# Poland Macro Weekly

## Macro Research

26 April 2024

Bank Polski | Centrum Analiz

Please note that the next issue of Poland Macro Weekly will be published on Friday, May 10th.

# Fiscal results in the shadow of the war

### TOP MACRO THEME(S):

- **Fiscal results in the shadow of the war (p. 2)** - Poland's fiscal position deteriorated in 2023 (deficit in 2023 rose to 5.1% of GDP compared to 3.4% of GDP in 2022), but mostly due to discretionary measures ("energy shields" and defense spending). In 2023 military spending increased the most among NATO countries (to 3.3% of GDP - 1.3pp above the 2010-21 average), posing the largest burden pushing the deficit up.
- **A slower start to the economic rebound in 2024 (p. 5)** – We estimate that in 1q24 GDP growth accelerated to 2.0% y/y from 1.0% y/y in 4q23 supported by solid rebound of consumption, with stagnation on the investment side. Our full-year growth forecast remains intact, at 3.7%.

### WHAT ELSE CAUGHT OUR EYE:

- **General business climate indicator rose in April by 2.4 pts to 99.3 pts.** The strong improvement in the current situation index (to 103,1 pts) elevated it above the multi-year average for the first time since Aug. 2022. At the sectoral level, construction (despite slight weakening) still stands out. According to NBP survey, construction companies intend to increase the investment scale.
- Minister of finance, A.Domanski said that the **VAT gap increased significantly in 2023, returning to a double-digit level** (see our estimates below).
- **The registered unemployment rate fell to 5.3% in March**, in line with expectations and seasonal effects. The number of unemployed decreased by 11.5 thous. m/m.
- **The decline in producer prices has slowed to -9.6% y/y** from -10% y/y in February, nearly in line with our forecast and market consensus.
- **M3 money supply increased by 6.6% y/y in March vs. 7.4% y/y in February.**

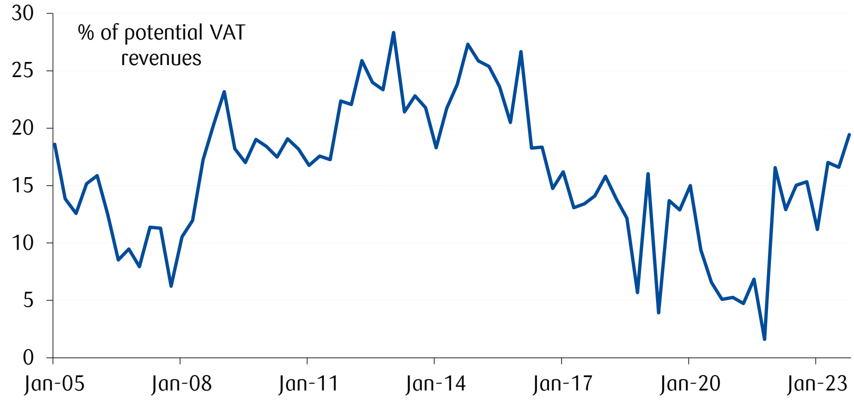
### THE WEEK AHEAD:

- **CPI inflation, which marked a trough of 2.0% in March,** in April will rise probably to approx. 2.5% together with a return of higher VAT on food. **Manufacturing PMI** should rebound in February, but high concentration of the sample on exporters poses a downside risk.

### NUMBER OF THE WEEK:

- **5.0% y/y** –retail sales real growth in 1q24, compared to 0.0% y/y recorded in 4Q23, the highest since 1h22.

### CHART OF THE WEEK: VAT gap




Source: Macrobond, PKO Bank Polski.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| | 2023 | 2024 |
|---|---|---|
| Real GDP (%) | 0.2 | 3.7 |
| Industrial output (%) | -1.7 | 4.3 |
| Unemployment rate[#] (%) | 5.1 | 4.9 |
| CPI inflation** (%) | 11.6 | 3.8^ |
| Core inflation** (%) | 10.2 | 4.5 |
| Money supply M3 (%) | 8.5 | 6.5 |
| C/A balance (% GDP) | 1.6 | 1.3 |
| Fiscal balance (% GDP)* | -5.1 | -5.3 |
| Public debt (% GDP)* | 49.6 | 52.4 |
| NBP reference rate[##] (%) | 5.75 | 5.50 |
| EURPLN[‡##] | 4.35 | 4.32 |

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

# Fiscal results in the shadow of the war

- Poland's fiscal position deteriorated in 2023, but mostly due to discretionary measures ("energy shields" and defense spending).
- In 2023, Poland allocated 3.3% of GDP to military spending, 1.3pp more than the 2010-21 average. While this is the strongest increase among NATO countries, it is also the largest burden pushing up the deficit.
- The fiscal deficit in the CEE-4 countries widened by an average of 0.7pp of GDP in 2023 compared to 2022, against a marginal (0.1pp) improvement in the fiscal balance in the Eurozone. While all countries in the region will likely become subjects to the EDP, it might be most painful for Hungary and Romania.
- Public debt in Poland rose to 49.6% of GDP at the end of 2023 from 49.2% of GDP at the end of 2022 and we expect it to continue its upward trend. However, we consider European Commission debt projection, according to which Poland's public debt is to exceed the 60% of GDP ceiling in 2027 and to reach 77% of GDP in 2044, to be far too pessimistic.

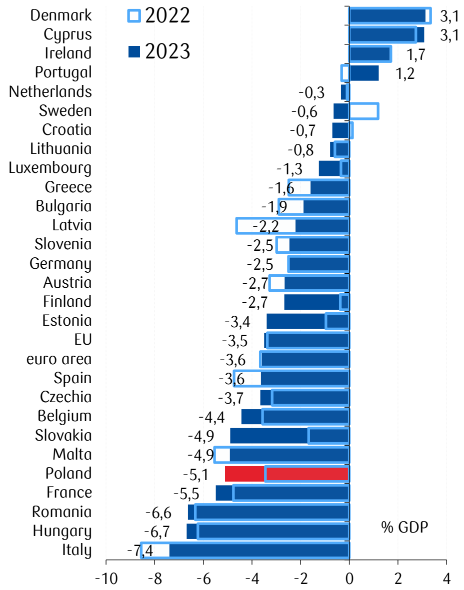
**Poland's fiscal deficit in 2023 amounted to 5.1% of GDP compared to 3.4% of GDP in 2022, a significant deterioration, albeit on a smaller scale than might have been feared.** Thus, from being one of the fiscal leaders in 2021, Poland became one of the EU countries with the highest deficit. The deterioration in the fiscal balance is the result of much faster growth in spending (by 18.9%) than in revenues (by 15.0%). This translated into an increase in the fiscal spending to GDP ratio by 3.1pp to 46.7%, and fiscal revenues to GDP ratio by 1.5pp to 41.6%.

**The growth of revenues was supported by high, albeit decelerating over the year, nominal GDP growth (10.9% y/y)** and solid wage growth, which was strongly positive for social security contributions. In addition, PIT revenues recovered after 2022 tax cuts. VAT proved to be an Achilles heel, as it was weighed down by the consumer recession (in real terms) and the reduced VAT rate on food (to 0 from 5%).

**Strong growth of spending was driven by discretionary measures ("energy shields" worth about 2% of GDP and defense spending),** inflationary indexation of a number of categories (mainly pensions), and an increase in debt service costs (to 2.1% of GDP in 2023 from 1.5% of GDP in 2022). Thus, our estimated primary structural outcome (which takes into account the impact of the business cycle and ignores debt service expenses) has hardly changed in 2023 and accounts for app. 2.5-3% of GDP, which should mitigate the scale of concerns about Poland's fiscal health.

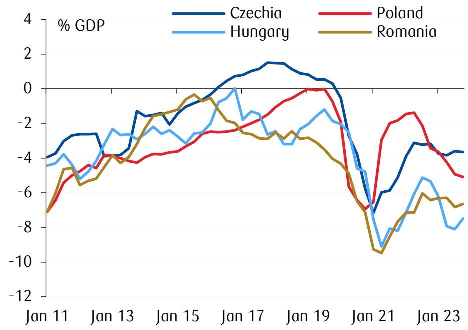
**Of special note is military spending, which has increased significantly in Poland,** in response to resumed Russian aggression against Ukraine. **In 2023, according to our calculations,** Poland allocated 3.3% of GDP for this purpose (although SIPRI indicates 3.8% of GDP[1]), an increase of 0.9pp of GDP relative to 2022. Thus, in 2023, **Poland increased defense outlays by as much as 1.3pp relative to the 2010-21 average, which is the strongest increase among all**

## Fiscal deficit in 2023 vs 2022




Source: Eurostat, PKO Bank Polski

## Fiscal deficit in CEE region*




Source: Eurostat, PKO Bank Polski. *rolling 4 quarters

[1] Based on the realization of the state budget and expenditures of the Armed Forces Support Fund, we find that total defense spending is PLN 111 billion, instead of PLN 134 billion according to SIPRI. The difference is due to transfers of funds and incomplete execution of spending plans within the framework of modernization of the armed forces.

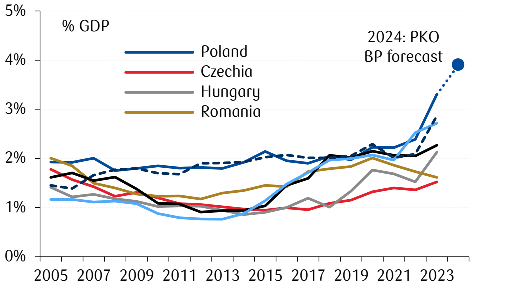
**NATO countries.** However, this is still below the plan of 4% of GDP, which was not fulfilled due to a slower (than intended) pace of military equipment procurement. Lower military spending than we previously anticipated may therefore partly explain the increase in the fiscal deficit in 2023 to "only" 5.1% of GDP[2]. CEE region (in particular, the Baltic states and Finland) are the leaders of additional military spending, indicating that the proximity to Russia forced the end of "peace dividend". It is worth noting that the growth in military outlays in Czechia (0.4pp) and in Romania (0.0pp) relative to the 2010-21 average was limited, and only in Hungary (1.0pp) it was high. In Romania, military spending has been declining continuously since 2021, which may be related to the ongoing, but unsuccessful, fiscal consolidation. This demonstrates the significantly higher fiscal burden Poland has borne relative to its regional peers. At the same time, it is worth noting that military spending in some Western European countries was even lower in 2023 than in 2022.

**The fiscal deficit in the CEE-4 countries widened in 2023 by an average of 0.7pp[3] of GDP compared to 2022, against a marginal (0.1pp) improvement in the fiscal balance in the Eurozone.** On the one hand it reflects looser fiscal policy in the CEE region, supporting economic growth and may raise concerns about fiscal sustainability. Some countries in the region have already started fiscal consolidation (e.g., Czechia in late 2023 raised the CIT rate, unified VAT and reduced spending), which should reduce the deficit in 2024 and later. In Hungary, the government has been trying to reduce the scale of the deficit since the beginning of the pandemic, but - so far - with limited success, in part due to generous election campaign related spending. Romania, on the other hand, has been running an unstable long-term fiscal policy since at least 2017, and the pandemic and frequent elections have only exacerbated the scale of the challenge.

**In May 2024, the European Commission is likely to trigger excessive deficit procedures (EDP) against the Czech Republic, Poland and Hungary as the escape clause suspending fiscal rules for the duration of the pandemic ends.** The procedure launched in 2020 against Romania will be probably resumed. The new (since 2024) EU fiscal rules imply a greater focus on debt sustainability analysis (DSA) and a country-specific approach. Every government will have to provide credible deficit reduction plans, which could be more severe for Hungary and Romania, the countries with the weakest fiscal positions. Romania and Hungary are also disadvantaged by the fact that the fiscal result for 2023 was significantly (by 2.2 and 1.5pp of GDP, respectively) worse than the countries reported to the EC during the fiscal notification in October 2023. In the case of Poland, the final result was by 0.5pp of GDP better and the Czech Republic marginally (0.1pp of GDP) worse. For Poland, the severity of the EDP should be limited, as the additional military spending (compared to the average level in previous years) should be taken into consideration (according to our estimates this additional spending accounts for PLN 40 billion, or just over 1% of GDP) and should lower the scale of the required fiscal effort.

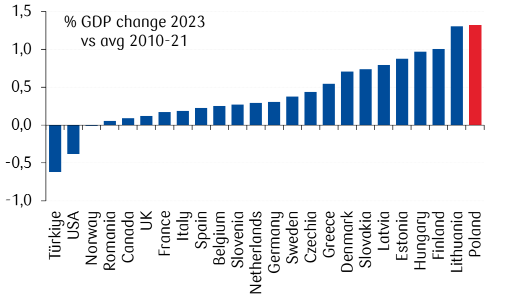
**While Poland ranks high in the EU in terms of deficit, Poland's public debt remains relatively low.** In 2023 it rose to 49.6% of GDP from 49.2% of GDP at the end of 2022, mainly due to the high fiscal deficit and stock-flow

### Military expenditures in CEE region*



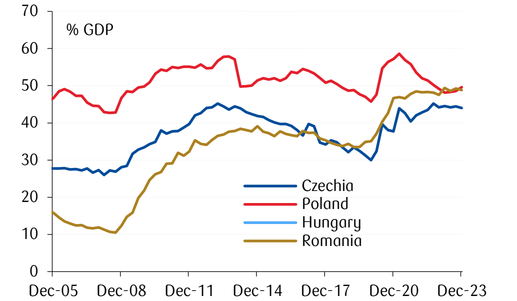

Source: SIPRI, PKO Bank Polski. *according to our calculations Poland's military expenditures in 2023 amount to 3.3% GDP, not 3.8% GDP as according to SIPRI. PKO BP forecast for 2024 based on 2024 Budget Bill.

### Rise of military expenditures in selected NATO countries between 2023 and 2010-21 average*




Source: SIPRI, PKO Bank Polski. *according to our calculations Poland's military expenditures in 2023 amount to 3.3% GDP, not 3.8% GDP as according to SIPRI

### Fiscal debt in CEE region



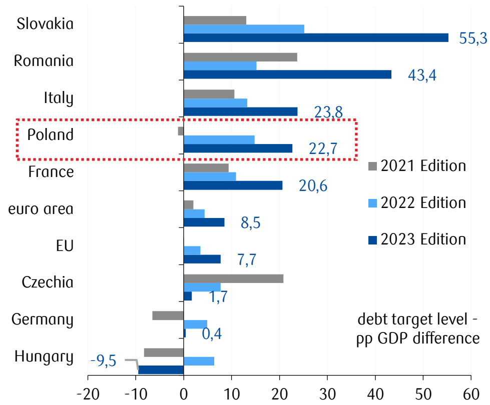

Source: Eurostat, PKO Bank Polski.

[2] However, it should be noted that the defense outlays are calculated on a cash basis, while the deficit according to the ESA methodology is calculated on an accrual basis, which may generate differences.
[3] In Czechia to 3.7% GDP in 2023 from 3.2% GDP in 2022; in Hungary to 6.7% GDP from 6.2% GDP; in Poland to 5.1% GDP from 3.4% GDP; in Romania to 6.6% GDP from 6.3% GDP.

adjustments connected with military related debt. On the positive side (lowering the debt), high nominal economic growth outpaced the debt service costs (r<g) and the zloty appreciated (we estimate its impact at 0.9pp GDP). We assume that Poland's debt-to-GDP ratio will rise in the coming years, mainly due to debt-financed military spending. Nevertheless we consider the European Commission's projection, according to which Poland's public debt is to exceed the 60% of GDP ceiling in 2027 and to reach 77% of GDP in 2044 to be far too pessimistic. It was based under the assumption of permanently high structural primary deficit (2.5%+ GDP) and inflation (3%+) as well as high interest rates (around 6%) and low potential GDP growth (2%). It is worth remembering here that before the outbreak of the war in Ukraine, the EC did not predict a significant increase in Polish debt.

In the rest of the CEE region, public debt in 2023 increased only in Romania - by 1.3pp of GDP to 48.8%, while in the Czech Republic it fell by 0.2pp to 44% of GDP and in Hungary by 0.6pp to 73.5% of GDP. The DSA analysis shows (for years) an unstable public debt path in Romania, only modest debt growth in the Czech Republic (and declining over the last editions of the survey) with a relatively fluctuating but stable debt path in Hungary.

**European Comission long term debt projection – difference between projected "10 years later" and "current" level***




Source: European Commision, PKO Bank Polski. *Debt Sustainability Monitor

# A slower start to the economic rebound in 2024

- **We estimate that in 1q24 GDP growth accelerated to 2.0% y/y from1.0% y/y in 4q23. Solid rebound of consumption was the main engine of GDP growth, with stagnation on the investment side.**
- **Our full-year growth forecast remains intact, at 3.7%.**

The beginning of 2024 brought the expected rebound in economic activity, the scale of which, especially towards the end of 1q24, was somewhat disappointing. The rebound was uneven - solid growth in retail sales was accompanied by a decline in construction output and stabilization of industrial production. **We estimate that in 1q24 GDP growth accelerated to 2.0% y/y from 1.0% y/y in 4q23.** Solid rebound of consumption was the main engine of GDP growth, with stagnation on the investment side, caused by the transitional period between the EU's standard multi-year financial frameworks.

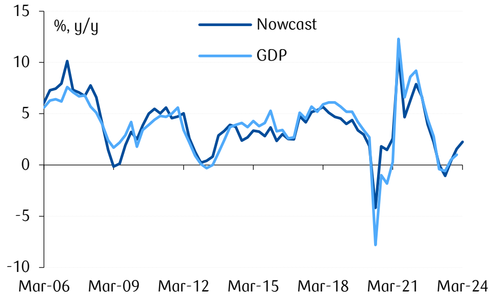
**Strong growth in nominal wages (reflecting, among others, the increase in the minimum wage), combined with falling inflation, boosted the dynamics of real wages.** By the end of 1q24, real wages in the enterprise sector have been growing at a record pace, close to 10% y/y. The strong growth in income, coupled with improved consumer sentiment, supports consumption growth, which will remain the engine of economic recovery this year.

**In March alone, the growth of nominal average wages in the enterprise sector slowed down to 12.0% y/y** from 12.9% y/y in February. In m/m terms, wages increased by 5.4%, weaker than in the last three years (in March), which may herald the gradual fading of the strong impulse caused by the 20-percent increase in the minimum wage since January. **Retail sales in March increased in real terms by 6.1% y/y**, the same as in February. Maintaining a 6% growth rate in sales, with 10% dynamics in real wages and a positive Easter effect, indicates the rebuilding of household savings. However, in the entire 1q24, retail sales grew by 5.0% y/y, which should be reflected in consumption growth (PKOe: 3.4% y/y).

**Construction and assembly production** plummeted by 13.3% y/y in March, following a 4.9% y/y decline in February. The value of production in civil engineering in March declined by 17.8% y/y, and in the building construction segment by 16.1% y/y. We expect that with the commencement of projects financed by the RRF, production dynamics will increase, although this will not be an immediate effect. In the entire 1q24, construction production decreased by 8.1% y/y. It represents only a part of investment in fixed assets, however, we estimate that the dynamics of investments slowed down in 1q24 to 0.1% y/y from 15.8% y/y recorded in 4q23.

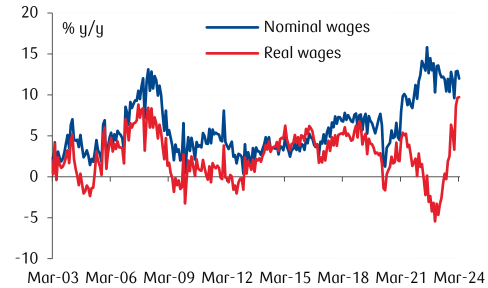
**Industrial production** in March fell by 6% y/y, following an increase by 3.3% y/y in February. We attribute this weak performance to a smaller number of working days (2 days less y/y) and a very low result in the coal mining segment ( -25.9% y/y). The seasonally adjusted (by us) level of production increased slightly after the decline in February, indicating that deep negative annual dynamics in March should not be a cause for concern. In the entire 1q24, production increased marginally, by 0.1% y/y, after a decline by 0.6% y/y in 4q23.

### GDP nowcast based on monthly data



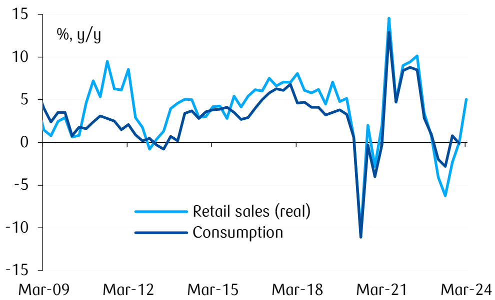

Source: GUS, PKO Bank Polski

### Wages in the enterprise sector



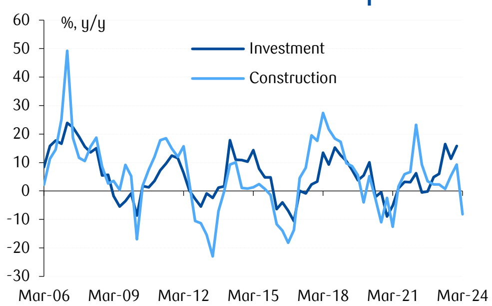

Source: GUS, PKO Bank Polski.

### Consumption vs real retail sales




Source: GUS, PKO Bank Polski.

### Investment vs construction output




Source: GUS, PKO Bank Polski.

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## Weekly economic calendar

| Indicator | Time (UK) | Unit | Previous | Consensus* | PKO BP | Comment |
|---|---|---|---|---|---|---|
| **Monday. 29 April** | | | | | | |
| EUR: Consumer Confidence (Apr. final) | 10:00 | pts. | -14.9 | -14.7 | -- | -- |
| EUR: Economic Sentiment Indicator (Apr) | 10:00 | pts. | 96.3 | 96.9 | -- | -- |
| GER: CPI inflation (Apr. flash) | 13:00 | % y/y | 2.2 | 2.3 | -- | -- |
| GER: HICP inflation (Apr. flash) | 13:00 | % y/y | 2.3 | 2.4 | -- | -- |
| GER: Retail sales (Mar) | 4:20 | % y/y | 1.7 | -0.7 | -- | -- |
| **Tuesday. 30 April** | | | | | | |
| CHN: Manufacturing PMI (Apr) | 2:45 | pts. | 51.1 | 51.0 | -- | -- |
| HUN: GDP growth (1q) | 7:30 | % y/y | 0.0 | 1.3 | -- | -- |
| GER: Unemployment Rate (Apr) | 8:55 | % | 5.9 | 5.9 | -- | -- |
| **POL: CPI inflation (Apr. flash)** | **9:00** | **% y/y** | **2.0** | **2.4** | **~ 2.5** | **CPI inflation in April will rise to approx. 2.5% together with a return of higher VAT on food.** |
| GER: GDP growth (1q) | 9:00 | % y/y | -0.4 | -1.1 | -- | -- |
| EUR: CPI inflation (Apr) | 10:00 | % y/y | 2.4 | 2.4 | -- | -- |
| EUR: Core inflation (Apr. flash) | 10:00 | % y/y | 2.9 | 2.7 | -- | -- |
| EUR: GDP growth (1q) | 10:00 | % y/y | 0.1 | 0.2 | -- | -- |
| USA: S&P CoreLogic CS 20-City (Feb) | 14:00 | % y/y | 6.59 | -- | -- | -- |
| USA: Consumer confidence (Apr) | 15:00 | pts. | 104.7 | 104.1 | -- | -- |
| **Wednesday. 1 May** | | | | | | |
| USA: ADP National Employment (Apr) | 13:15 | thous | 184 | 185 | -- | -- |
| USA: Manufacturing PMI (Apr. final) | 14:45 | pts. | 51.9 | 49.9 | -- | -- |
| USA: JOLTS Report (Mar) | 15:00 | thous | 8.756 | 8.725 | -- | -- |
| USA: ISM Manufacturing (Apr) | 15:00 | pts. | 50.3 | 50.1 | -- | -- |
| USA: Fed meeting (May) | 19:00 | % | 5.5 | 5.5 | -- | -- |
| **Thursday. 2 May** | | | | | | |
| **POL: Manufacturing PMI (Apr)** | **8:00** | **pts.** | **48.0** | -- | **47.9** | **Based on overall data we would expect an increase in PMI, but it might be dragged down by the sample, which is highly concentrated on exporters.** |
| GER: Manufacturing PMI (Apr. final) | 8:55 | pts. | 41.9 | 42.3 | -- | -- |
| EUR: Manufacturing PMI (Apr. final) | 9:00 | pts. | 46.1 | 45.8 | -- | -- |
| USA: Trade balance (Mar) | 13:30 | bn USD | -68.9 | -69 | -- | -- |
| CZ: Central bank meeting (May) | 13:30 | % | 5.75 | 5.25 | -- | -- |
| USA: Initial Jobless Claims (Apr) | 13:30 | thous | 207 | -- | -- | -- |
| USA: Factory orders (Mar) | 15:00 | % m/m | 1.4 | 1.6 | -- | -- |
| USA: Durable goods orders (Mar. final) | 15:00 | % m/m | 0.7 | 2.6 | -- | -- |
| **Friday. 3 May** | | | | | | |
| NO: Norges Bank meeting (May) | 9:00 | % | 4,50 | -- | -- | -- |
| USA: Non-Farm Payrolls (Apr) | 13:30 | thous | 303 | 200 | -- | -- |
| USA: Unemployment Rate (Apr) | 13:30 | % | 3.8 | 3.8 | -- | -- |
| USA: Average Earnings (Apr) | 13:30 | % y/y | 4.1 | 4.0 | -- | -- |

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

# Monetary policy monitor

| MPC Members | Hawk-o-meter* | Recent policy indicative comments^ |
|---|---|---|
| J. Tyrowicz | 5.0 | “The key to stabilizing inflation in this episode was, is and will be the labor market. In the new NBP projection, unemployment in comparable horizons is lower by almost 1 percentage point (compared to the previous projection), and nominal wages are higher by 3.4 percentage points for 2024 and almost 1 percentage point for 2025. According to the projection for 2026 (extended horizon) the average growth rate of nominal wages is to amount to 6.7%, which is not consistent with achieving the inflation target.” (13.03.2024, PAP, Linkedin) |
| P. Litwiniuk | 3.9 | “It was a premature and excessive loosening of monetary policy. (...) I think that, from the documents we know, it does not appear that a reduction is justified at this point. Every subsequent month brings risks in the other direction - I am talking about risks arising from fiscal policy. ”(9.02.2024, Bloomberg) |
| L. Kotecki | 3.5 | **“The baseline scenario for me is to leave rates at their current level until the end of the year. On the other hand, the latest macro data slightly increase the probability of a cut, as it is clear that the economy is not accelerating and is far from overheating.” (24.04.2024 PAP, Bloomberg)** |
| A. Glapinski | 3.4 | “There is no question of a reduction of interest rates, there is no reason to discuss an increase either, the situation is currently under control. We will see how inflation will develop in the coming months.” (5.04.2024, PAP) |
| I. Dabrowski | 3.1 | “The March inflation reading was slightly surprising to me, but unfortunately it did not change my thinking about the path of inflation and rates. At this point, no change in interest rates this year is the most likely scenario.” (11.04.2024, PAP, Bloomberg) |
| C. Kochalski | 2.9 | “If the unlikely scenario of a discussion of interest rate cuts at the end of this year doesn’t materialize, it could come with the March 2025 inflation projection.” (15.03.2024, Bloomberg, ISB News). |
| I. Duda | 2.9 | "In 2025 we may consider the level of interest rate cuts, although I do not rule out that the discussion itself could take place at the end of this year" (27.03.2024, ISB News, Rzeczpospolita, PKO transl.) |
| G. Maslowska | 2.9 | “If no circumstances occur again, or any external or internal processes occur that are currently unpredictable, I think that in 2h25 or at the beginning of 2026 we will be able to think about rate cuts. Of course, all this is provided that the trends outlined in the March projection continue, because according to the projection, inflation will fall to the target only in 2026.” (27.03.2024, PAP) |
| W. Janczyk | 2.7 | “Today, without a clear message and declaration from the government on this issue [CPI-shields], and without determining the impact of the Green Deal policy on energy and food prices, it is difficult to responsibly draw a scenario for a rapid reduction in NBP interest rates. (...) In the third quarter of this year, sufficient indications for a rate review may emerge. (...) I would like cuts in 2024 to be a minimum of 100 bps.” (18.03.2024, PAP). |
| H. Wnorowski | 2.6 | “The government's plans for an incomplete unfreezing of energy prices in the second half of the year increase the likelihood of a rate cut in 2024.” (17.04.2024, PAP, Bloomberg) |

*the higher the indicator the more hawkish views. 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.

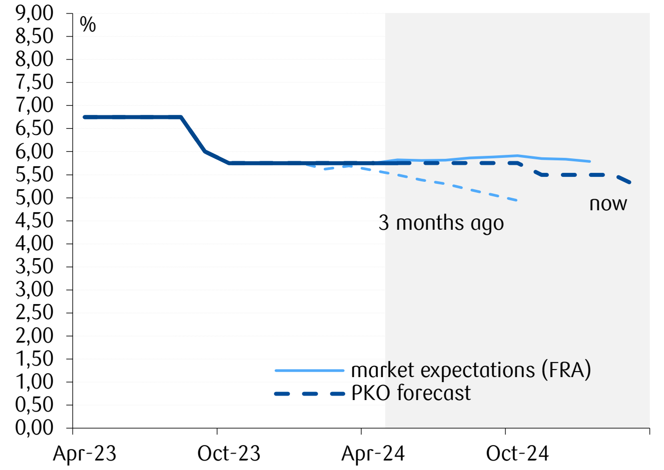
**Interest rates – PKO BP forecasts vs. market expectations**

| | | 1M | 2M | 3M | 4M | 5M | 6M | 7M | 8M | 9M |
|---|---|---|---|---|---|---|---|---|---|---|
| **Date** | 25-Apr | 25-May | 25-Jun | 25-Jul | 25-Aug | 25-Sep | 25-Oct | 25-Nov | 25-Dec | 25-Jan |
| **WIBOR 3M/FRA†** | 5.86 | 5.88 | 5.87 | 5.86 | 5.83 | 5.80 | 5.77 | 5.71 | 5.65 | 5.60 |
| **implied change (b. p.)** | | 0.02 | 0.01 | 0.00 | -0.03 | -0.06 | -0.09 | -0.15 | -0.21 | -0.26 |
| **PKO BP forecast*** | 5.75 | 5.75 | 5.75 | 5.75 | 5.75 | 5.75 | 5.75 | 5.50 | 5.50 | 5.50 |
| **market pricing^** | | 5.77 | 5.76 | 5.75 | 5.82 | 5.79 | 5.76 | 5.70 | 5.64 | 5.59 |
| **MPC Meeting** | 4-Apr | 9-May | 5-Jun | 3-Jul | - | 4-Sep | 2-Oct | 5-Nov | 4-Dec | - |

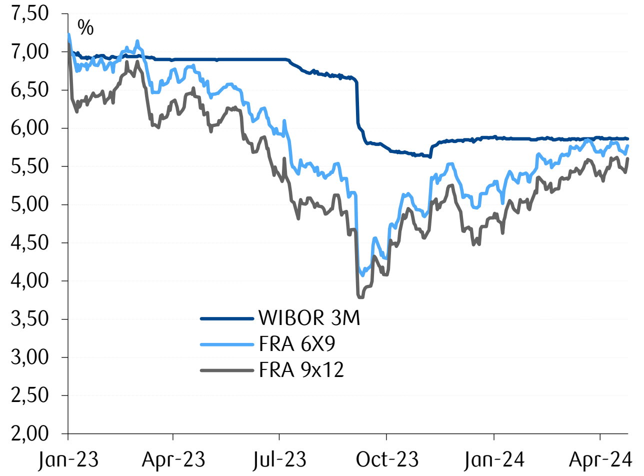
WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, *PKO BP forecast of the NBP reference rate.

## Poland macro chartbook

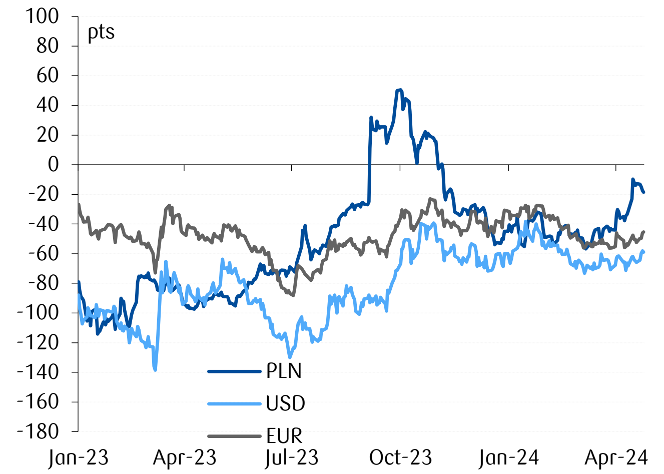
### NBP policy rate: PKO BP forecast vs. market expectations



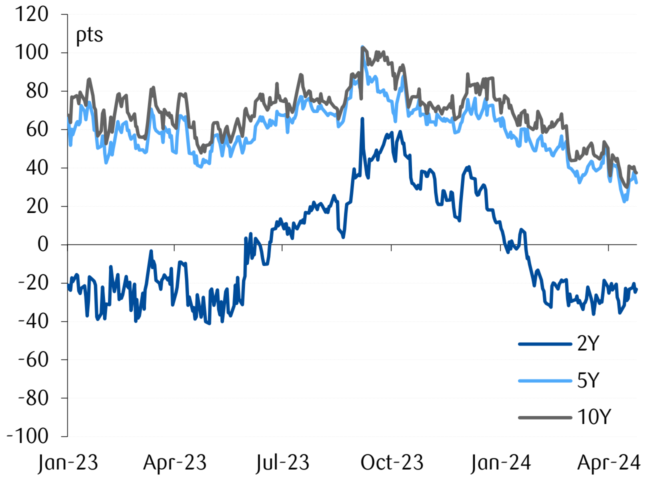

### Short-term PLN interest rates



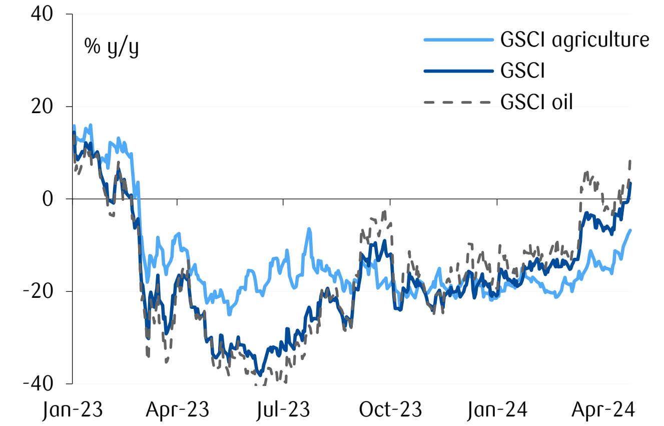

### Slope of the swap curve (spread 10Y-2Y)*



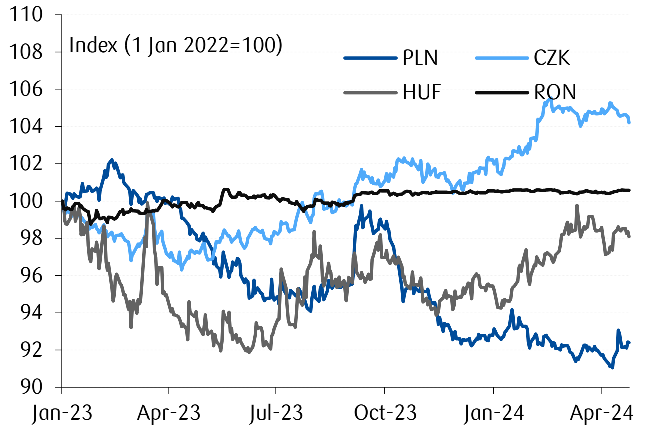

### PLN asset swap spread




### Global commodity prices (in PLN)

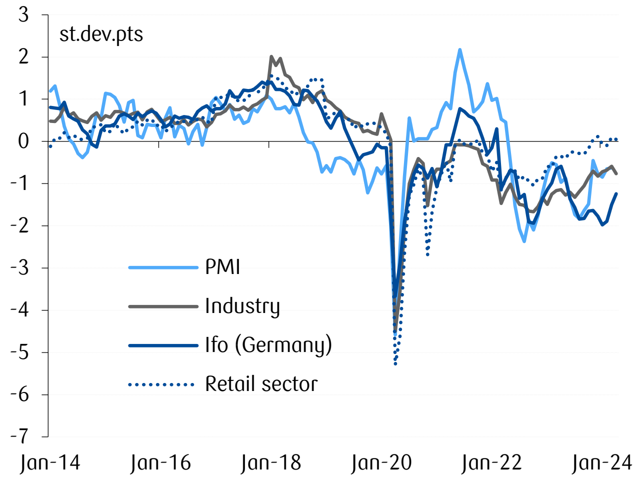



### Selected CEE exchange rates against the EUR

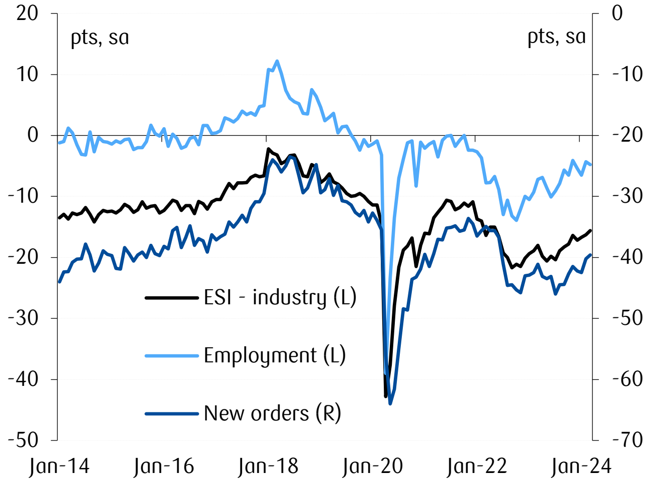



Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

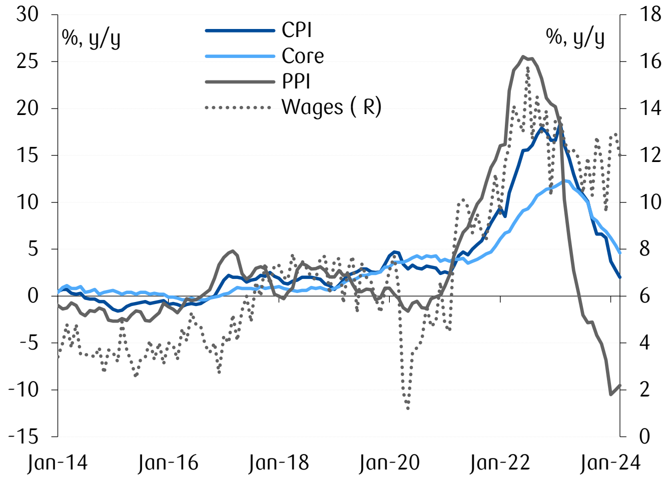
### Economic sentiment indicators



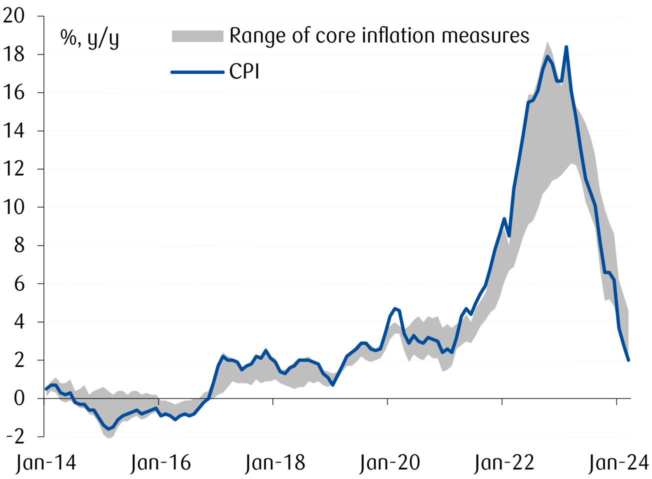

### Poland ESI for industry and its components



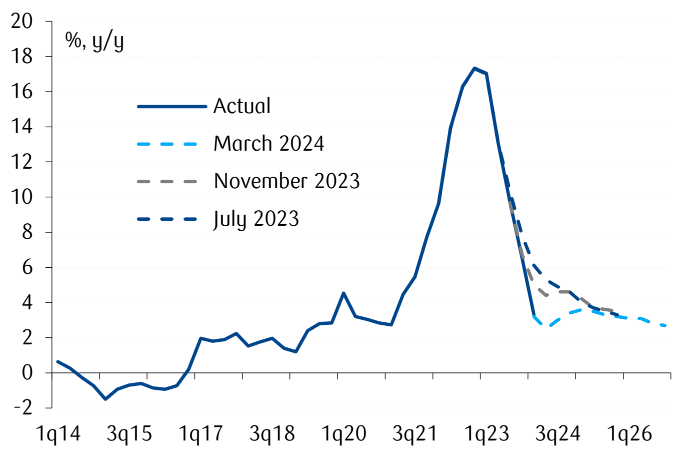

### Broad inflation measures



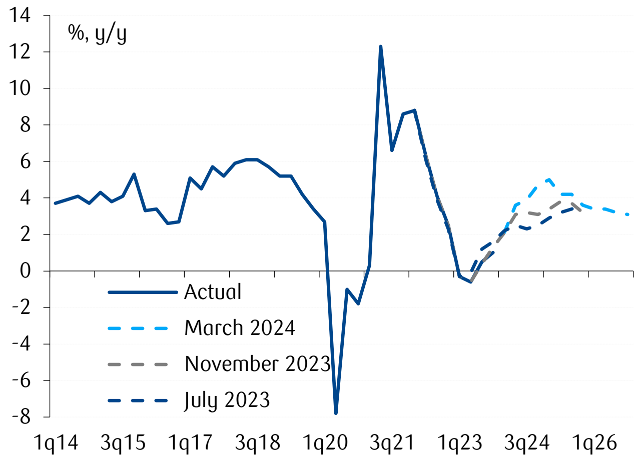

### CPI and core inflation measures




### CPI inflation – NBP projections vs. actual

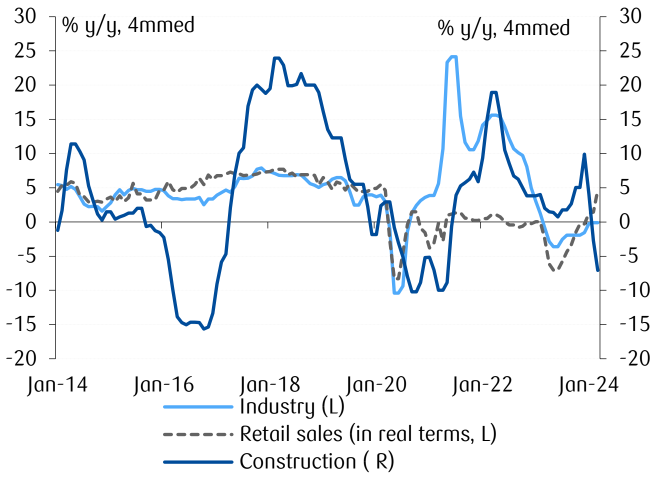



### Real GDP growth – NBP projections vs. actual

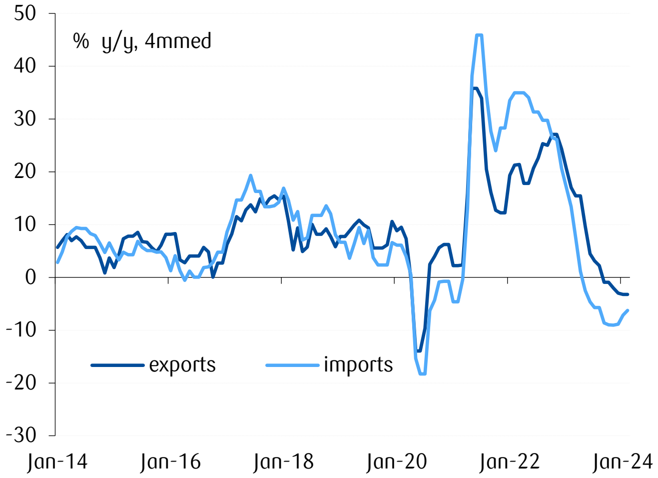



Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

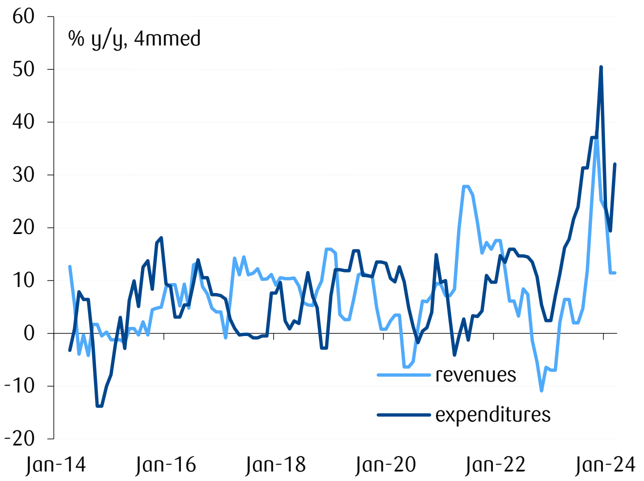
## Economic activity indicators



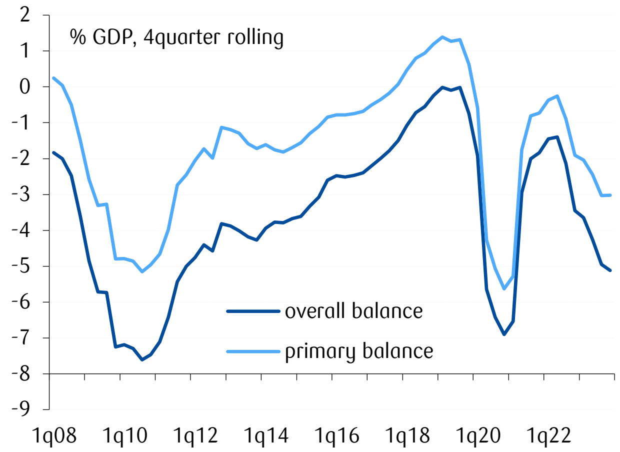

## Merchandise trade (in EUR terms)



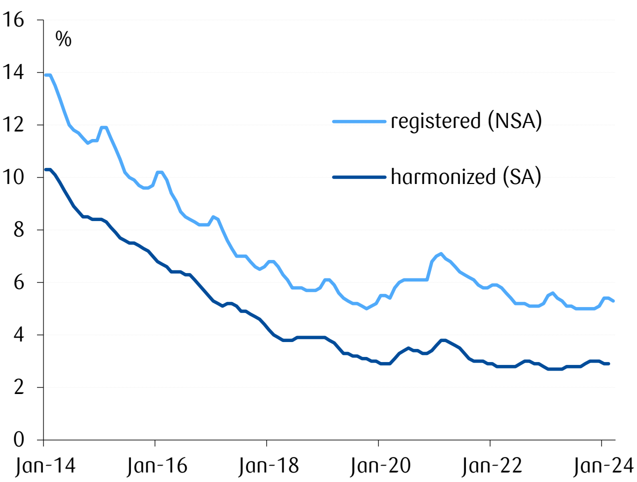

## Central government revenues and expenditures*



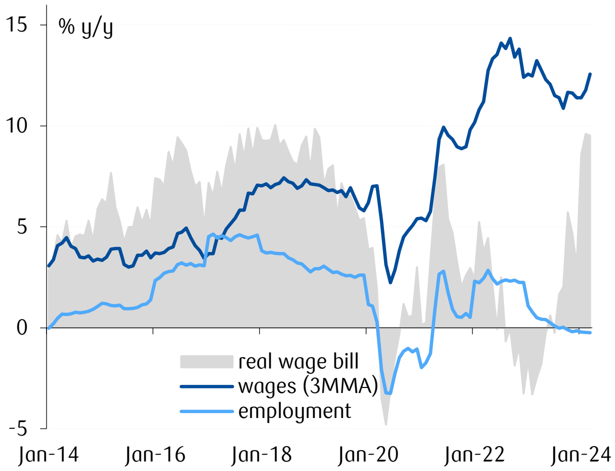

## General government balance (ESA2010)




## Unemployment rate

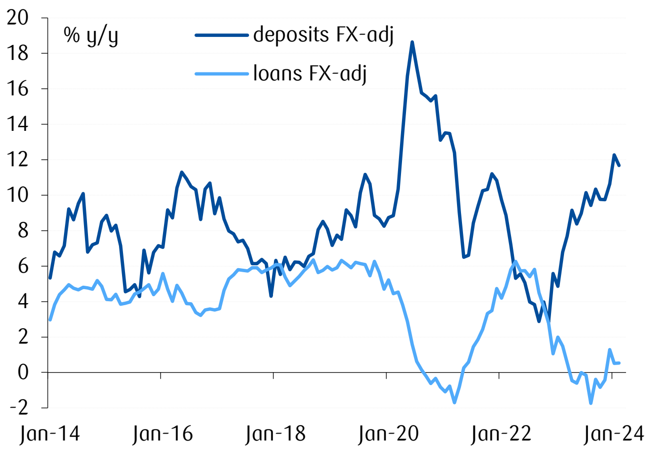



## Employment and wages in the enterprise sector

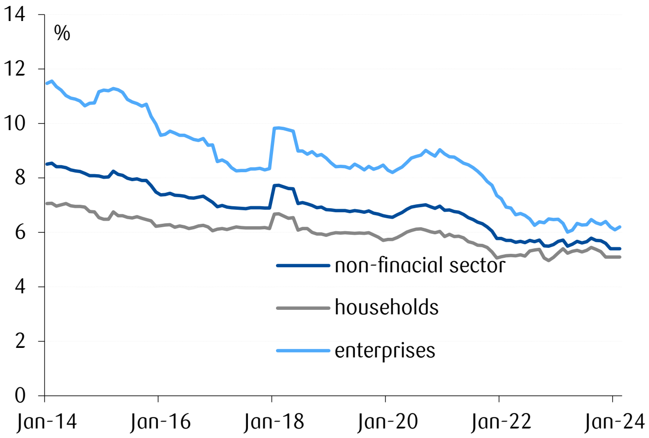



Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

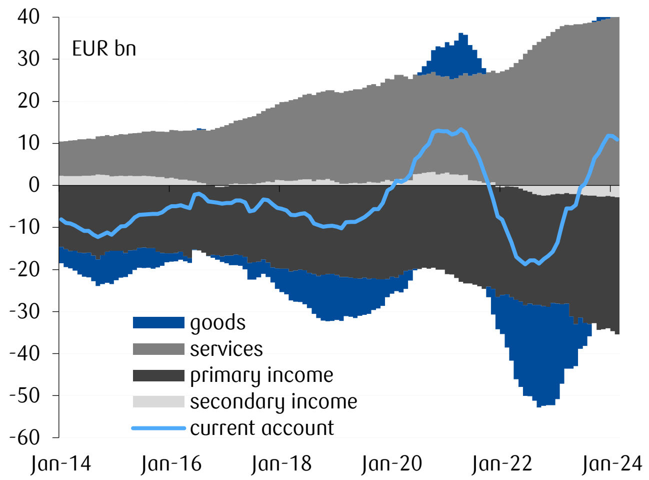
## Loans and deposits



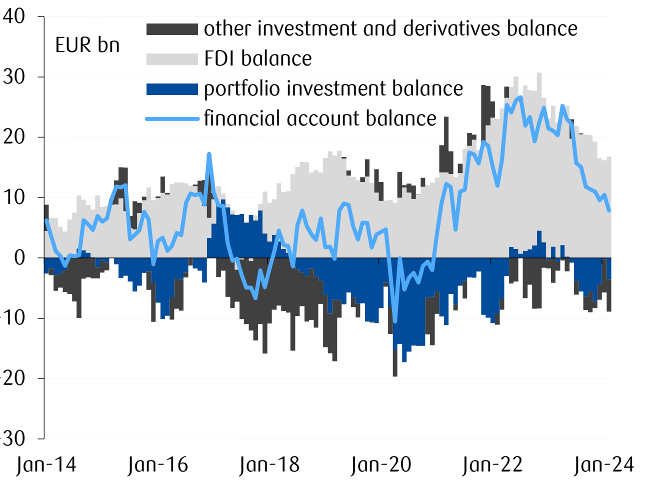

## Non-performing loans (NPLs) – by sectors*



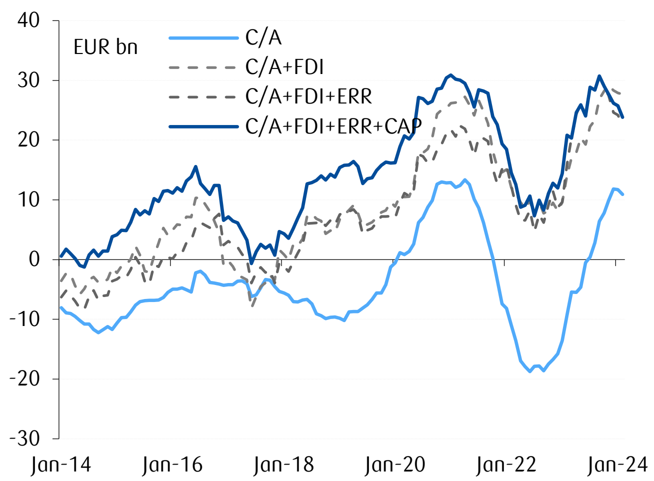

## Current account balance



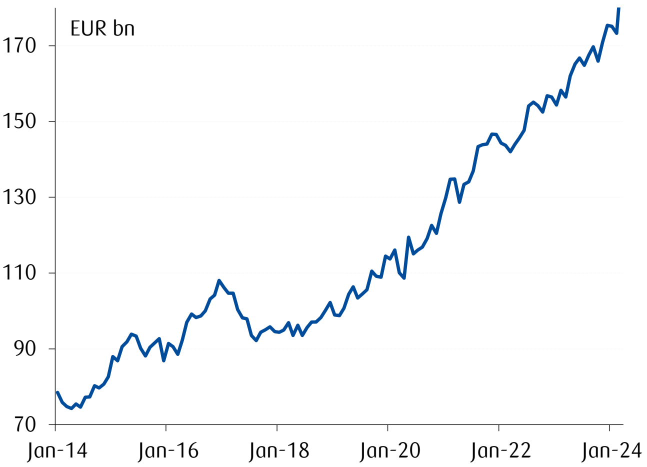

## Financial account balance




## 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:

- Limited boost to inflation from energy price increases (April 19, 2024)
- 1q24 inflation supports cuts in most of the CEE (April 12, 2024)
- Two opposing forces (April 5, 2024)
- Warm warmer (March 22, 2024)
- Inflation back on target, but not for long (March 15, 2024)
- Too much uncertainty to go down with the NBP rates (March 8, 2024)
- Inflation back in target will not impress the MPC (March 1, 2024)
- Getting closer to the EU funds (February 23, 2024)
- January inflation compensates for weak GDP (February 16, 2024)
- Uncertainty is a key (February 9, 2024)
- 2023 failed to meet expectations (February 2, 2024)
- As good as it gets (January 26, 2024)
- The New Year optimism (January 19, 2024)
- Interest rates in the freezer (January 12, 2024)
- Inflation getting close to the target (January 5, 2024)
- New government and what's next? (December 15, 2023)
- Waiting for a new (majority) government (December 8, 2023)
- Consumer rises, inflation falls (December 1, 2023)
- Recovery at full steam (November 24, 2023)
- Growth is back (November 17, 2023)
- Higher for longer (November 10, 2023)
- Stay on these roads (November 3, 2023)
- Fiscal ghosts crawl out in the CEE (October 27, 2023)
- Signs of recovery (October 20, 2023)
- Decision time (October 13, 2023)
- Consumer awakens (October 6, 2023)
- Down with the NBP rates (September 29, 2023)
- Dark clouds are drifting away (September 22, 2023)
- Approaching a single-digit inflation (September 15, 2023)
- Let the cycle begin! (September 8, 2023)
- Towards the interest rate cut in September (September 1, 2023)