



Monthly Macroeconomic Review

Prepared by
Polish Chamber of Commerce

Updated on 30/10/2020

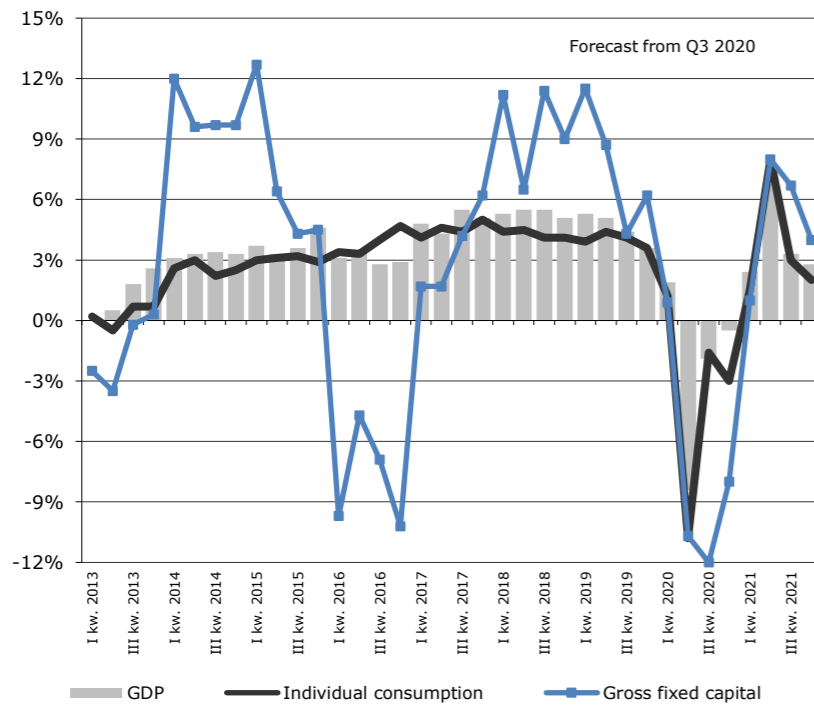
Macroeconomic forecast

Monthly macroeconomic indicators	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021	03.2021
Industrial sales, % real change, y/y	-2,3%	-24,6%	-16,9%	0,5%	1,1%	1,5%	5,9%	1,9%	3,8%	5,2%	0,0%	3,0%	16,1%
Construction, % real change, y/y	3,5%	-0,9%	-5,1%	-2,4%	-10,9%	-12,1%	-9,8%	-0,6%	2,3%	4,7%	-0,9%	5,9%	6,8%
Retail sales, % nominal change, y/y	-7,1%	-22,6%	-8,6%	-1,9%	2,7%	0,4%	2,7%	2,3%	2,1%	2,4%	1,9%	-0,2%	15,6%
Consumer prices, % change, y/y	4,6%	3,4%	2,9%	3,3%	3,0%	2,9%	3,2%	3,0%	3,1%	2,4%	2,0%	1,6%	1,7%
Producer prices, % change, y/y	-0,3%	-1,4%	-1,7%	-0,8%	-0,6%	-1,3%	-1,6%	-0,9%	-0,6%	-0,6%	-0,1%	0,4%	0,8%
Wages - enterprise sector, % nominal change, y/y	6,3%	1,9%	1,2%	3,6%	3,8%	4,1%	5,6%	5,2%	6,1%	6,0%	4,5%	4,3%	4,9%
Wages - enterprise sector, PLN	5 489	5 285	5 120	5 286	5 382	5 338	5 372	5 484	5 550	5 939	5 523	5 562	5 756
Registered unemployment rate	5,4%	5,8%	6,0%	6,1%	6,1%	6,1%	6,1%	6,2%	6,3%	6,5%	6,9%	7,0%	6,8%
Number of registered unemployed persons, thousand	909	966	1 012	1 027	1 030	1 028	1 024	1 038	1 052	1 084	1 158	1 172	1 143
Current account balance, EUR million	805	772	2 028	3 811	1 012	947	717	516	650	108	2 380	-297	68
Current account balance, EUR million, rolling annualised basis	5 660	6 300	8 381	12 075	13 823	15 441	15 446	15 719	15 186	15 222	14 846	13 449	12 712

Macroeconomic forecast

Quarterly macroeconomic indicators	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Gross domestic product, % real change y/y	5,1%	5,3%	5,1%	4,4%	3,6%	1,9%	-8,4%	-1,9%	-0,5%	2,4%	6,8%	3,3%	2,8%
Individual consumption, % real change y/y	4,1%	3,9%	4,4%	4,1%	3,6%	1,2%	-10,8%	-1,6%	-3,0%	1,5%	8,0%	3,0%	2,0%
Gross fixed capital, % real change y/y	9,0%	11,5%	8,7%	4,3%	6,2%	0,9%	-10,7%	-12,0%	-8,0%	1,0%	8,0%	6,7%	4,0%

GDP components in terms of demand - y / y

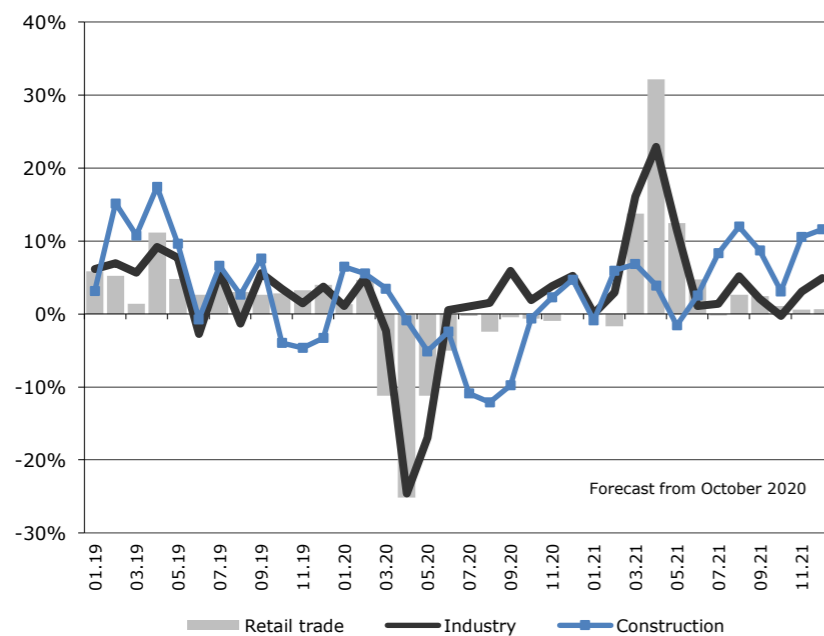


The Central Statistical Office published data on GDP dynamics in the second quarter of 2020. GDP decreased by -8.4 y / y against an increase in the first quarter by 1.9% y / y. The decline turned out to be slightly shallower than expected by the market.

After a particularly difficult April in May and in the summer months, a marked improvement in economic activity was recorded. It was stronger than expected. It was related to faster unfreezing of the economy. The results for July, August and September indicate that the improvement in the third quarter will be significant. Unfortunately, a temporary closure of part of the economy is expected at the end of the year.

The first quarter of 2020 was slightly better than expected. The second quarter brought a deep decline in GDP. In the third quarter, the decline in GDP should be small. Unfortunately, the rapid improvement in economic activity will not continue in the fourth quarter. Throughout 2020, GDP in real terms will contract by 2.2%. Growth in 2021 may turn out to be high (due to base effects) and amount to approximately 3.8%.

Industry, construction and retail trade y / y (real)



In September, industrial production increased by 15.5% in real terms. The increase was seasonal. The annual output dynamics improved further to positive 5.9% from a positive 1.5% in August and 1.1% in July. The industry's results in September were much better than expected.

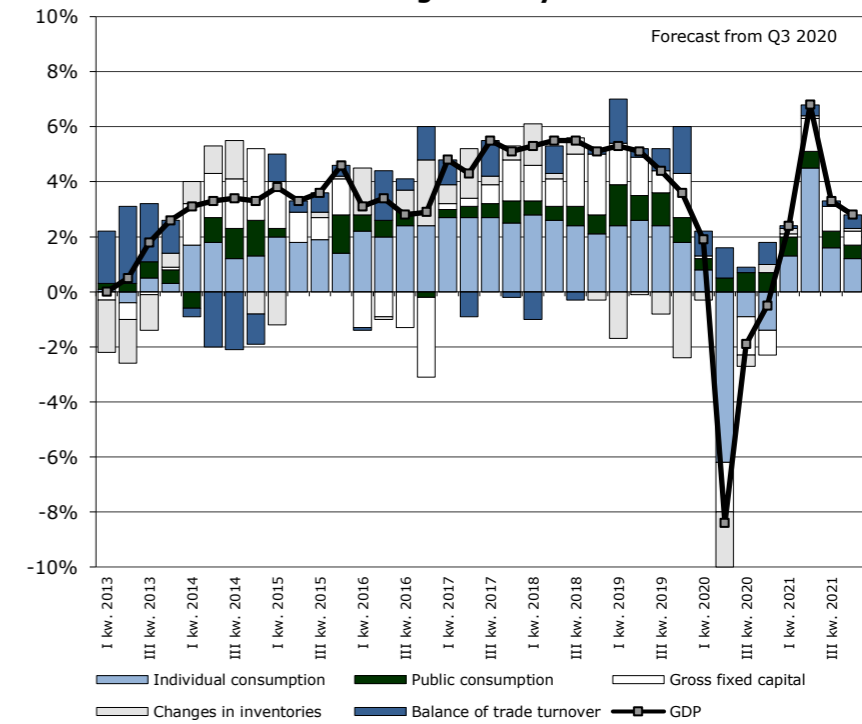
In September, construction and assembly production turned out to be 15.5% higher in real terms than in August. The increase in sales in September is typical. The annual dynamics of construction and assembly production improved from negative -12.1% in August to negative -9.8% in September. Construction results in September were close to expected.

Retail sales in September in nominal terms turned out to be 1.8% lower than in August. The annual sales dynamics increased from 0.4% in August to 2.7% in September. These results were close to the expected ones.

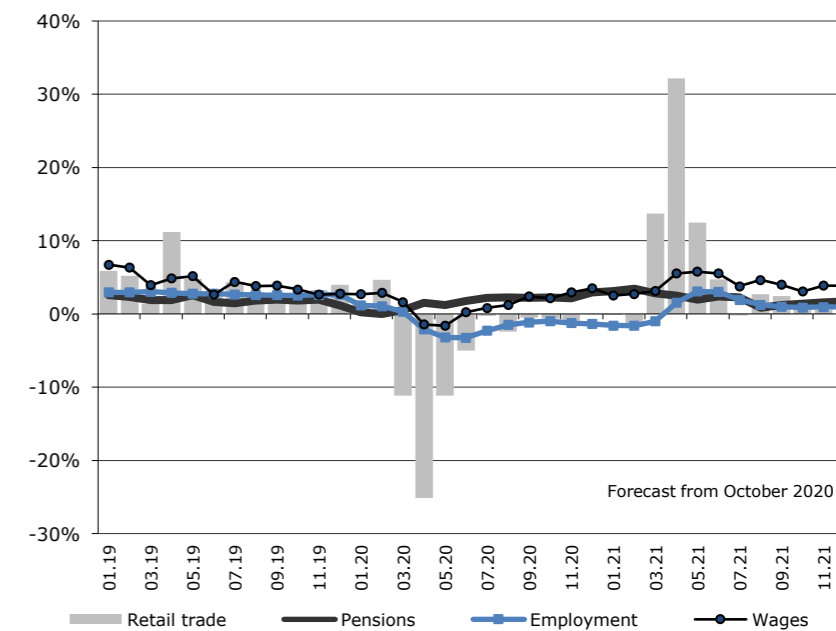
GROSS DOMESTIC PRODUCT AND ITS COMPONENTS

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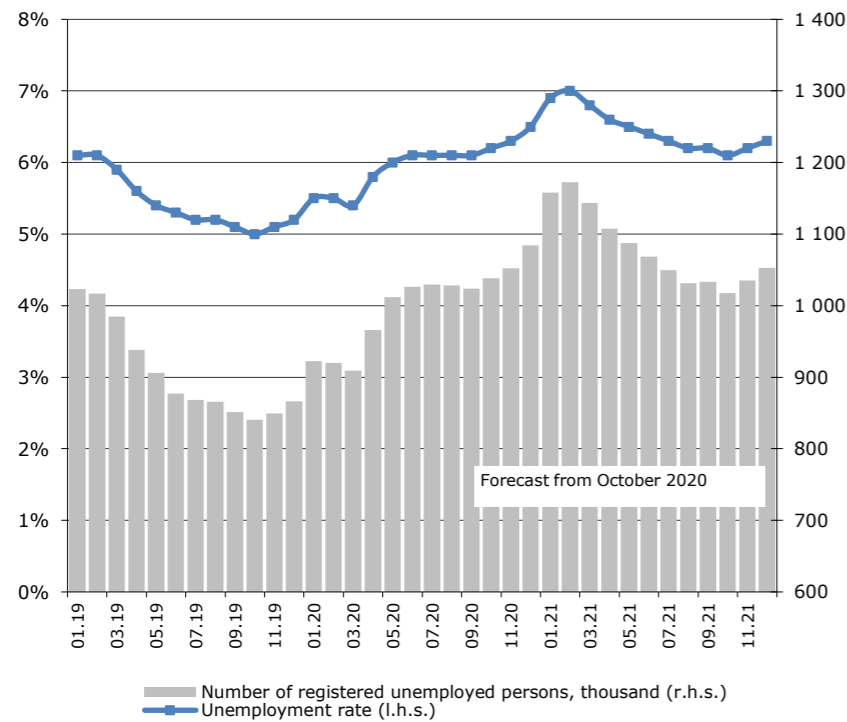
Scale of impact of GDP demand components on economic growth dynamics



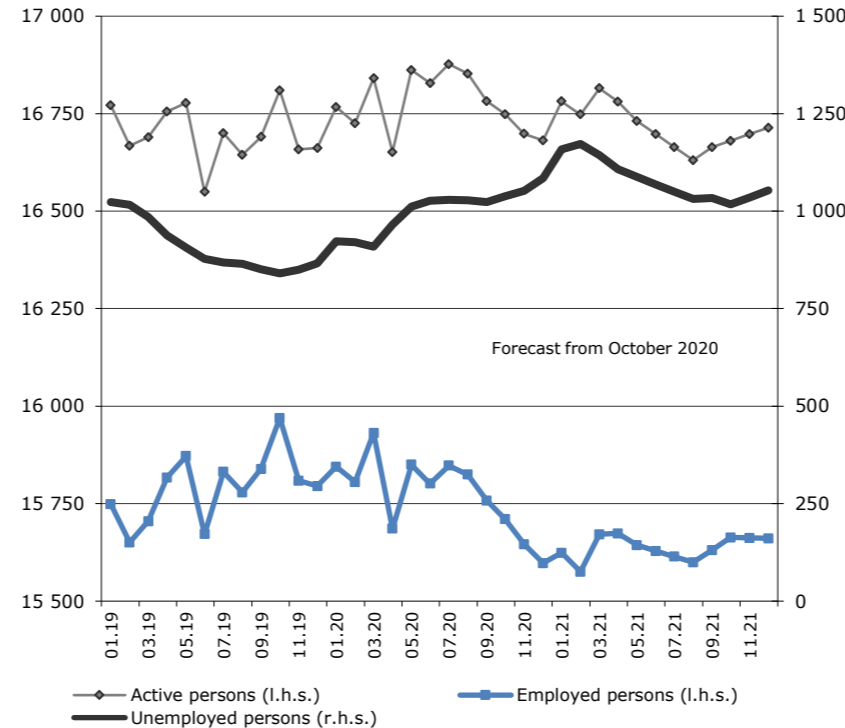
Comparison of annual real dynamics: retail sales and gross wages in the enterprise sector as well as pensions and employment



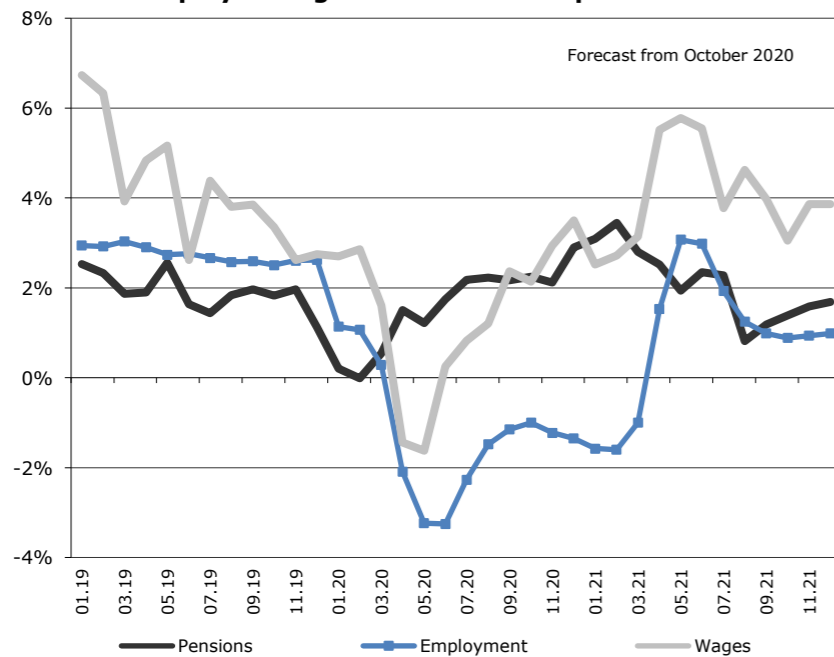
Registered unemployment



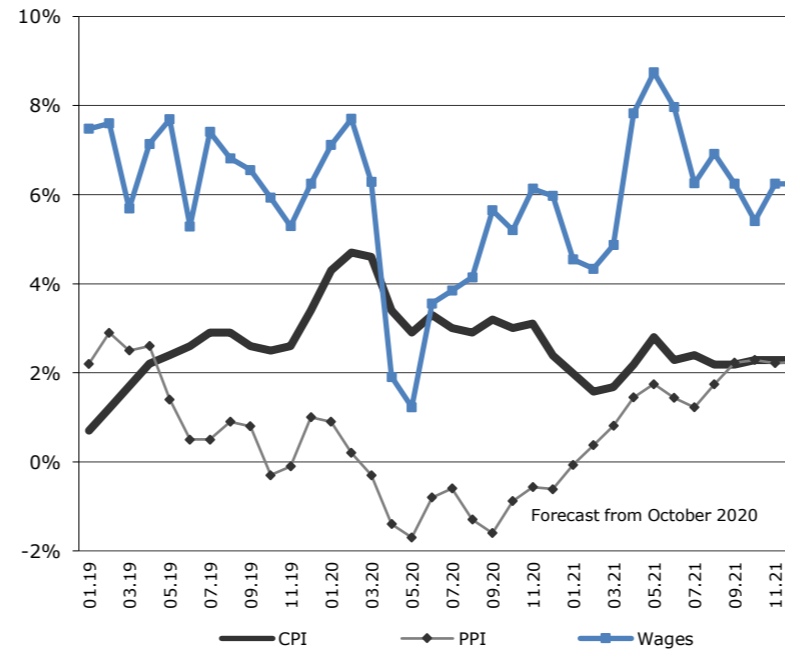
Labor activity



Real dynamics of gross wages in the enterprise sector and pensions against the background of employment growth in the enterprise sector



CPI, PPI, Wages - y / y



In September, the number of registered unemployed decreased by 4.3 thousand people up to 1023.7 thousand people. The unemployment rate did not change and amounted to 6.1%. A year ago, in September, the unemployment rate was 5.1%. The fall in unemployment in September is typical. Summer brings a drop in unemployment related to the increased demand for seasonal work in construction, agriculture and tourist services.

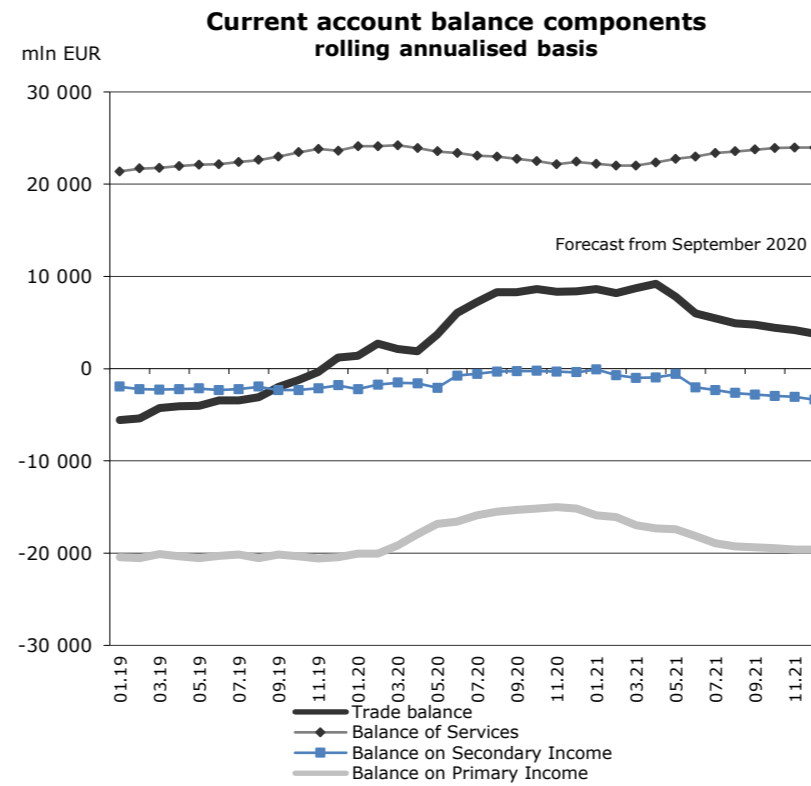
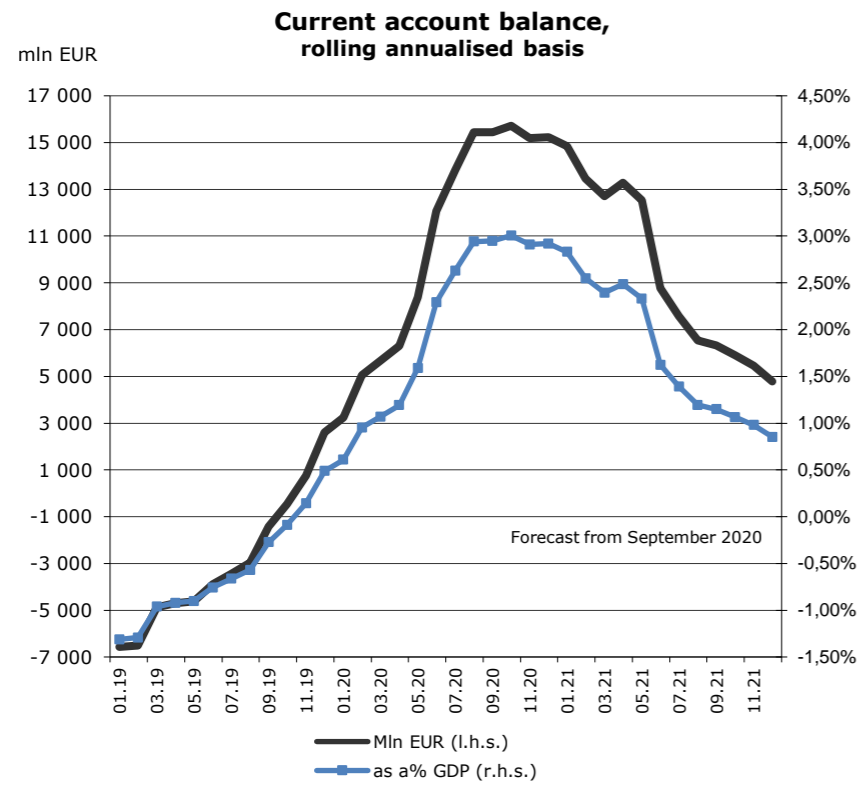
By December, the number of employed persons may decline by approximately 150,000, assuming still good effectiveness of the administration's actions referred to as the Anti-Crisis Shield. At the same time, the number of unemployed will probably increase to 1.09 million and the unemployment rate to 6.5%. The peak of unemployment should come in February 2021, after which the situation on the labor market will gradually improve.

In September, the prices of consumer goods and services turned out to be 0.2% higher than in August. This result was higher than expected. Prices in the groups: education, clothing and footwear, and communication increased significantly. Prices also increased in the groups: apartment use, home furnishings, health, restaurants and hotels, recreation and culture. Price drops were recorded in the following groups: food, transport, alcohol, tobacco and other. In September, the prices of consumer goods and services turned out to be 3.2% higher than in the previous year.

In the following months of the year, the annual inflation rate is expected to increase to 3.5%. There are still risks in forecasting inflation - the exchange rate, changes in the structure of the product produced by the economy, the situation on the labor market, changes in customer preferences.

Industrial prices rose by 0.1% in September, following a 0.4% decline in prices in August. Industrial prices in September were 1.6% lower than in the previous year. In August, prices were lower by 1.3% than in the previous year. In the coming months, industrial prices will increase due to the increase in production costs.

In September, the average wage in the enterprise sector amounted to PLN 5,371.56. It was thus PLN 33.91 and 0.6% higher than in August. It was also PLN 287.00 and 5.6% higher than in September of the previous year. Changes in the level of economic activity will affect the level of wages in the coming months. Changes in the employment structure between individual industries and in individual enterprises will be significant.



(mln EUR)	VIII 2019	VII 2020*	VIII 2020
Current account balance	-671	1 012	947
Exports	17 591	19 553	17 730
Imports	17 915	18 735	16 995
Trade balance	-324	818	735
Balance on Services	1 729	1 722	1 614
Balance on Primary Income	-1 911	-1 625	-1 477
Balance on Secondary Income	-165	97	75

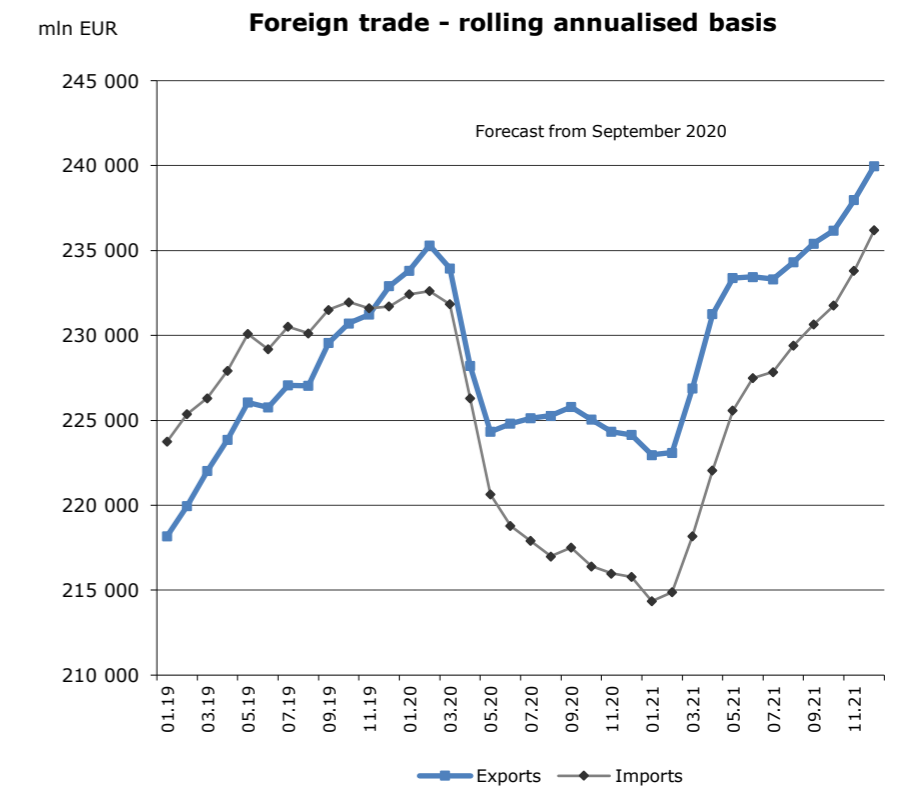
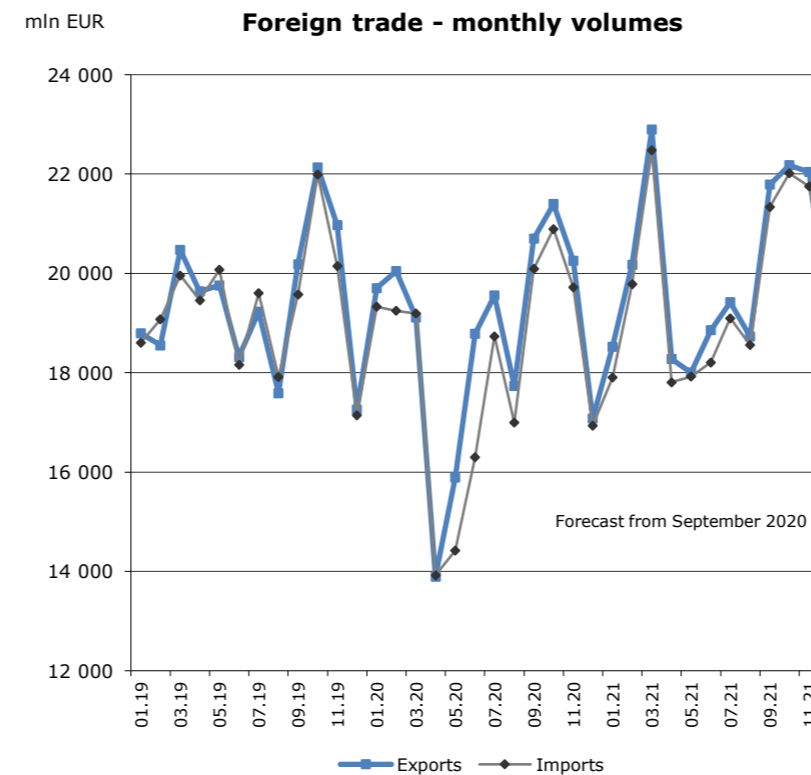
*Corrected data

In early October, the National Bank of Poland presented estimated data on the balance of payments in August. The current account balance in August 2020 was positive and amounted to EUR 947 million. In the previous month, there was a surplus of EUR 1 012 million (adjusted data). A year ago, a deficit of EUR 671 million was recorded.

After August, the current account balance was positive on a rolling annual basis and amounted to EUR 15,441 million. Its level in relation to GDP was 2.94%.

The impact of the coronavirus is revealed by reducing the turnover of goods and the surplus generated in services. However, the achieved results are much better than in the forecasts from a few months ago.

The export of goods is now comparable to 43% of GDP. It is a high value for a country with a population and area of Poland. The export of services is comparable to 11% of GDP, which should also be considered a very good result. These rates are only slightly lower than before the crisis began.



Macroeconomic forecast

WARNING INDICATORS AGAINST FOREIGN CURRENCY CRISIS - monthly	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021	03.2021
International reserves, EUR million	110 120	108 644	119 444	115 058	116 101	116 822	116 004	116 352	118 098	121 050	122 261	121 527	122 742
International reserves in the months of import of goods and services	4,88	4,93	5,55	5,40	5,48	5,54	5,50	5,55	5,64	5,80	5,89	5,84	5,81
International reserves as a% of money supply	30,8%	29,5%	30,9%	29,4%	29,4%	29,5%	29,8%	30,3%	30,1%	30,3%	30,1%	29,4%	30,0%
Current account balance, EUR million, rolling annualised basis	5 660	6 300	8 381	12 075	13 823	15 441	15 446	15 719	15 186	15 222	14 846	13 449	12 712
Current account balance, as a% of GDP, rolling annualised basis	1,07%	1,19%	1,59%	2,29%	2,63%	2,94%	2,95%	3,01%	2,91%	2,92%	2,83%	2,55%	2,39%
Inflow of foreign direct investment - rolling annualised basis, EUR million	10 806	8 333	7 254	9 519	8 808	7 922	7 898	7 842	7 884	9 007	8 382	7 280	7 637
Inflow of foreign portfolio investment - rolling annualised basis, EUR million	-10 010	-16 424	-14 981	-16 817	-13 790	-12 602	-12 146	-9 291	-7 906	-6 793	-6 196	-8 686	-5 475

Macroeconomic forecast

WARNING INDICATORS AGAINST FOREIGN CURRENCY CRISIS - quarterly	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
Total external debt, EUR million	312 620	314 384	315 148	315 659	302 132	299 022	301 750	302 250	302 750	303 250	303 750	304 250	305 750
Long-term external debt, EUR million	184 801	184 513	182 160	179 367	175 737	170 457	168 750	168 500	168 250	168 000	167 750	167 500	167 250
Short-term external debt, EUR million	41 291	43 954	46 967	50 189	39 555	41 577	46 000	46 250	46 500	46 750	47 000	47 250	47 500
External debt - Direct investment debt instruments, EUR million	86 528	85 917	86 021	86 103	86 840	86 988	87 000	87 500	88 000	88 500	89 000	89 500	91 000
External debt as a% of GDP	62%	61%	60%	59%	57%	57%	58%	58%	57%	56%	55%	54%	53%
External debt as a% of export	141%	139%	137%	136%	129%	133%	134%	135%	133%	130%	129%	127%	126%
International reserves as a% of total external debt	32%	33%	35%	36%	36%	38%	38%	40%	41%	41%	42%	42%	43%
International reserves as a% of short-term external debt	244%	235%	235%	228%	278%	277%	252%	262%	264%	268%	269%	272%	276%

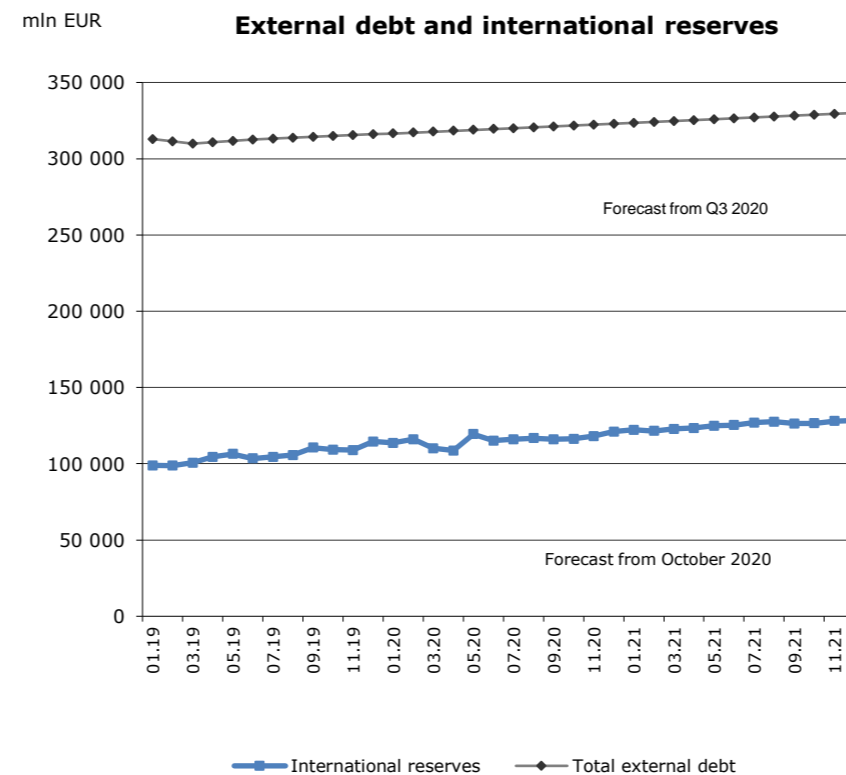
The current account has been positive in recent months. In the last 12 months, it was comparable to 2.94% of GDP.

Recent quarters have seen a simultaneous inflow of direct investment to our market and an outflow of portfolio investment. The outflow of portfolio investments is a consequence of the change in the State debt management policy. Debt is issued mainly to domestic entities, and less to foreign investors.

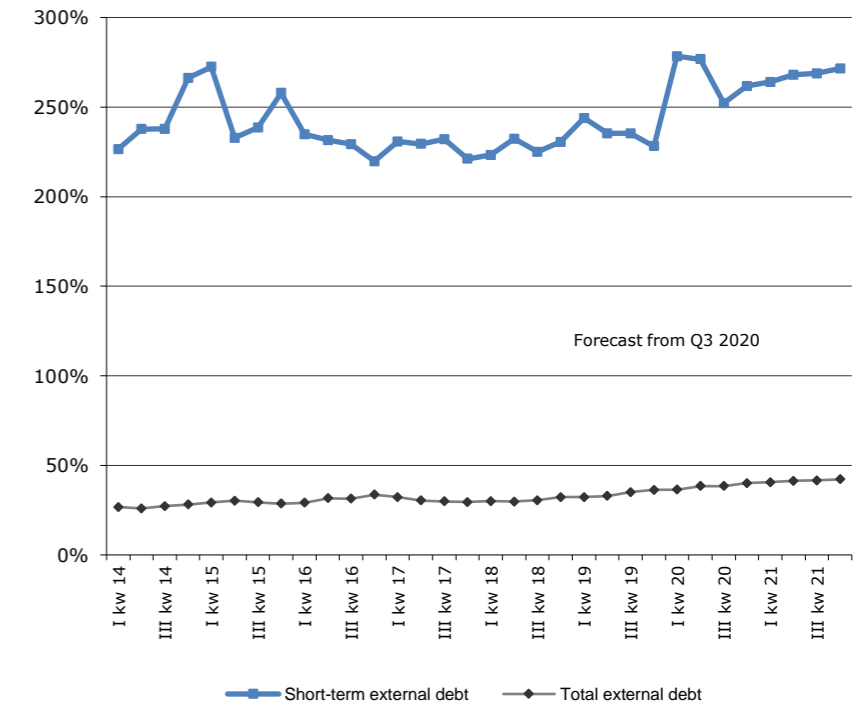
Foreign exchange reserves are high. Their level is adequate to the volume of imports of goods and services (5.50 months of imports of goods and services), money supply (29.8%) and foreign debt (38.1%).

Foreign debt is falling. The ratio of external debt to GDP (currently 57%) and goods exports (currently 133%) is declining. The ratio of external debt to GDP and exports is low.

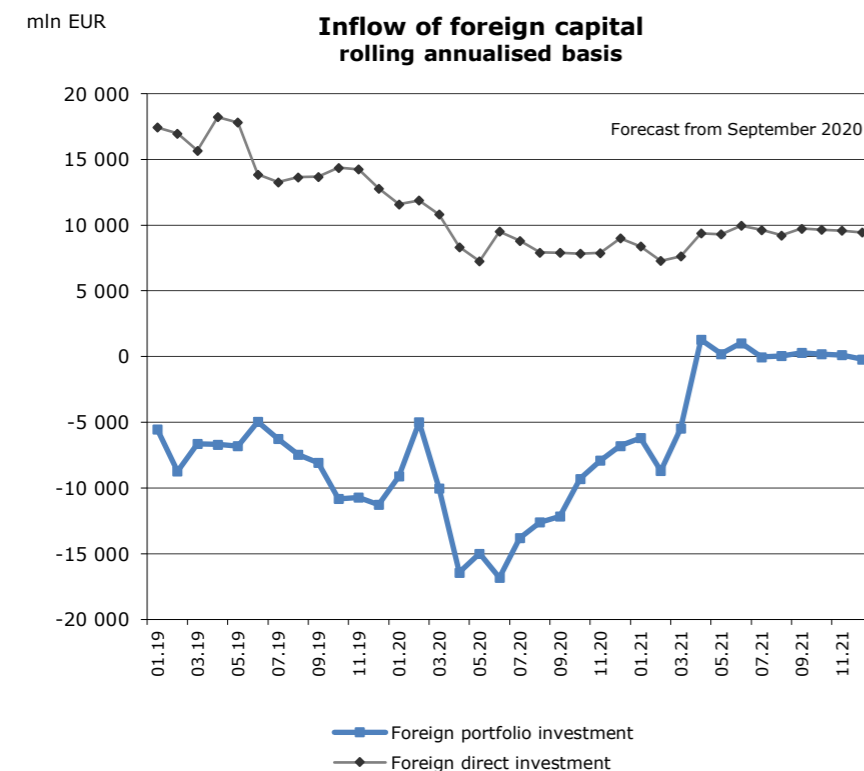
External debt and international reserves



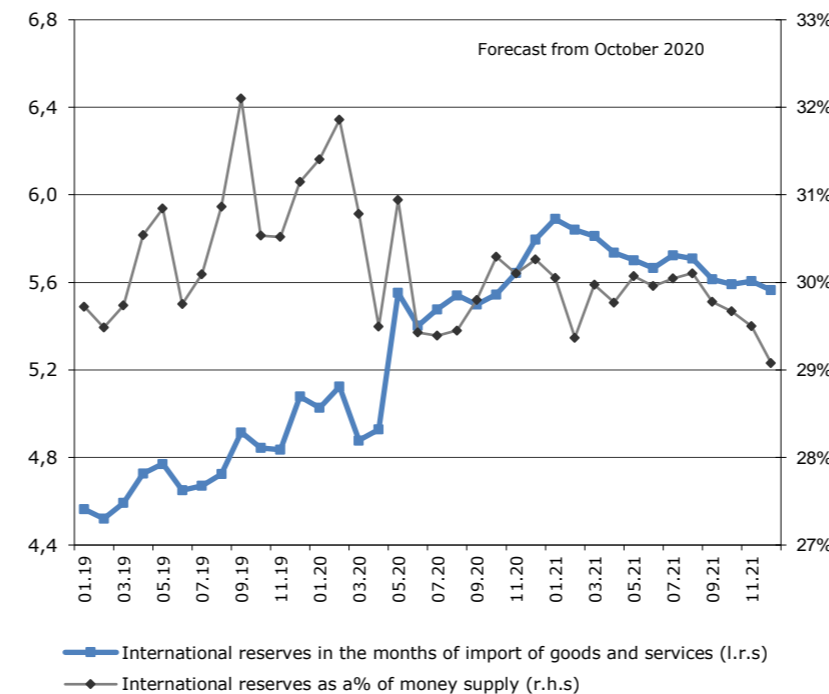
Foreign debt coverage by international reserves



Inflow of foreign capital rolling annualised basis



International reserves in relation to imports and money supply



External debt to GDP and exports

