

Poland – 2Q22

Macroeconomic Outlook Report



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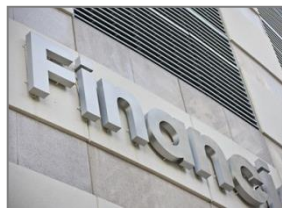
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1. Polish macroeconomic view

In the second quarter of 2022, Polish GDP experienced a slowdown in the growth rate of the economy driven by a decline in household consumption. In addition, CPI continued to rise, driven by increases in energy and monetary policy tightens. Regarding the labour market, the unemployment rate decreased whereas the employment YOY growth level stood at a 1.60% rate this quarter, 0.30% less than last quarter.

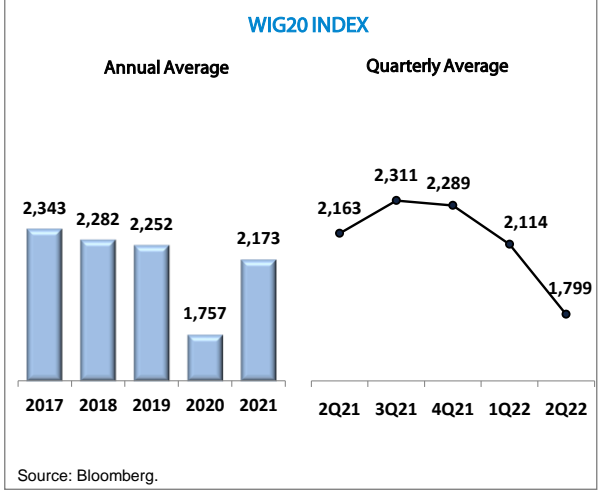
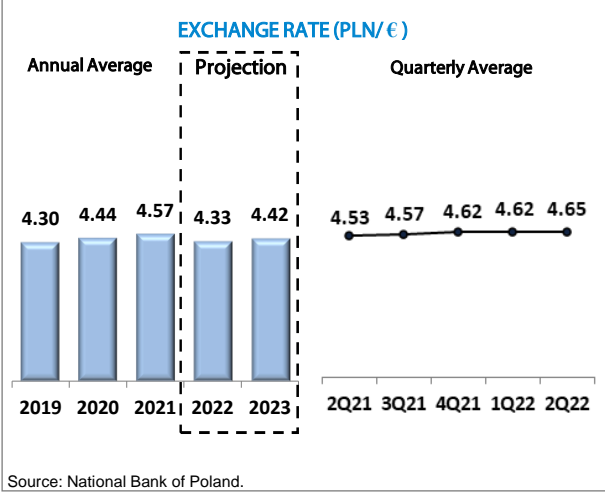
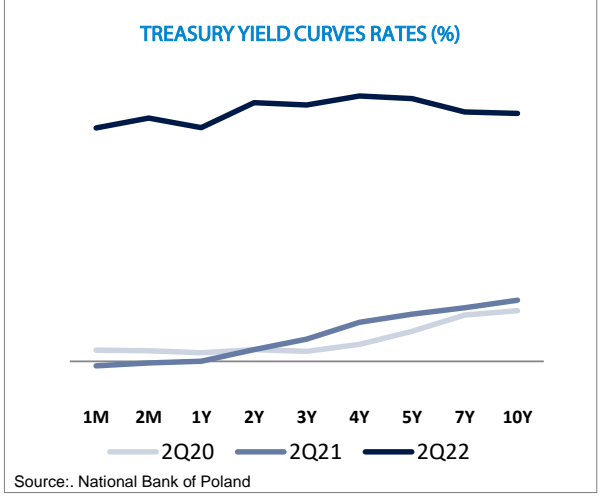
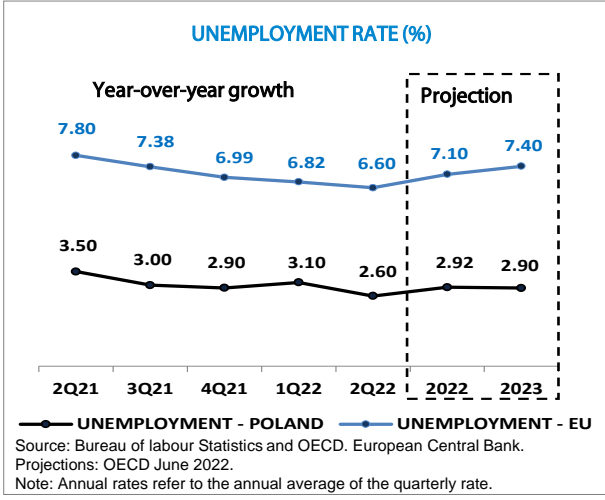
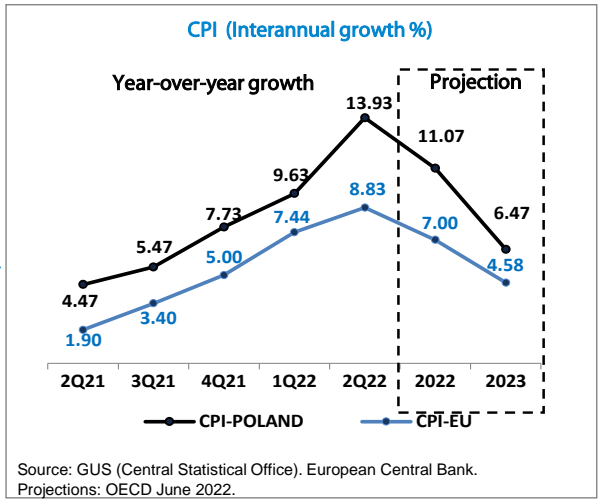
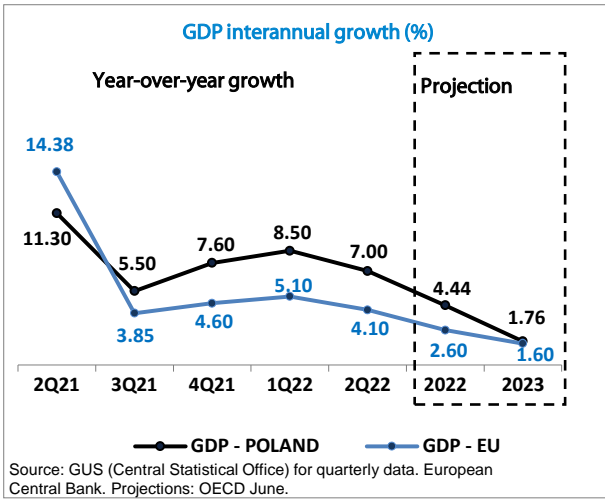
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	2Q21	3Q21	4Q21	1Q22	2Q22	2022	2023
GDP	11.30	5.50	7.60	8.50	7.00	4.44	1.76
DOMESTIC DEMAND	11.80	8.20	10.90	13.20	7.20	4.89	1.60
HOUSEHOLD CONSUMPTION	13.00	4.70	8.00	6.60	6.40	4.39	1.02
PUBLIC CONSUMPTION	10.24	8.89	12.01	10.16	13.67	1.33	2.40
GROSS FIXED CAPITAL FORMATION	17.20	27.30	24.10	57.30	16.70	3.32	3.47
EXTERNAL DEMAND							
EXPORTS	29.80	7.30	6.10	2.00	5.20	3.49	1.75
IMPORTS	33.80	12.50	12.20	8.80	7.80	6.88	1.35
INFLATION							
CPI	4.47	5.47	7.73	9.63	13.93	11.07	6.47
LABOUR MARKET							
UNEMPLOYMENT	3.50	3.00	2.90	3.10	2.60	2.92	2.90
EMPLOYMENT	0.30	0.30	0.40	1.90	1.60	2.42	1.03

Source: : GUS (Central Statistical Office) , OECD June forecast.

- ▶ During the second quarter of 2022, Poland's GDP growth stood at 7.00%, down from the previous quarter. Domestic demand decreased during this quarter compared to 1Q22, to a 7.20% rate.
- ▶ When it comes to the trade balance, during this quarter exports significantly increased compared to the previous quarter up to a 5.20% rate. On the other hand, the total imports level decreased by 1 p.p. down to a 7.80% rate.
- ▶ According to the labor market, the unemployment rate decreased during this quarter to a 2.60% rate compared to 1Q22. The employment year-over-year growth decreased during this period compared to the previous one to a 1.60%
- ▶ During 2Q22, inflation growth significantly rose to a 13.93% rate due to the increase in the food and energy costs according to the worldwide inflation pressures.
- ▶ Regarding the exchange rate, the Polish zloty depreciated against the euro compared with the first quarter of 2022, increasing the average exchange rate in the second quarter to a rate of 4.65 zloty per euro.







2. International overview

LatAm, OECD and China

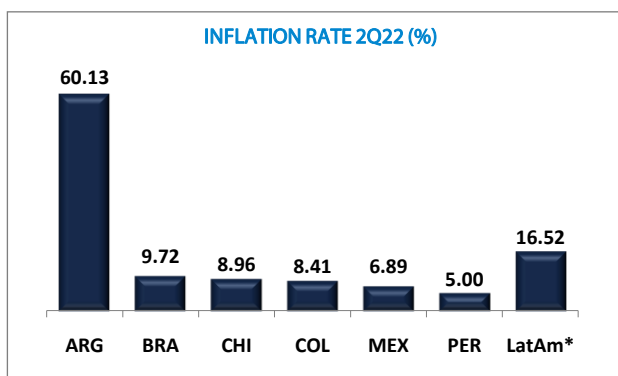
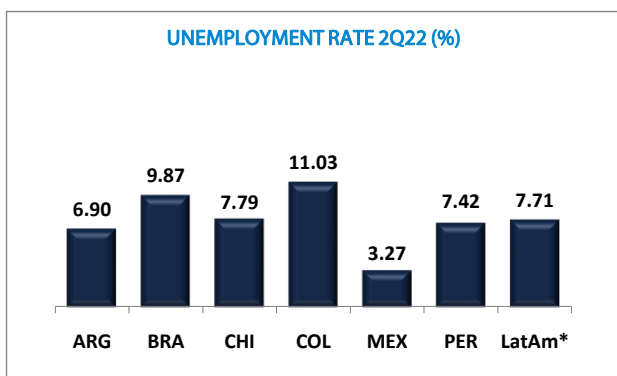
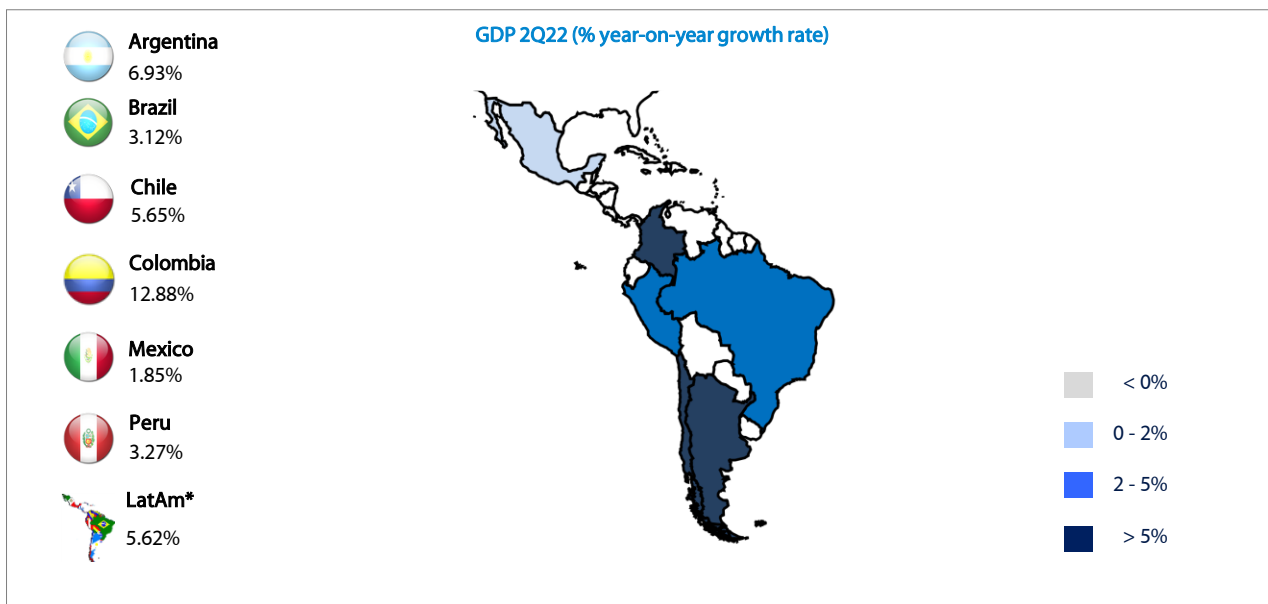
The upward inflationary trend has determined the monetary policies of major global banks and the stagnation of economic growth during 2Q22.

Macroeconomic outlook

- ▶ During the quarter, the global economic recovery continued after the most acute phase of the pandemic, albeit in a very uncertain environment. The main constraints on economic developments were the unfolding war in Ukraine, the slowdown in China, and the intensification of inflationary pressures in the short term, which affected the conduct of monetary policies at the global level. All this dampened households' purchasing power and increased firms' production costs.
- ▶ In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) revised in October its forecast for the Latin American economy for 2022, raising the region's growth by 3.2% and cutting it to 1.4% for 2023. World trade dynamics are expected to be negatively affected by the war, which would lead to a decrease in Latin America's external demand. For its part, the European Commission has acknowledged a slower than expected economic recovery, affected by the outbreak of the war in Ukraine. Likewise, the Fed modified its previous projections for the US, predicting lower GDP growth of 2.3% in 2022 and 1% in 2023.
- ▶ During the second quarter of 2022, the labor market continued to recover from the economic consequences of the pandemic to near pre-pandemic levels. Most countries recorded declines in their unemployment rate compared to 1Q22. Mexico ranked as the country with the lowest unemployment rate (3.27%) while Colombia had the highest rate (11.03%) for Latam. Moreover, Spain reached a 12.48% unemployment rate during this quarter.
- ▶ In 2Q22, inflation increased in all the economies analyzed concerning 2Q21, with the highest rates in Argentina (60.13%), Brazil (9.72%), the United Kingdom (9.16%), and Spain (9.07%). The EMU registered an increase of 6.70 p.p. compared to 2Q21, reaching a rate of 8.60%. The average for Latam was 16.52%. China registered the smallest year-on-year increase, with inflation of 2.23%. Inflation grew at a very high rate due to the energy component. On the other hand, all economies contracted their labor markets, except Canada and China, which recorded slight year-on-year increases.
- ▶ Foreign trade in the G20 countries continued to grow in monetary terms on the back of higher commodity prices and inflation. Exports of the group of the world's 20 largest economies increased by 2.1 % from the previous quarter, while imports rose by 2.6 %. Exports of the European Union as a whole rose by 2 %, Latin America by 2.8 %, and North America by 1.5 % in the quarter.

Financial sector

- ▶ In response to rising inflation, central banks' monetary policy became more restrictive, and most central banks have raised interest rates significantly, reaching levels like those observed in 2017.
- ▶ On the fiscal side, public debt levels remained high in many countries. In a context of high demands for public spending, measures were required to strengthen fiscal sustainability and expand fiscal space by strengthening public revenues.
- ▶ In terms of their ratings, all OECD, China, and Latin American countries kept their ratings constant in the second quarter of the year, except for Chile, which moved from a Moody's rating of A1 to A2, and Mexico, which moved from a Moody's rating of Baa1 to Baa2 during this period.



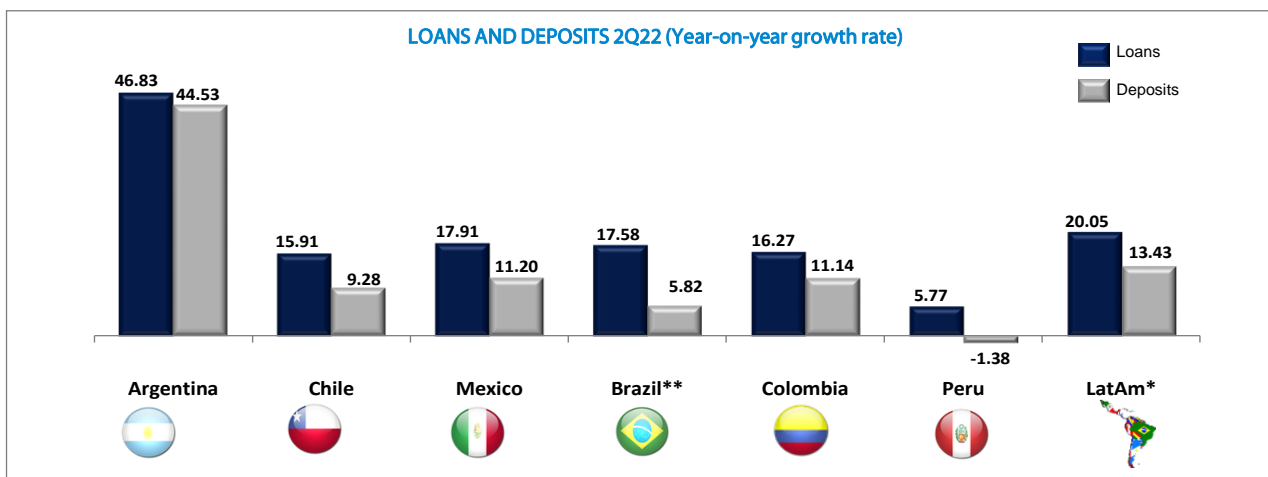
LONG TERM RATES 2Q22

	MOODY'S		S&P		FITCH	
Argentina	Ca	—	CCC+	—	CCC	—
Brazil	Ba2	—	BB-	—	BB-	—
Chile	A2	▲	A	—	A-	—
Colombia	Baa2	—	BB+	—	BB+	—
Mexico	Baa2	▲	BBB	—	BBB-	—
Peru	Baa1	—	BBB	—	BBB	—











▲ Increase since 1Q22

— Constant since 1Q22

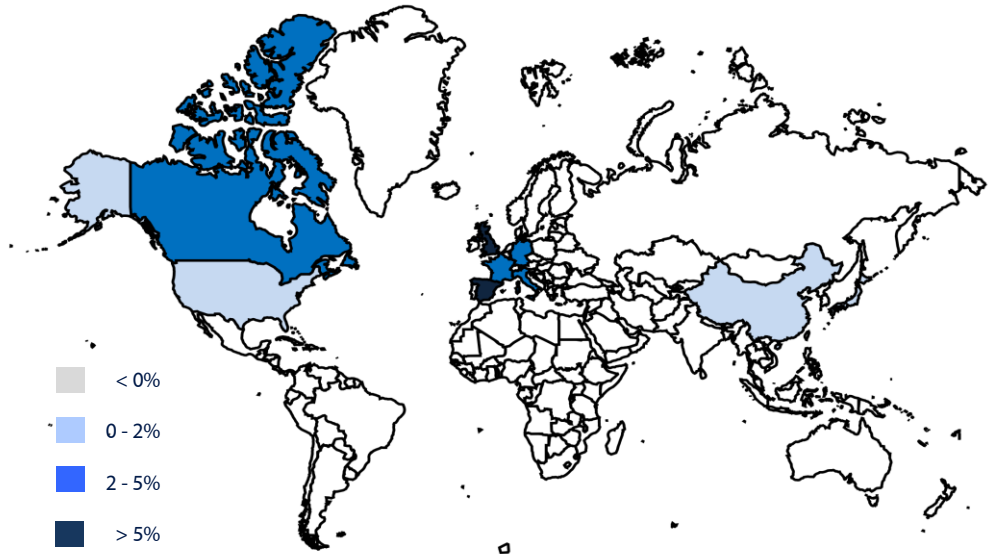
▼ Decrease since 1Q22



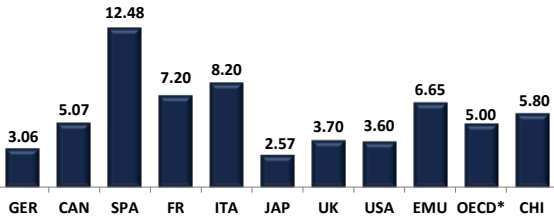
*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.
 **Most updated figures available at the date of the release correspond to 2Q22, except for Brazil's deposits (1Q22)

-  **Germany**
2.56%
-  **Canada**
4.56%
-  **China**
0.40%
-  **France**
4.01%
-  **Spain**
6.78%
-  **Italy**
4.70%
-  **Japan**
1.40%
-  **EMU**
4.25%
-  **UK**
9.95%
-  **USA**
1.70%

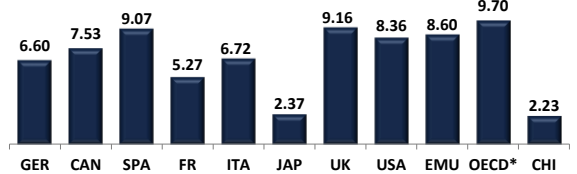
GDP 2Q22 (% year-on-year growth rate)



UNEMPLOYMENT RATE 2Q22 (%)



INFLATION RATE 2Q22 (%)

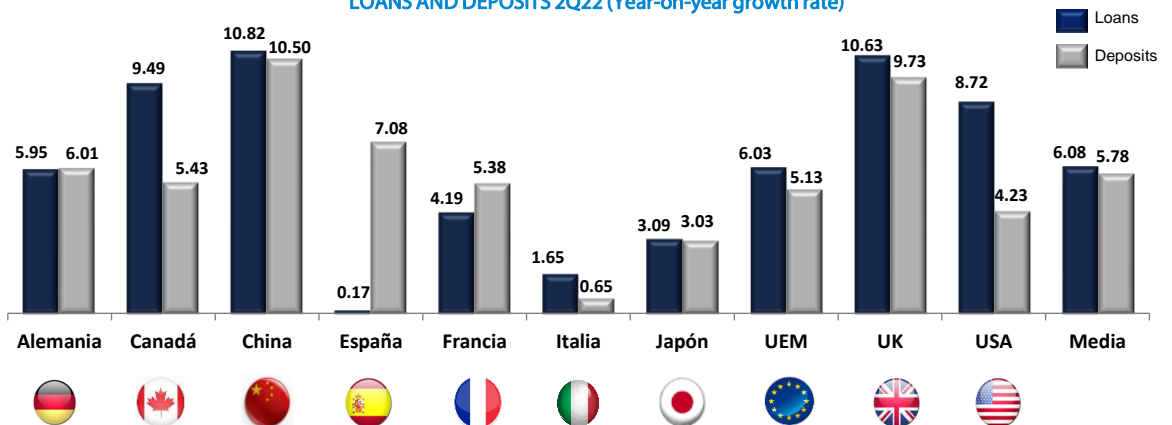


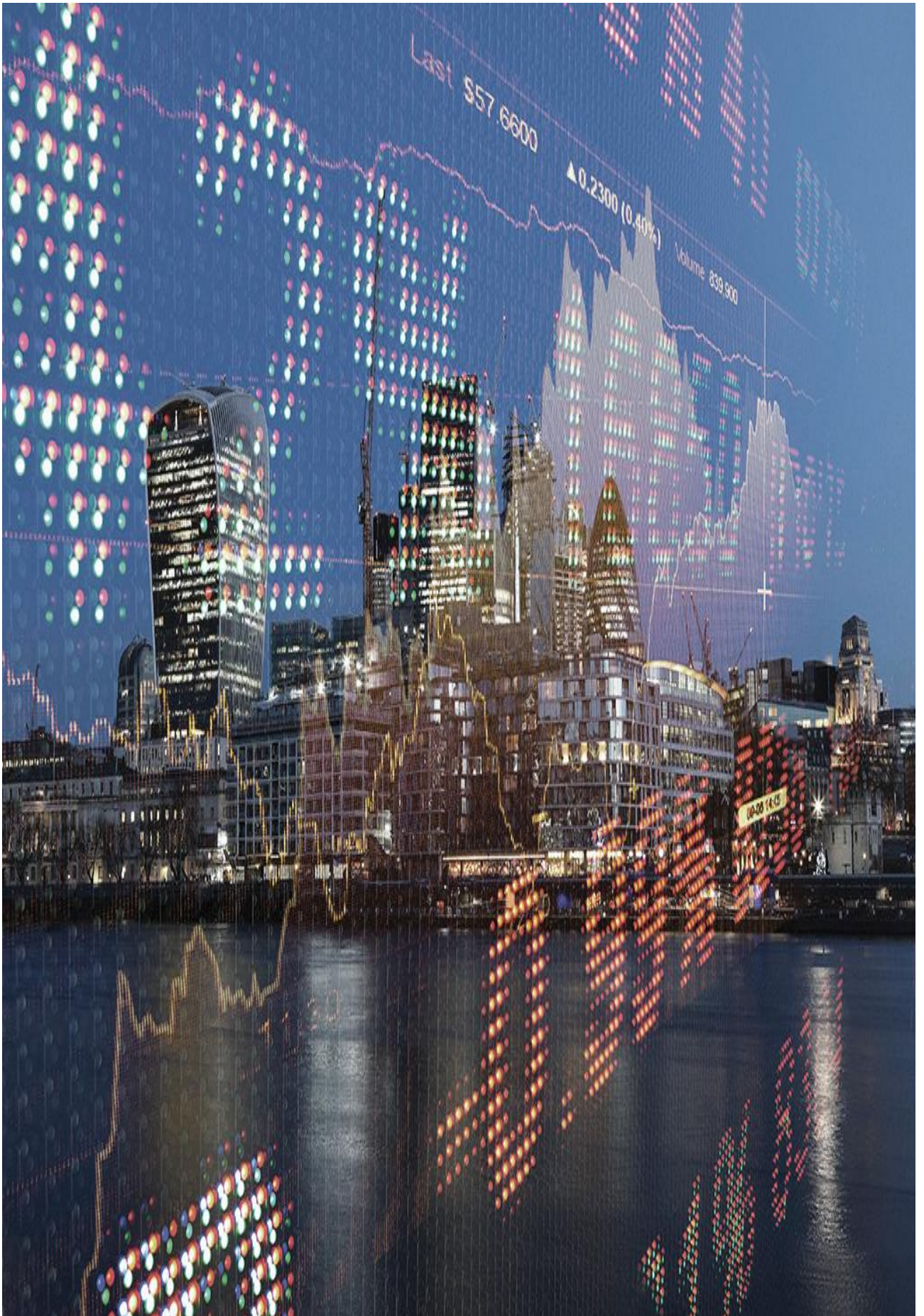
LONG TERM RATES 2Q22

	MOODY'S		S&P		Fitch	
Germany	Aaa	—	AAA	—	AAA	—
Canada	Aaa	—	AAA	—	AA+	—
China	A1	—	A+	—	A+	—
Spain	Baa1	—	A	—	A-	—
France	Aa2	—	AA	—	AA	—
Italy	Baa3	—	BBB	—	BBB	—
Japan	A1	—	A+	—	A	—
UK	Aa3	—	AA	—	AA-	—
USA	Aaa	—	AA+	—	AAA	—

- ▲ Increase since 1Q22
- Constant since 1Q22
- ▼ Decrease since 1Q22

LOANS AND DEPOSITS 2Q22 (Year-on-year growth rate)



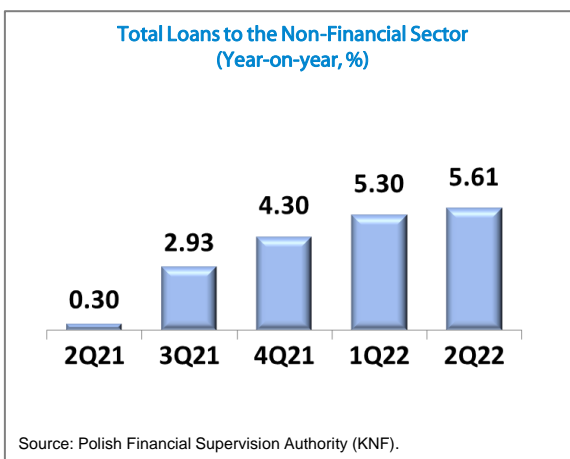


3. Banking sector: general overview

During 2T22, the Total Loans year-on-year ratio increased to 5.61%, reaching a total volume of PLN 1,220,985 million. Also, the Total Deposits YOY growth increased to 4.38%, without recovering from the fall in 1Q22, amounting to a total deposits volumen of PLN 1,533,784 million. The IC/DC ratio increased during the quarter to a 79.61% rate, despite the fall in Commercial Banks and Cooperative Banks rates.

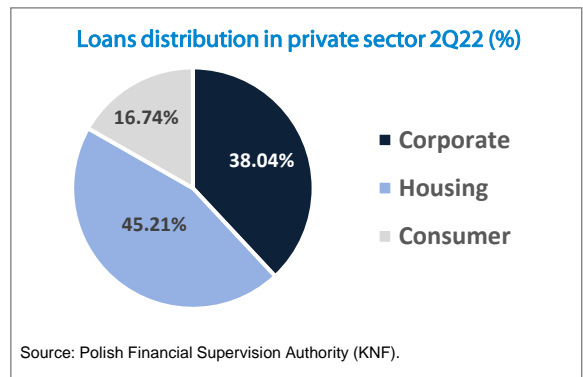
Regarding the cost-to-income ratio was 55.08% -higher than in 1Q22- with the Cooperative Banks' ratio falling to 43.88% and Branches of Credit Institutions down to a 78.00% rate and the rise in Commercial Banks.

Polish banking sector

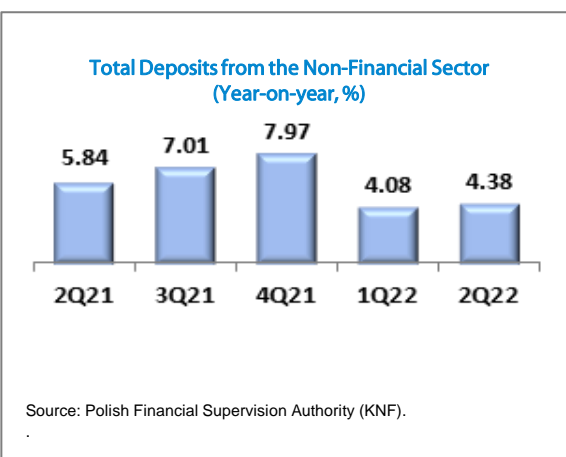


- ▶ During the second quarter of 2022, the growth rate of the total amount of loans to the non-financial sector increased, compared to the previous quarter, by 0.31 p.p. up to 5.61%.
- ▶ Total loans in the private sector amounted to PLN 1,220,985 million during the second quarter, after increasing by 0.53% with respect to the previous quarter.

- ▶ In terms of market share by type of lending institution, the share of loans conceded for housing represented 45.21% of total loans in 2Q22. The amount of loans granted to corporations accounted for 38.04%. Lastly, the amount of loans granted to consumers stood at 16.74% of total loans.

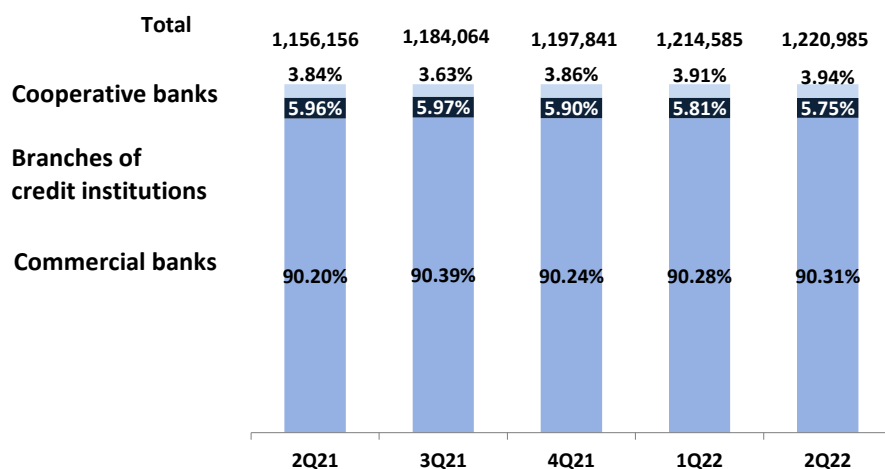


- ▶ In 2Q22, deposits from the non-financial sector increased slightly their y/y growth rate, up to 4.38%, 0.30 p.p. above the rate reached in the previous quarter.
- ▶ This acceleration was driven by the increase in the deposits of commercial banks (0.35 p.p.) as well as cooperative banks (0.63 p.p.).
- ▶ The efficiency ratio of the total financial sector decreased by 3.44 p.p. compared to the same quarter of the previous year, standing at 55.08%. The improvement in efficiency was due to an annual increase in gross margin (38.95%) greater than that of operating expenses (30.78%).



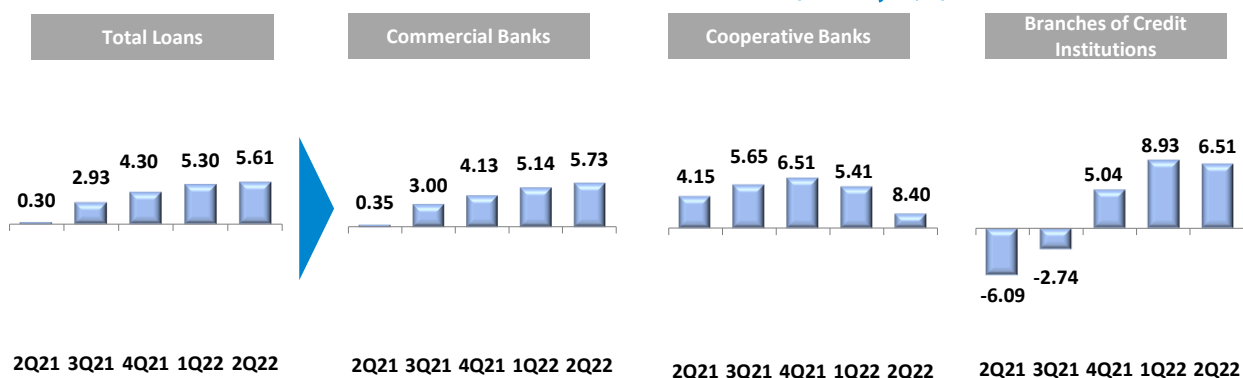
Loans

LOANS MARKET SHARE TO THE NON-FINANCIAL SECTOR (Million PLN)



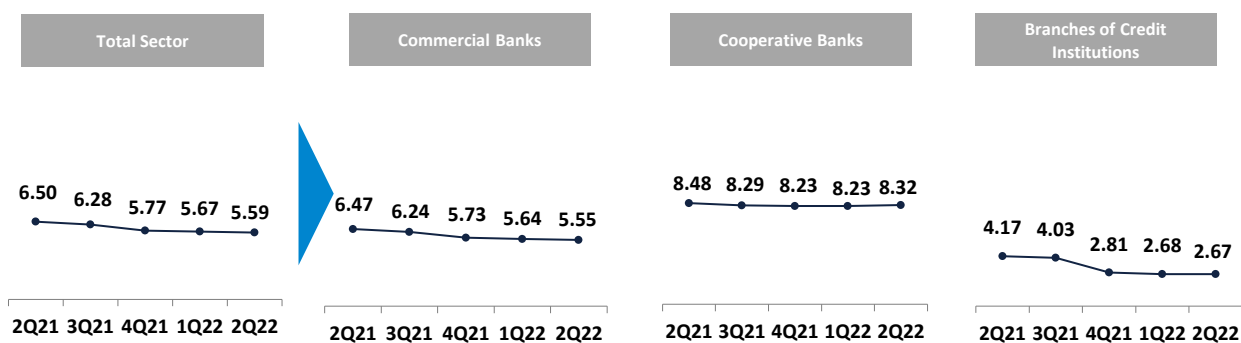
Source: Polish Financial Supervision Authority (KNF).

TOTAL LOANS TO THE NON-FINANCIAL SECTOR (Year-on-year, %)



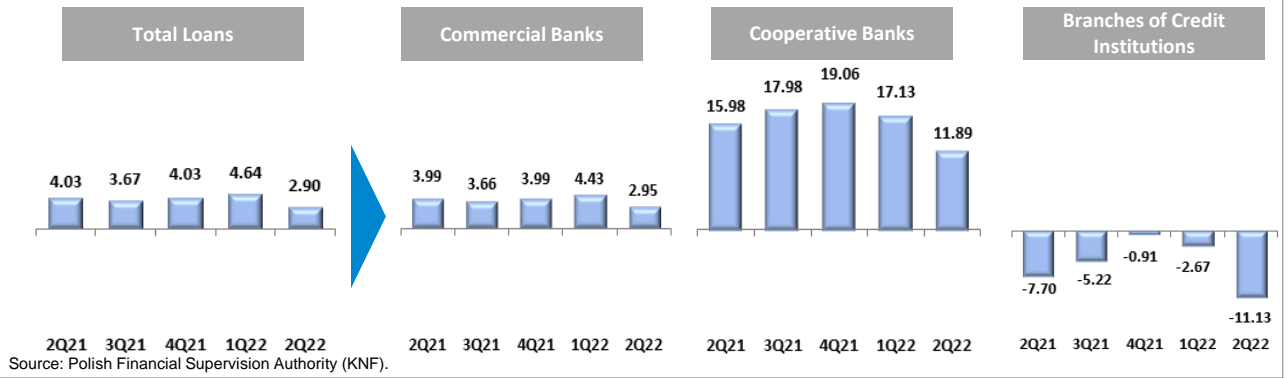
Source: Polish Financial Supervision Authority (KNF).

RATIO OF IMPAIRED LOANS (%)

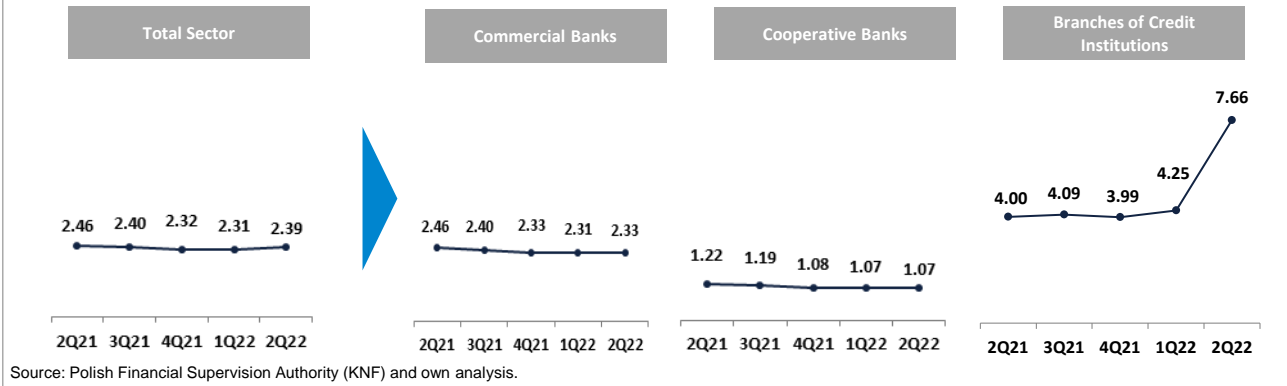


Source: Polish Financial Supervision Authority (KNF) and own analysis.

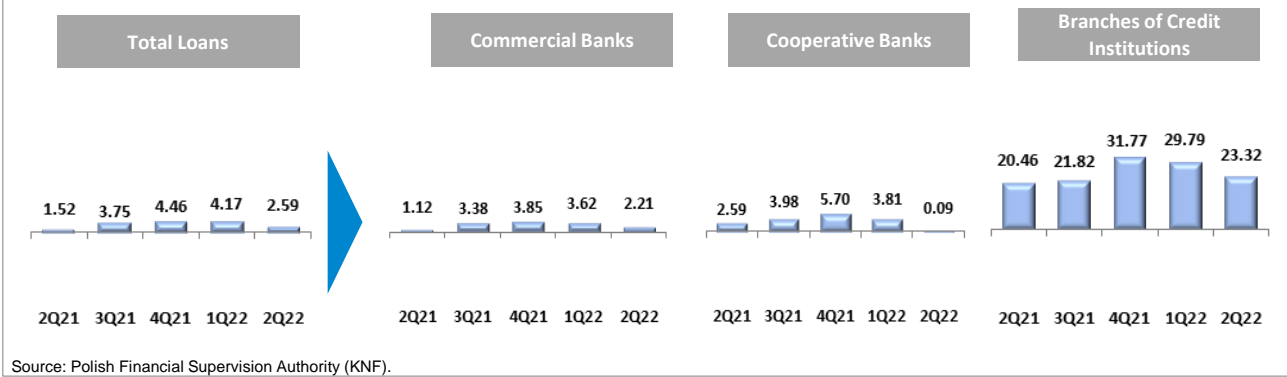
HOUSING LOANS (Year-on-year, %)



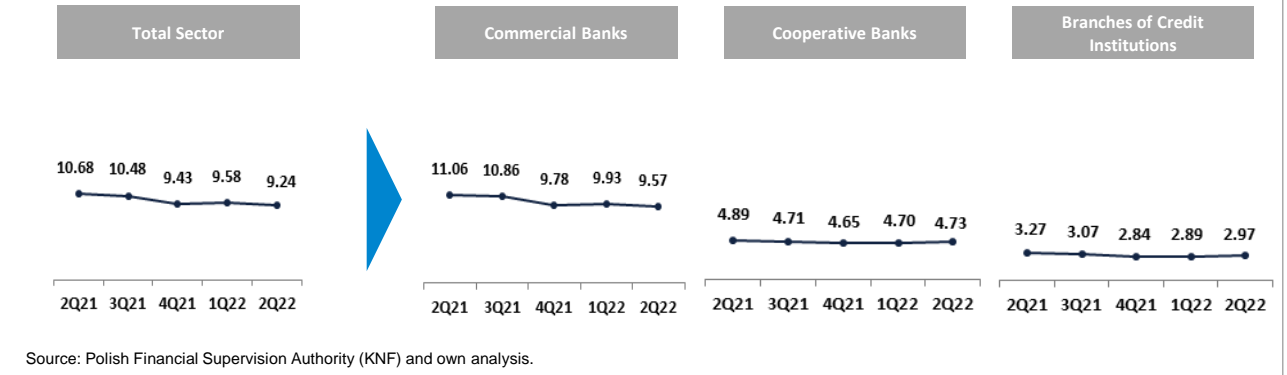
RATIO OF IMPAIRED LOANS - HOUSING LOANS (%)



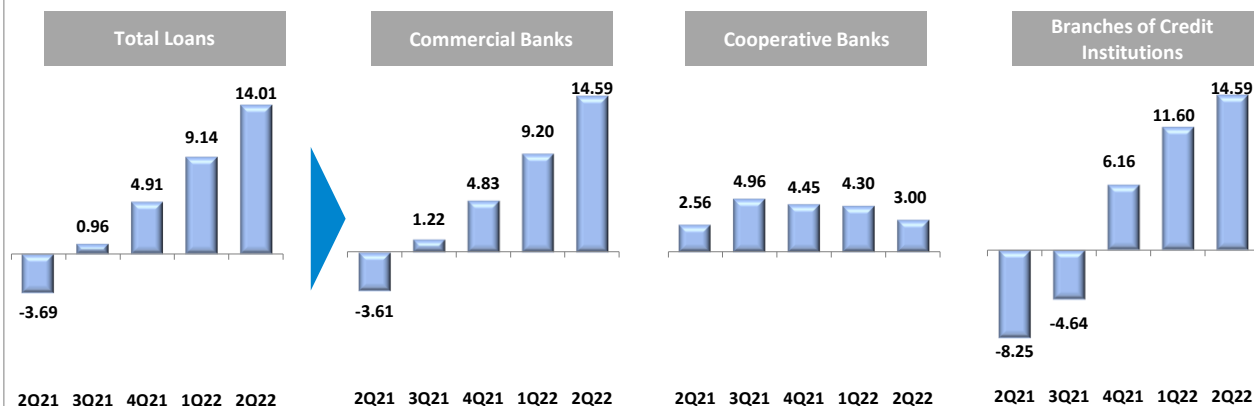
CONSUMER LOANS (Year-on-year, %)



RATIO OF IMPAIRED LOANS - CONSUMER LOANS (%)

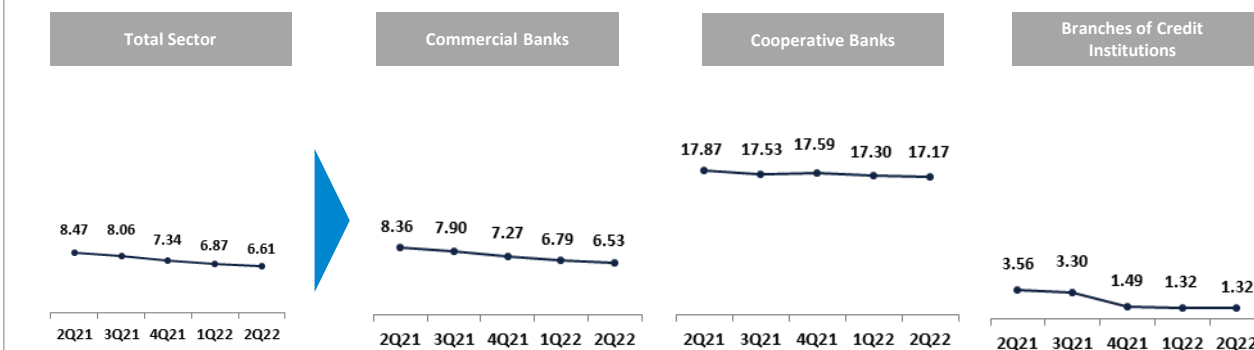


CORPORATE LOANS (Year-on-year, %)

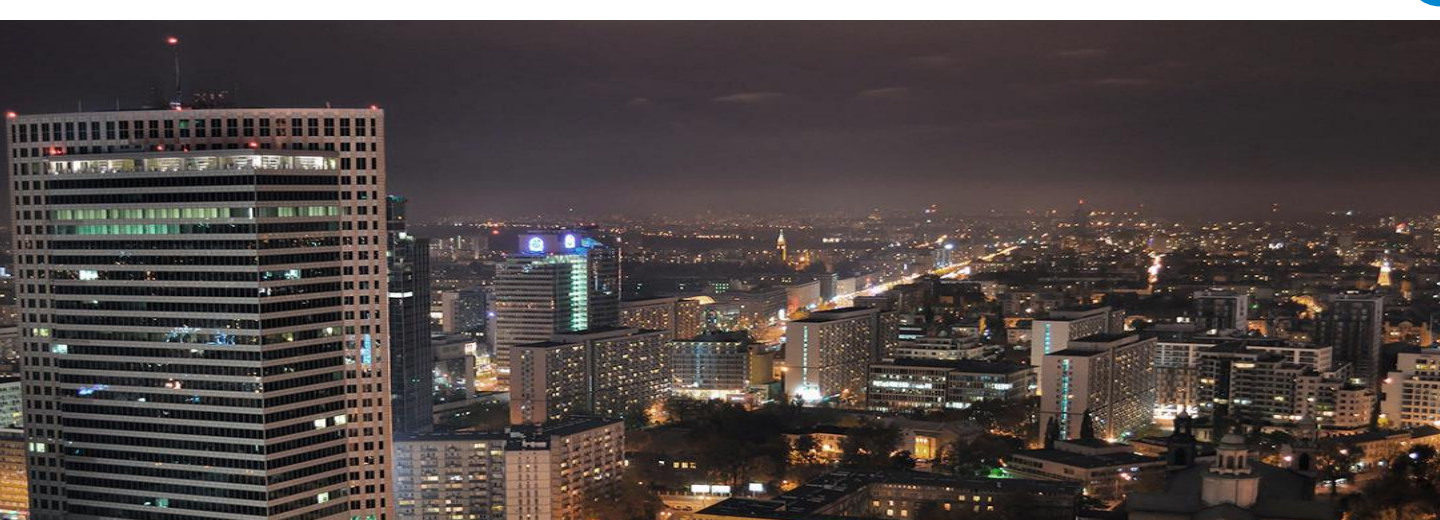


Source: Polish Financial Supervision Authority (KNF).

RATIO OF IMPAIRED LOANS - CORPORATE LOANS (%)

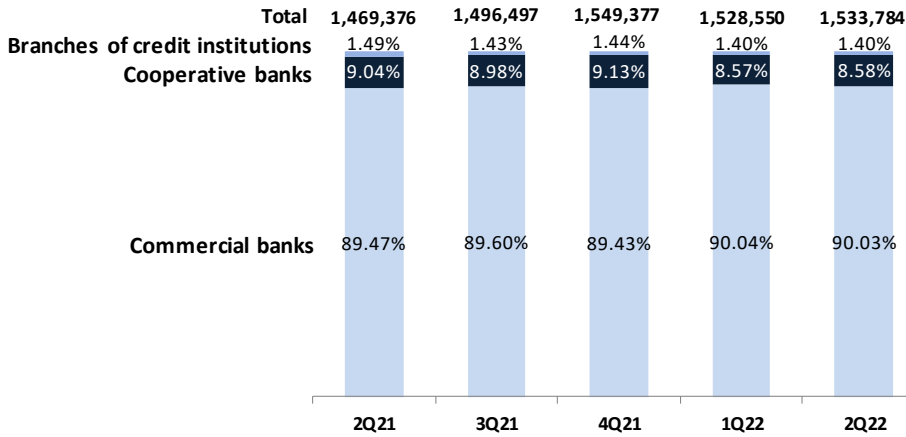


Source: Polish Financial Supervision Authority (KNF) and own analysis.



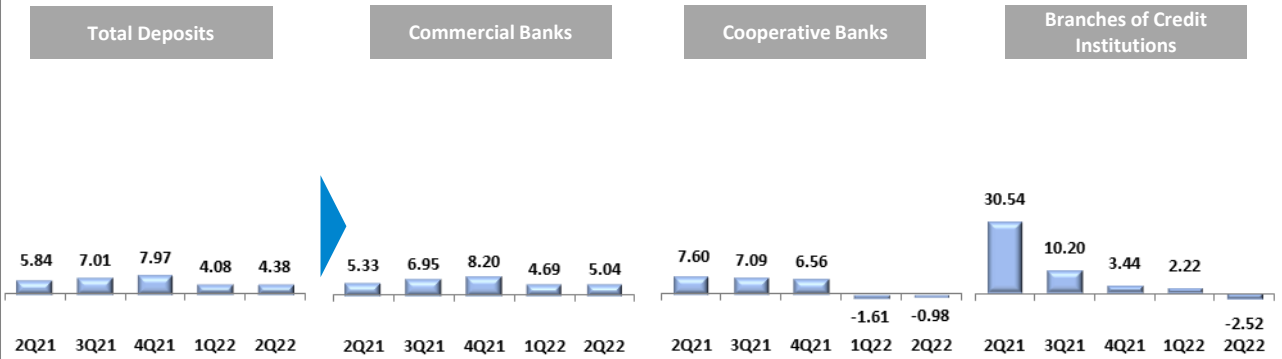
Deposits

DEPOSITS MARKET SHARE FROM THE NON-FINANCIAL SECTOR (Million PLN)



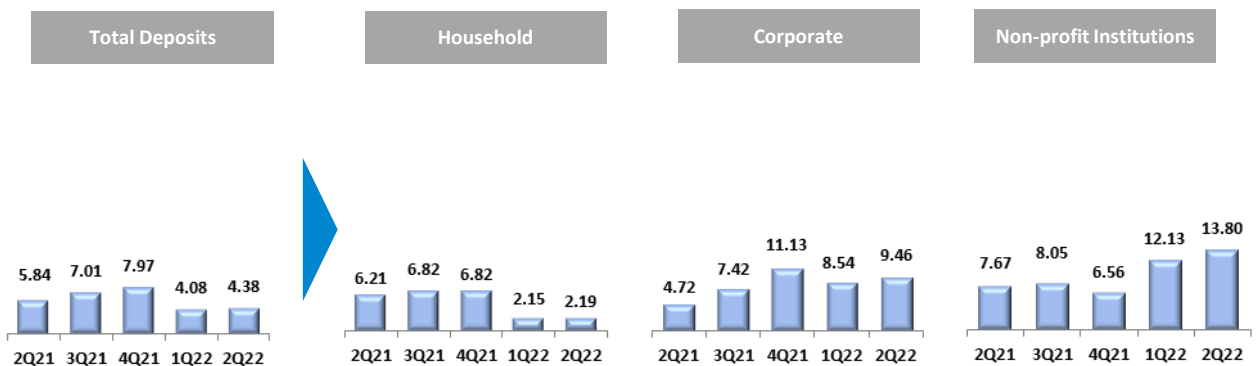
Source: Polish Financial Supervision Authority (KNF).

DEPOSITS TAKEN FROM NON-FINANCIAL CUSTOMERS (Year-on-year, %)



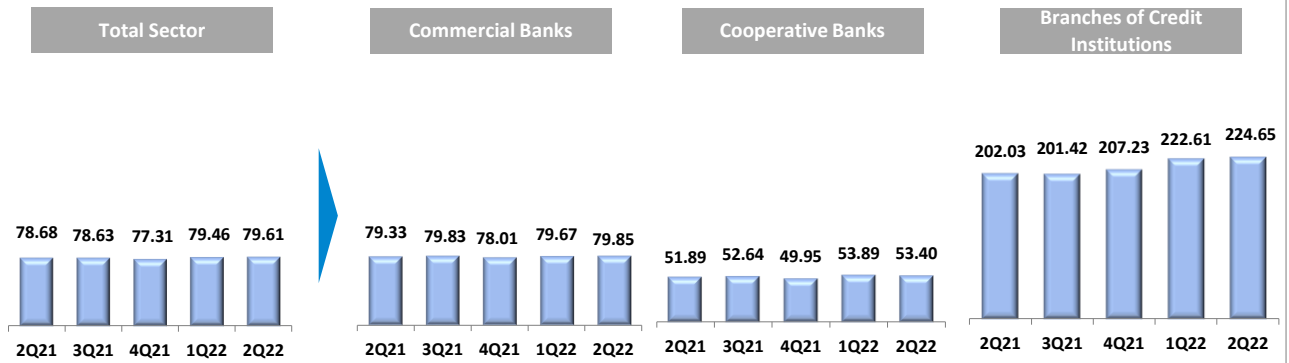
Source: Polish Financial Supervision Authority (KNF).

CUSTOMER DEPOSITS (Year-on-year, %)



Source: Polish Financial Supervision Authority (KNF).

TOTAL LOANS / TOTAL DEPOSITS (for non-financial customers, %)

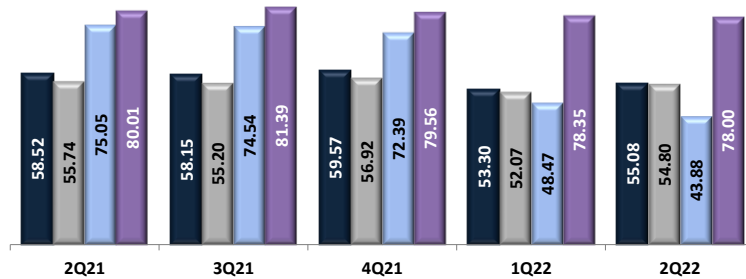


Source: Polish Financial Supervision Authority (KNF) and own analysis.

EFFICIENCY (Quarterly, %)

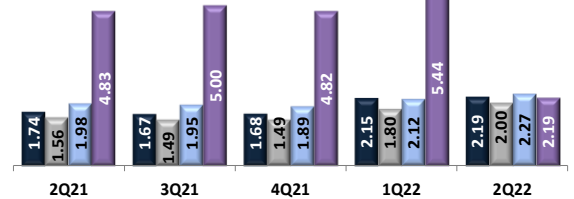
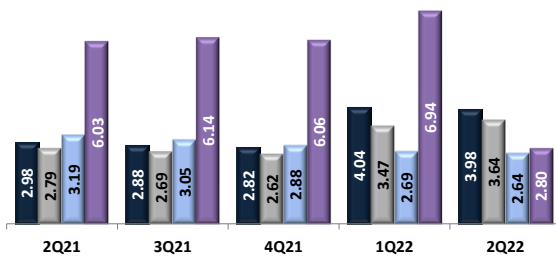
COST / INCOME RATIO

- Total Sector
- Commercial Banks
- Cooperative Banks
- Branches of Credit Institutions

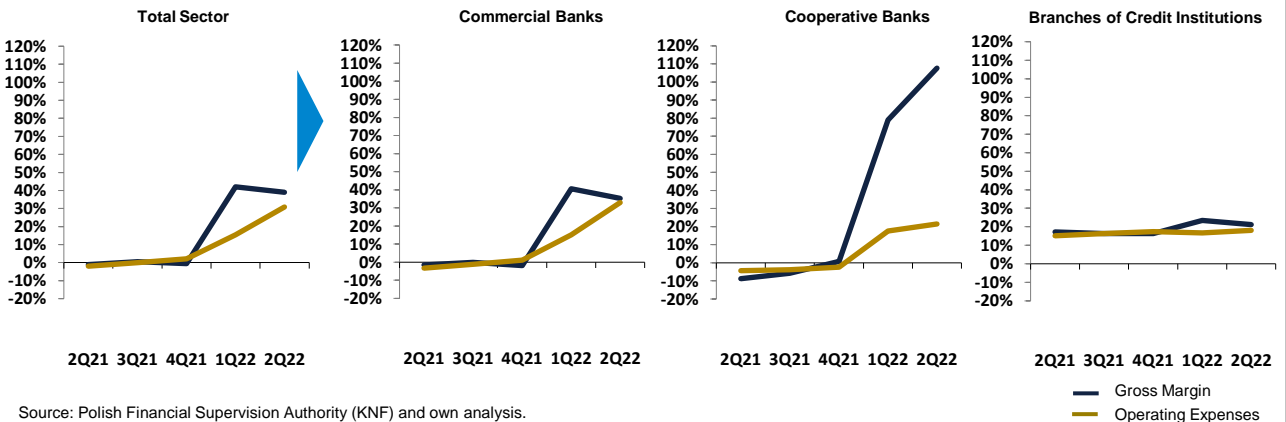


GM / ATAs

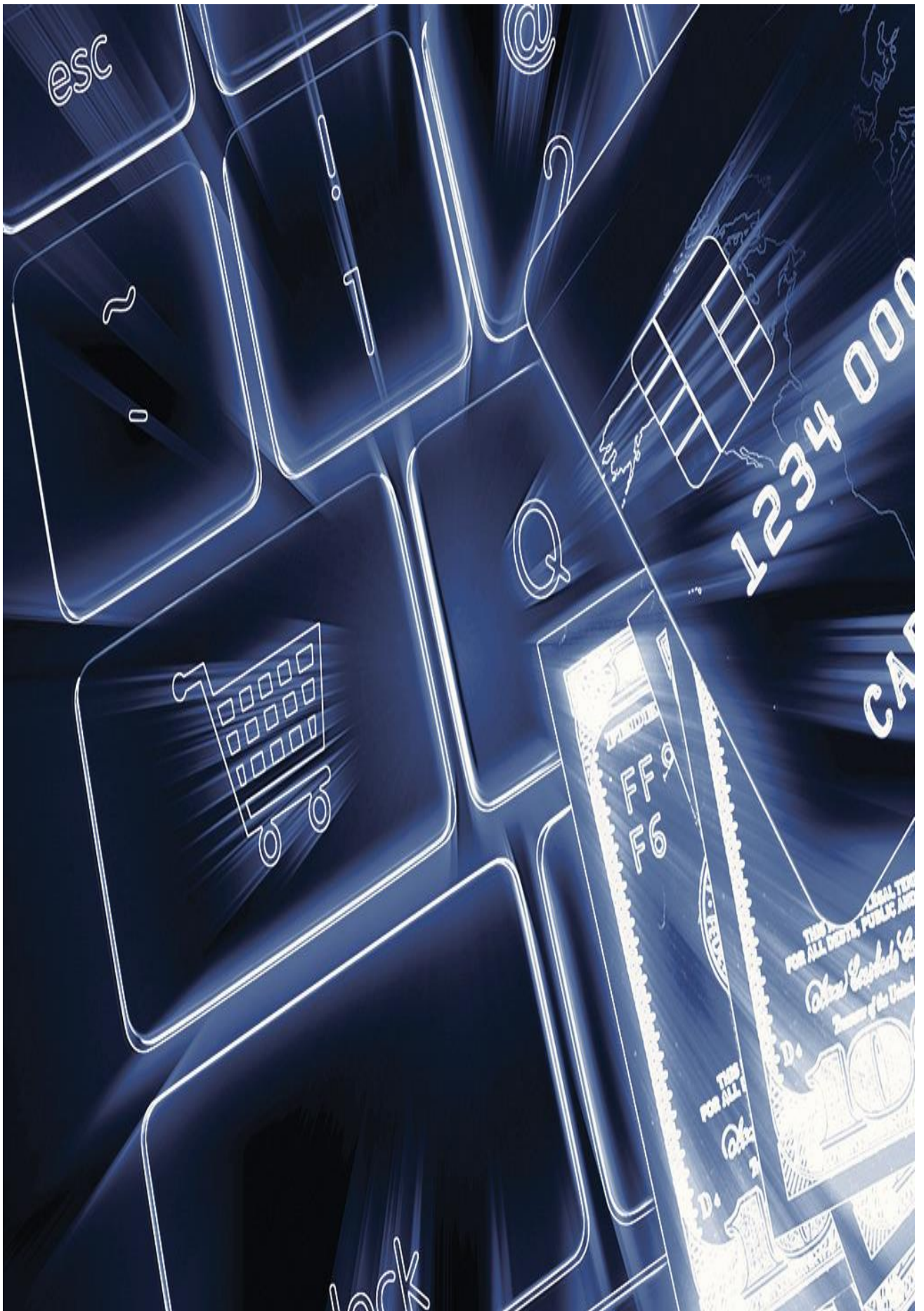
OE / ATAs



GROSS MARGIN AND OPERATING EXPENSES (% growth since the same quarter of the previous year)



Source: Polish Financial Supervision Authority (KNF) and own analysis.



4. Appendix

SOURCES

MACROECONOMIC OVERVIEW

- ▶ National Bank of Poland (NBP):
<http://www.nbp.pl>
- ▶ Central Statistical Office (GUS):
<http://www.stat.gov.pl/gus>
- ▶ Eurostat:
<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>
- ▶ World Bank: <http://www.worldbank.org/>
- ▶ International Monetary Fund (IMF):
<http://www.imf.org>
- ▶ Organisation for Economic Co-operation and Development, OECD:
<http://www.oecd.org/home/>
- ▶ European Central Bank:
<http://www.ecb.int/ecb/html/index.es.html>
- ▶ Central Bank of the Republic of Argentina:
www.bcra.gov.ar
- ▶ Central Bank of Chile:
www.bcentral.cl
- ▶ Bank of Mexico:
www.banxico.org.mx
- ▶ Central Bank of Brazil:
www.bcb.gov.br
- ▶ National Administrative Department of Statistics of Colombia (DANE):
<http://www.dane.gov.co/>
- ▶ Bank of the Republic of Colombia:
<http://www.banrep.gov.co/>
- ▶ Central Bank of Venezuela:
www.bcv.org.ve
- ▶ Central Reserve Bank of Peru:
www.bcrp.gob.pe
- ▶ BBVA Research:
<http://www.bbvarsearch.com/KETD/ketd/es/index.jsp>

GLOSSARY

Cost / income ratio: Operating expenses / operating income.

Gross margin: Net interest income + Net fee and commission income + Dividend income + Net trading income and revaluation + Gains (losses) from other financial securities + Other operating income (expenses).

Ratio of impaired loans: Impaired claims / Total loans.

Return on equity (ROE): Net profit after tax / total equity.

Return on assets (ROA): Net profit after tax / total assets.



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