



Wednesday, 16 September 2020

## Our regional insights:

### COVID shifts the Polish C/A into huge surplus

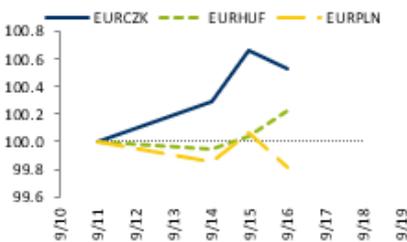
While current account balances have suffered a significant deterioration during the COVID-19 crisis in Eastern Europe, the Polish economy has been a notable exception. The Polish current account has improved since the end of the first quarter and it has hit fresh all-time highs on 12M-rolling basis in July. Hence, beside the pandemic development (daily numbers of new COVID cases are still hitting all-time highs in the Czech Rep. & Hungary), the excellent development of the CA balance could be the other reason why the zloty has been outperforming both the koruna and the forint.

The key part of the success story has been a surprisingly strong and fast recovery of exports of goods, while imports have been lagging. The other important other part the Polish C/A improvement has been a positive development in the balance of services. Here, the services continued to generate visible surpluses, which were evident in the July figures too. Last but not the least, the Polish C/A has been supported by EU transfers from the European Social Fund, which have kept the secondary income account in the permanent surplus.

### The NBP on hold as expected

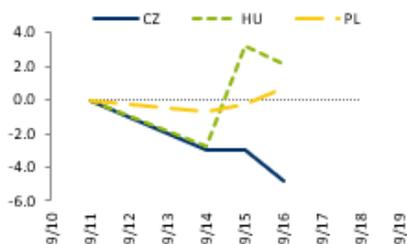
Meanwhile, the Polish central bank (NBP) left its policy unchanged yesterday, which means that the official interest rates hover at a zero-lower bound and the bank will continue to purchase government securities and government-guaranteed debt securities on the secondary market. Recall that the NBP has already bought government bonds worth of 4.5 of GDP since the start of the pandemic. As concerns NBP's statement - it sound pretty neutral as it says that "A further recovery in economic activity may be expected over the coming months ... while ... at the same time, the scale of the expected recovery in activity may be limited by uncertainty about the further course and effects of the pandemic, lower income growth and weaker sentiment of economic agents than in previous years". Interestingly, the NBP would still like a weaker zloty as the statement stresses that "the pace of the economic recovery could also be limited by the lack of visible zloty exchange rate adjustment to the global pandemic-driven shock and to the monetary policy easing introduced by NBP".

#### Forex markets (index)



	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.72	26.76	-0.14
EURHUF	358.4	357.8	0.18
EURPLN	4.445	4.456	-0.25

#### Gov. bonds 10 Y (bps change)

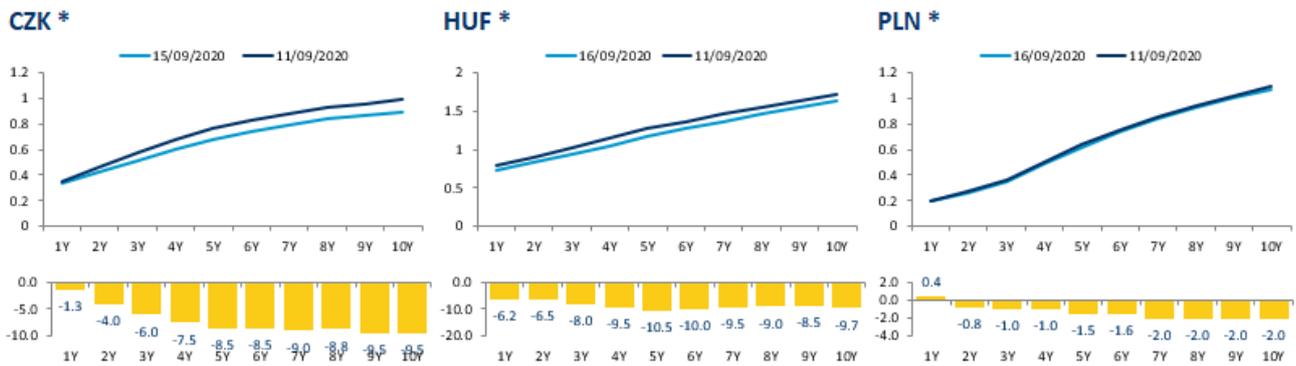


	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.001	1.019	-1.8
HUGB 10Y	2.39	2.40	-0.5
PLGB 10Y	1.37	1.36	0.7

#### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	896.9	898.3	-0.16
BUX	33898	34249	-1.02
WIG	50014	50038	-0.05



\* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday).

## Calendar

Country	Date	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	09/16	9:00	PPI	% 08/01/2020					0.1	-0.1	0.1	-0.1
PL	09/16	14:00	Core CPI	% 08/01/2020					0	4.1	0.2	4.3
PL	09/17	10:00	Wages	% 08/01/2020					-0.9	4.0	1.8	3.8
PL	09/18	10:00	Industrial output	% 08/01/2020					-3.7	3.4	3.4	1.1
PL	09/18	10:00	PPI	% 08/01/2020					-0.1	-1.0	0.3	-0.6

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