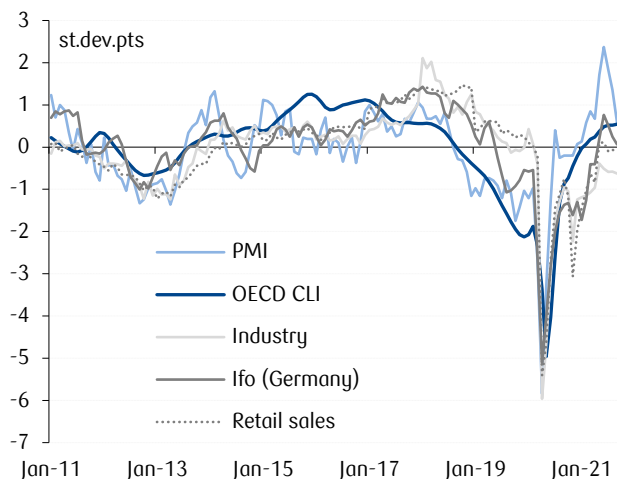
Global commodity prices (in PLN)

Selected CEE exchange rates against the EUR

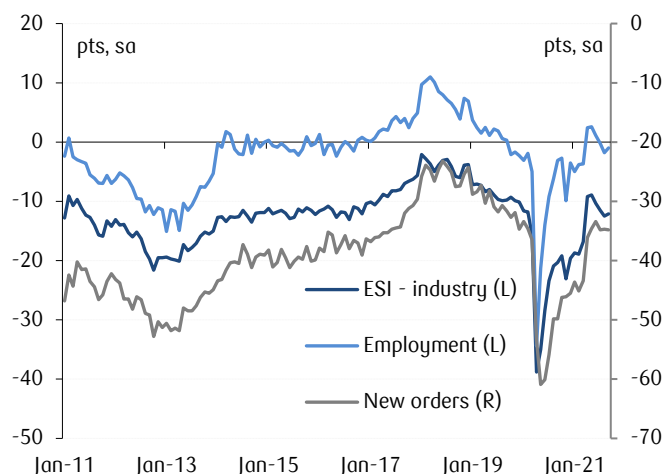


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

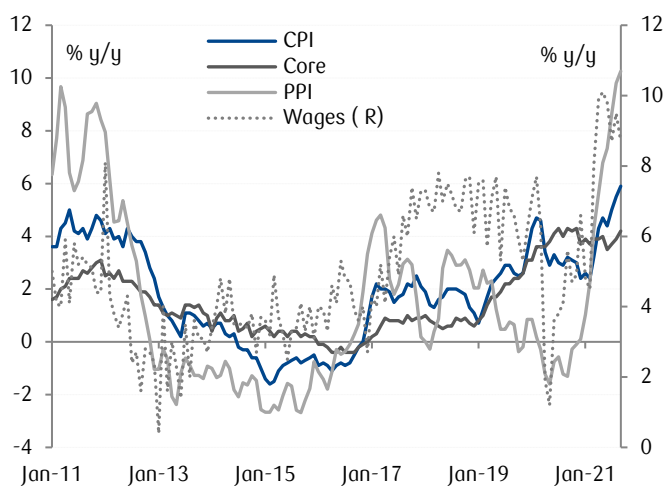
Economic sentiment indicators



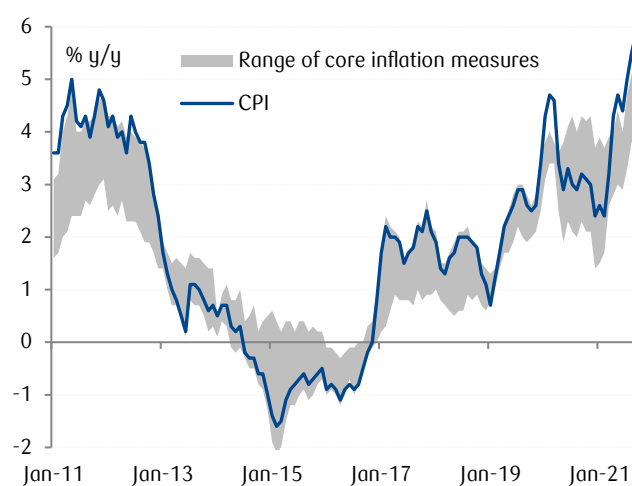
Poland ESI for industry and its components



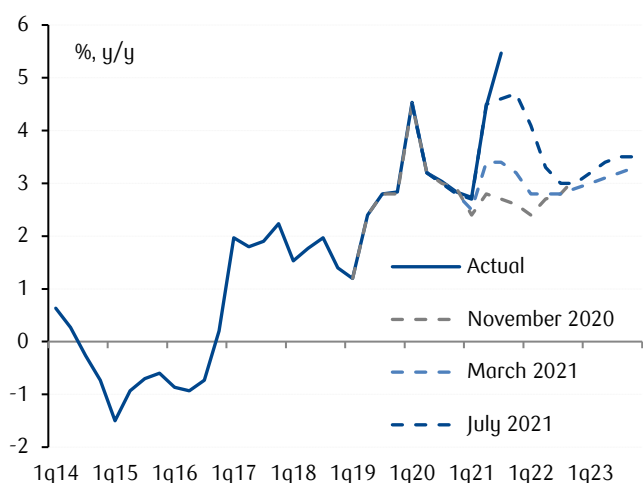
Broad inflation measures



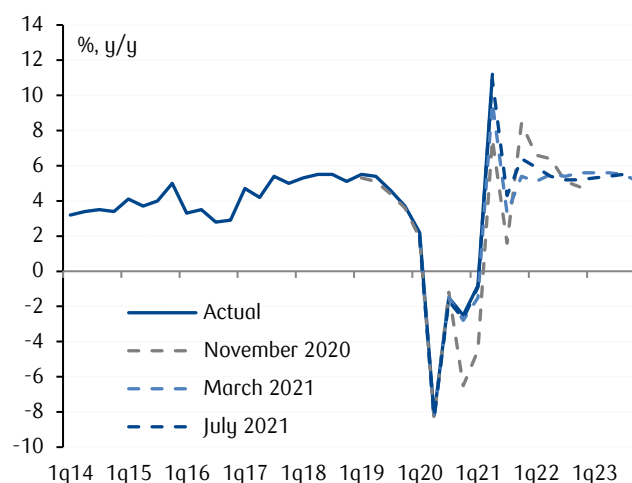
CPI and core inflation measures



CPI inflation - NBP projections vs. actual

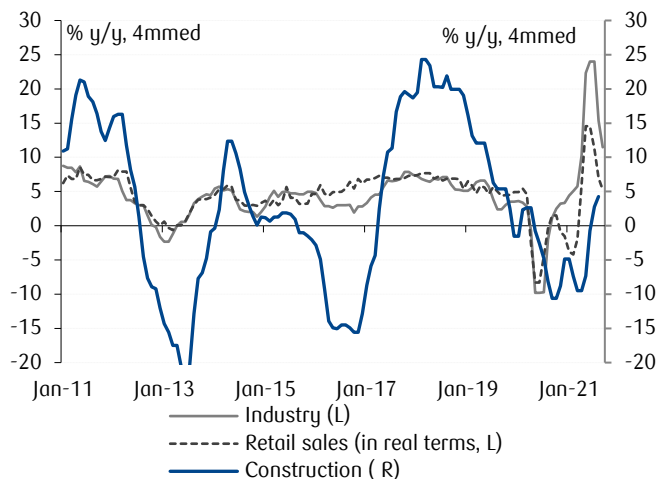


Real GDP growth - NBP projections vs. actual

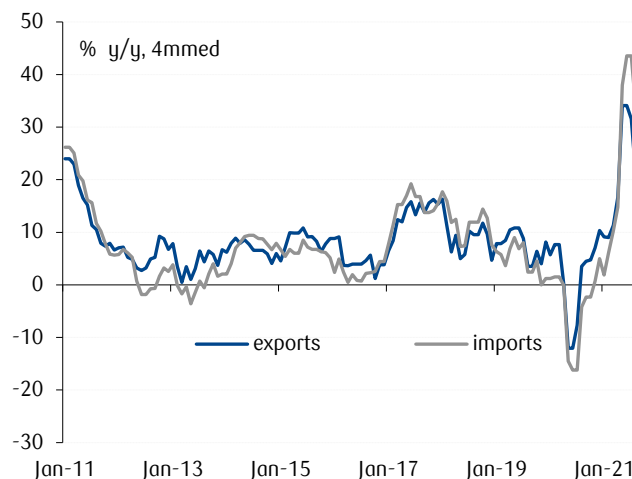


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

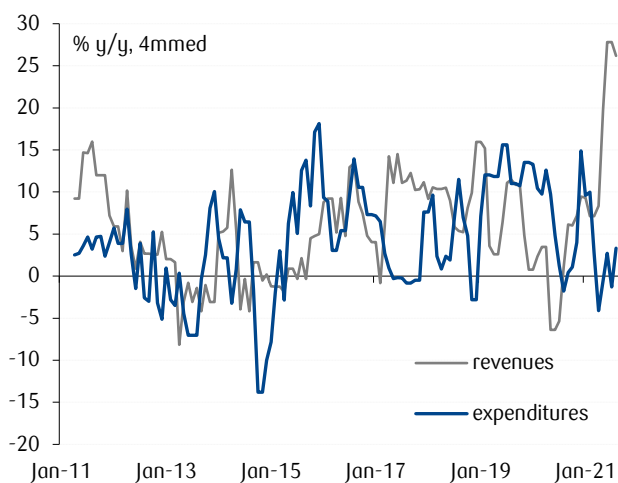
Economic activity indicators



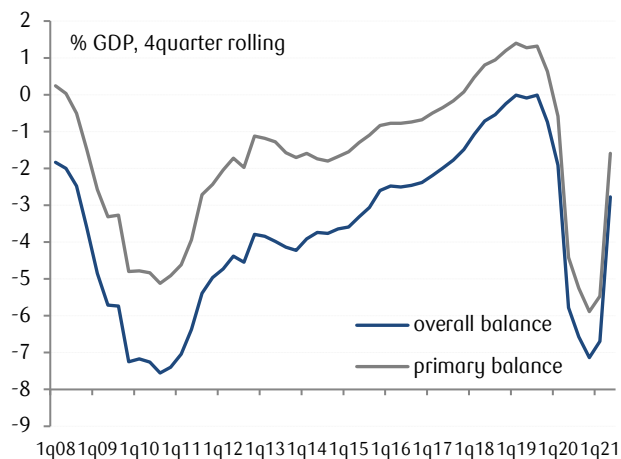
Merchandise trade (in EUR terms)



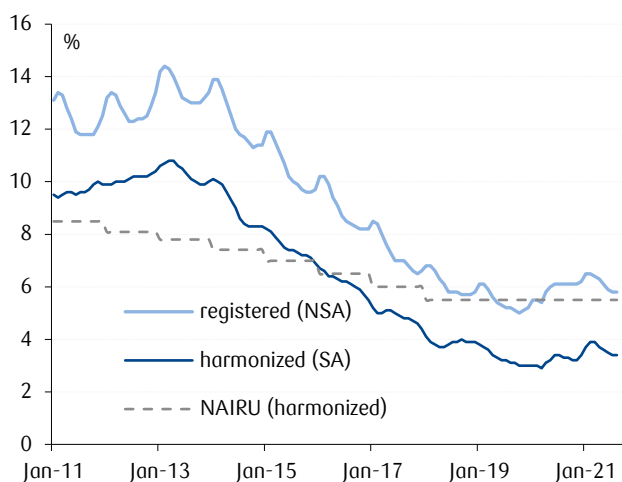
Central government revenues and expenditures*



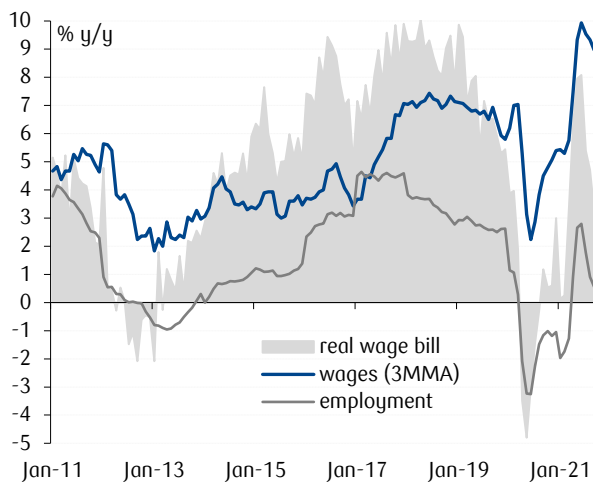
General government balance (ESA2010)



Unemployment rate

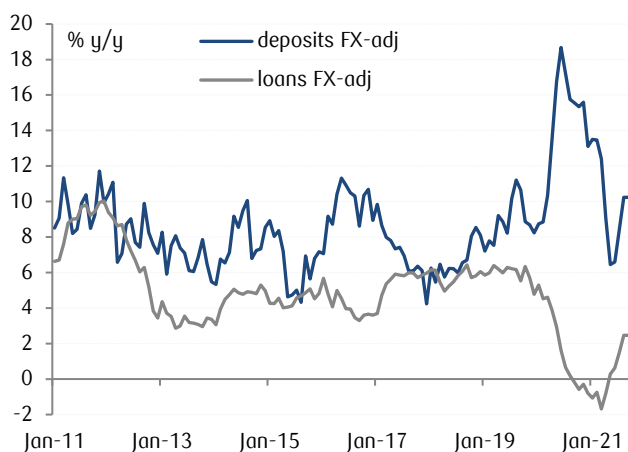


Employment and wages in the enterprise sector

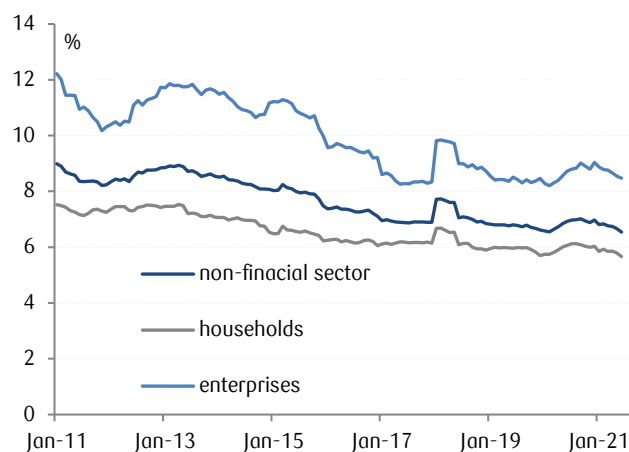


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

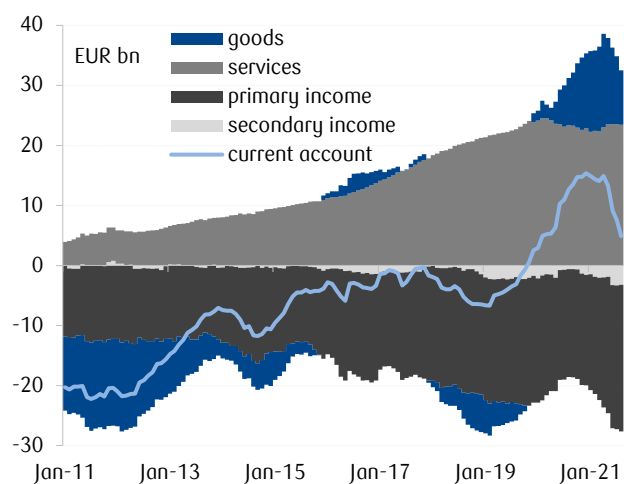
Loans and deposits



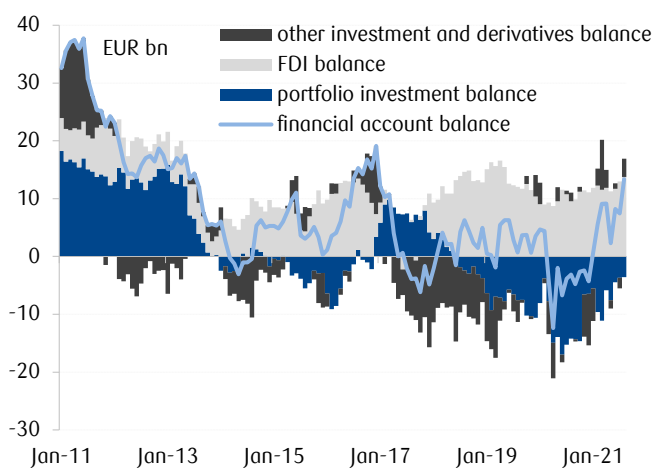
Non-performing loans (NPLs) - by sectors*



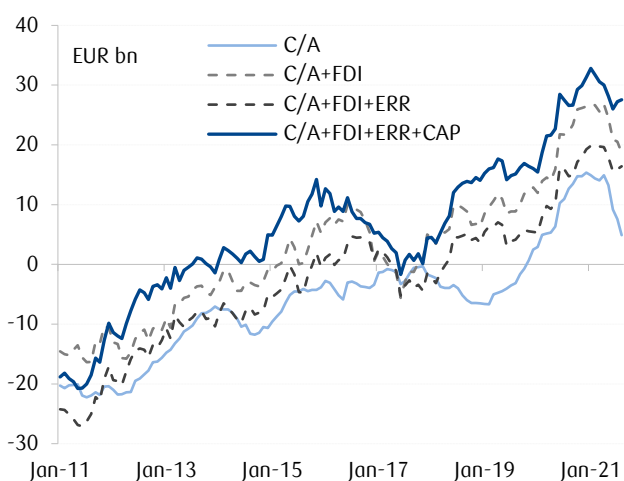
Current account balance



Financial account balance



External imbalance measures



NBP FX reserves (in EUR terms)



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

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Poland's macro in a nutshell

	2020	2021	Comment
Real economy			
- real GDP (%)	-2.5	5.4	We stick to our 2021 GDP growth forecast to 5.4% and expect it will hit 5.1% in 2022, (including the effects of the Polish New Deal and the Domestic Recovery Plan). Private consumption will remain the main engine of economic growth boosted by wages and redistribution. Investments growth rate will stay moderate, while exports should benefit from weak PLN, further FDI inflows and the implementation of the fiscal package in the EU, stimulating demand in the key exports market.
Prices			
- CPI inflation (%)	3.4	4.8	There are still several months of inflation growth ahead of us. We forecast that in October CPI inflation will break the level of 6%, and in January it will peak at around 6.5%. The return of inflation to the target in the medium term will not be quick and easy. Inflation will start falling in 2q22. The local minimum will be recorded in 3q22, but it will be clearly above 4.0% y/y.
Monetary aggregates			
- M3 money supply (%)	16.4	9.0	With the rebound of the economic growth, we expect credit demand to increase gradually, 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)	2.9	0.3	Following the two-way pandemic turmoil, we anticipate that the current account balance will return to an upward trend based on structural factors. However, the deterioration of the balance will continue in the near future and at the turn of 2021/2022 CAB will land close to zero. In such a situation, it cannot be ruled out that a further intensification of temporary factors, i.e. an increase in the prices of raw materials and production components, as well as transport costs (freight) and the maintenance of a restriction in the influx of tourists, may temporarily provoke a deficit. At the same time, we expect the fast (double-digit) export growth will be maintained and assume further inflows of foreign investments (the nearshoring helps).
Fiscal policy			
- fiscal balance (% GDP)	-7.1	-1.7	We forecast that in 2021-2022 there will be a rapid improvement in basic fiscal parameters after a significant deterioration due to the pandemic shock in 2020. The 'fiscally efficient' structure of growth and the strong growth of tax bases will keep the fiscal deficit on a downward path. We predict that in 2022 it will decrease to 1.3% of GDP. Public debt in relation to GDP will also gradually decrease, to 56.9% at the end of 2021 and 54.3% at the end of 2022.
Monetary policy			
- NBP reference rate (%)	0.10	0.50	Following a surprising rate hike the MPC has likely entered the wait-and-see mode. We do not expect it to rush in with next hikes. That said, we expect that after a short brake the MPC will return to gradual rate hikes, with the cycle being short in time and moderate in scale, driving the key policy rate at 1.25% at the end of 2022.

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

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