

## Poland: NBP optimistic on GDP and expects subdued inflation to return

We have been through the details of the latest inflation projection of the National Bank of Poland. The NBP has increased its GDP growth forecast for 2021 to 4.1% YoY and has assumed that strong 5.4% growth will be maintained in 2022-23. It sees CPI slowing within the next two years, aside from any pre-Covid upside surprises and the strong GDP rebound it pencils in.



Source: Shutterstock

The source of faster GDP growth in the new NBP projection for 2021 is higher growth in household consumption (at 4.9% YoY vs. 3.9% YoY in November) and a 1.5% increase in investments (compared to the 3.0% decline expected by the NBP in November). Strong consumption growth is projected to continue in coming years, with real growth reaching 6.3% YoY in 2022 and 5.8% YoY in 2023. Investment growth for 2022 (7.7% year-on-year) is close to the November projection, while for 2023 the NBP projects this growth at 9.9%. Such strong investment growth is partly due to the NBP's assumption that in 2021-23 Poland will use ca. 1/3 of the grants from the EU Recovery Fund (Poland should receive €24bln by 2026).

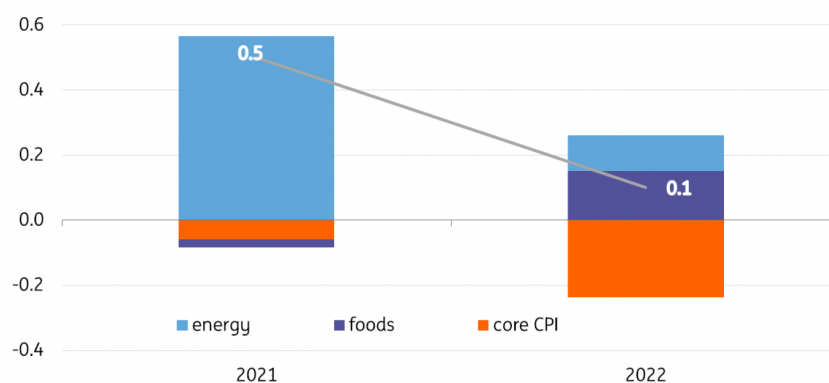
## The differences in NBP projections for the CPI and GDP.

<b>GDP</b>	2021	2022	2023
projection from Mar-21	4.1	5.4	5.4
change vs projection from Nov-20	1.0	-0.3	-
ING forecast	4.5	5	
<b>CPI</b>	2021	2022	2023
projection from Mar-21	3.1	2.80	3.2
change vs projection from Nov-20	0.5	0.1	-
ING forecast	3.1	3.4	

Source: NBP, ING

The change in the structure of the CPI forecasts comes as a surprise. According to the NBP the main source of higher CPI in the March projection should be energy prices, while core inflation in 2021-22, despite stronger GDP growth, is projected to decrease. Moreover, the NBP has revised its 2021-22 core inflation lower in its current Mar-21 projection than it was in the November round.

## Sources of differences in NBP projections for CPI (Mar-21 vs Nov-20)



Source: NBP

This new inflation scenario is consistent with the latest statements of Governor Glapiński. He stated that price growth in Poland is driven by factors beyond the NBP's control: (1) electricity prices due to EU environmental policies, (2) oil prices due to the expected recovery in global GDP and (3) garbage collection prices due to local regulations.

We disagree with the NBP on subdued core inflation. Pre-pandemic inflation in Poland was rather surprisingly on the higher side. We expect that over the forecast period core CPI should be impacted by pent-up demand, distortions in global supply chains and a consumption-driven growth structure.

However, we hold our rates expectations unchanged and see flat rates until the term end - for the MPC in 1H2022 and for Governor Glapiński in Jun-22. We do see a risk of a higher CPI path than that projected by the NBP, mainly in 2022 where we see average CPI at 3.4%. As long as price growth does not permanently exceed 3.5%, the upper threshold above the 2.5% target, we believe that the NBP should tolerate it.

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).