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## Poland Economics View

### Poland Monthly Economic Outlook

#### OUR TAKE

*Monetary policymakers in Poland still retain the hawkish bias given the uncertainty on administratively controlled prices. Nevertheless, inflation profile is likely to warrant rate cuts later this year.*

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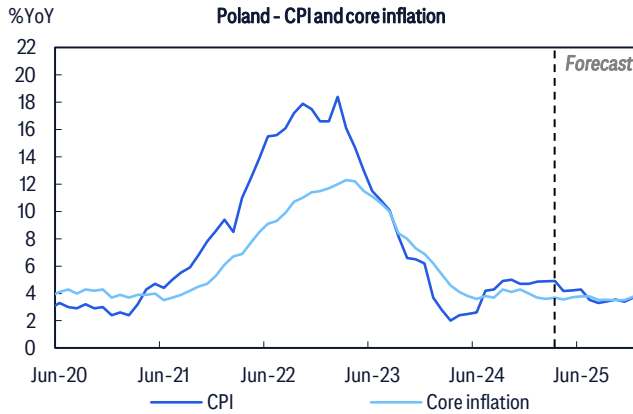
**Poland's pause in interest rate cuts, lasting since October 2023, is likely to be extended at least until the end of the first half of this year.** Monetary Policy Council is retaining its hawkish bias, as rate-setters are focusing on upside risks to inflation. The main concern among policymakers is stemming from the uncertainty regarding future energy prices, where tariffs are frozen until the end of September. The central bank's projections, that were updated in March, envisage the 4Q25 headline inflation more than 1pp above our expectations. Based on the market electricity prices as well as government authorities' comments, we believe that either change in energy tariffs will not result in a significant increase in inflation or the energy bill freeze for consumers will be extended. We expect that MPC will resume rate cuts in the 2H25, penciling in the first move in July, with the scope for 50-75bps easing by the end of the year.

**Headline inflation remained below 5% YoY at the beginning of the year, partly owing to annual re-weighting of the CPI basket.** We expect that inflation peaked already in the first quarter this year and we see downward path later this year, as base effects related to VAT hike on food (in April) and partial unfreezing of energy prices (July) from 2024 wear off. On top of that, there was some cooling in the core categories as well. The core inflation momentum (3-month seasonally adjusted moving average) moved below 0.3% MoM and annualized core inflation is now around 3%. Although part of the decline in year-on-year index may be attributed to shifts in the CPI basket, the underlying pressure is cooling as well. We expect that slowdown in wage growth and relatively strong PLN (especially vs. USD) will accompany further decline in core inflation.

**Strength of the zloty may be among factors that will allow monetary authorities to consider rate cuts.** Although the NBP does not see recent PLN strength as a problem, anecdotal evidence suggests that some exporters may suffer from strong local currency. We believe that the NBP is unwilling to try to actively weaken the Polish currency at this stage as we think the authorities would need to see a very sharp PLN appreciation driven by 'speculative' inflows and going well beyond trends observed in other currencies of the region. The Ministry of Finance does not have an effective tool to weaken the currency and according to our estimates FX funds from Finance Ministry's account are exchanged mostly at the central bank to avoid further PLN appreciation.

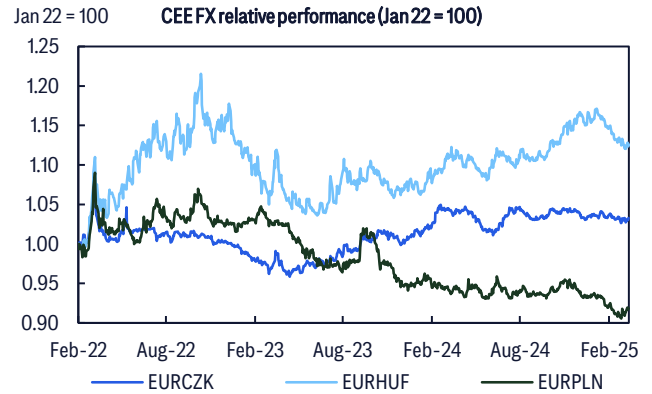
**Poland is likely to be a beneficiary of the European Union's plan to increase military spending.** The [ReArm Europe programme](#) may be particularly important for Poland as the country is already among the largest spenders on defense among NATO countries (as percentage of GDP) and is now under the EU's Excessive Deficit Procedure. A leeway on military-related spending would, according to our estimates, almost halve the fiscal tightening needs that Poland presented in its medium-term fiscal plan. Given the defense needs and the upcoming elections, we believe that fiscal policy in Poland will remain loose and forecast ~6% of GDP deficit this year.

**Figure 1. Inflation at the beginning of the year was below 5%, partially due to shifts in the CPI basket**



Source: Citi Handlowy Forecasts, National Bank of Poland, Statistics Poland

**Figure 2. Polish zloty may encourage monetary authorities to consider rate cuts**



Source: Citi Handlowy, Bloomberg

**Figure 3. Poland Economic Indicators**

	2018	2019	2020	2021	2022	2023	2024	2025F	2026F
<b>Activity</b>									
Nominal GDP, USD bn	590	596	600	682	690	809	907	963	1,032
Population, mn	38.4	38.4	38.1	37.9	37.8	37.6	37.5	37.4	37.4
Real GDP, yoy avg	5.9	4.4	-2.0	6.9	5.3	0.1	2.9	4.0	3.6
Private consumption growth % yoy	4.4	3.5	-3.6	6.2	5.0	-0.3	3.1	3.6	2.9
Real investment growth % yoy	13.8	0.5	-7.5	19.4	7.7	-16.5	4.6	6.0	5.7
Real export growth, % yoy	6.8	5.3	-1.1	12.3	7.4	3.7	1.2	4.6	6.9
Real import growth, % yoy	7.5	3.2	-2.4	16.3	6.8	-1.5	3.3	4.4	6.4
Net export contribution to growth	-0.2	1.6	0.8	-2.0	0.7	4.0	-1.5	0.5	0.9
Unemployment, % of labour force	5.8	5.2	6.8	5.8	5.2	5.1	5.1	5.2	5.0
<b>External (US\$bn)</b>									
Current account	-13.4	-1.6	16.9	-10.1	-17.6	13.7	3.4	-2.4	-1.4
% of GDP	-2.3	-0.3	2.8	-1.5	-2.6	1.7	0.4	-0.2	-0.1
Trade balance	-6.1	-5.5	9.2	-10.4	-26.9	7.3	1.7	-2.1	-1.4
FDI, net	17.4	13.7	14.8	27.3	29.3	19.5	9.0	10.0	10.0
External debt	363.6	355.8	378.1	367.0	375.2	428.7	457.5	478.8	-
Short-term debt	51.5	57.0	61.3	62.4	66.6	74.5	79.5	83.8	-
International reserves	117.0	128.4	154.2	166.0	166.7	193.8	200.8	218.8	-
<b>Public Finances, % of GDP</b>									
Consolidated government balance	-0.2	-0.7	-6.9	-1.8	-3.5	-5.3	-6.0	-5.8	-4.4
Consolidated gov primary balance	1.2	0.6	-5.6	-0.7	-1.9	-3.0	-3.6	-3.0	-1.7
Public debt	46.3	43.3	47.6	43.7	39.3	38.9	43.3	47.3	49.8
External public debt	24.3	21.8	22.3	17.6	17.3	17.6	15.2	14.5	-
<b>Prices</b>									
CPI, %yoy, eop	1.1	3.4	2.4	8.6	16.6	6.2	4.7	3.7	2.6
CPI, %yoy, avg	1.6	2.3	3.4	5.1	14.3	11.5	3.6	4.0	3.0
PLN/EUR, eop	4.29	4.25	4.56	4.59	4.69	4.34	4.28	4.25	4.29
PLN/EUR, avg	4.26	4.30	4.44	4.57	4.68	4.54	4.31	4.22	4.28
Policy Interest Rate, % eop	1.50	1.50	0.10	1.75	6.75	5.75	5.75	5.00	4.00
Long-term yield, %, eop	2.81	2.07	1.25	3.71	6.88	5.25	5.90	5.20	4.80
Nominal wages, % yoy	7.1	6.5	4.7	8.8	13.0	11.9	11.0	8.4	6.5
<b>Quarterly Economic Indicators</b>									
	2024 Q4	2025 Q1	2025 Q2F	2025 Q3F	2025 Q4F	2026 Q1F	2026 Q2F	2026 Q3F	2026 Q4F
GDP, % yoy	3.2	3.7	3.5	4.5	4.2	4.1	3.6	3.4	3.3
CPI, %yoy, avg	4.8	4.9	4.2	3.4	3.5	3.3	3.4	2.7	2.6
PLN/EUR, eop	4.28	4.19	4.21	4.23	4.25	4.26	4.27	4.28	4.29
Policy interest rate, %, eop	5.75	5.75	5.75	5.25	5.00	4.50	4.25	4.00	4.00

Source: Citi Handlowy Forecasts, National Sources

Figure 4. Poland – Monthly forecasts of selected variables

	NBP ref. rate (%)	Lombard rate (%)	POLONIA	ASK ON (%)	ASK 1M (%)	ASK 3M (%)	ASK 6M (%)	ASK 1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	USDPLN (avg)	EURPLN (avg)	CHFPLN (avg)
Apr-25	5.75	6.25	5.65	5.75	5.88	5.94	5.83	5.51	5.10	5.17	5.53	5.77	3.91	4.19	4.40
May-25	5.75	6.25	5.65	5.75	5.88	5.85	5.74	5.41	5.00	5.08	5.47	5.68	3.94	4.21	4.41
Jun-25	5.75	6.25	5.65	5.75	5.76	5.77	5.62	5.29	4.90	5.00	5.40	5.60	3.96	4.21	4.42
Jul-25	5.50	6.00	5.40	5.50	5.63	5.60	5.49	5.16	4.85	4.97	5.33	5.53	3.94	4.22	4.42
Aug-25	5.50	6.00	5.40	5.50	5.51	5.52	5.37	5.04	4.80	4.93	5.27	5.47	3.92	4.23	4.42
Sep-25	5.25	5.75	5.15	5.25	5.38	5.35	5.24	4.91	4.75	4.90	5.20	5.40	3.91	4.23	4.42
Oct-25	5.25	5.75	5.15	5.25	5.26	5.27	5.12	4.81	4.70	4.83	5.13	5.33	3.89	4.24	4.42
Nov-25	5.00	5.50	4.90	5.00	5.13	5.10	4.99	4.70	4.65	4.77	5.07	5.27	3.88	4.25	4.43
Dec-25	5.00	5.50	4.90	5.00	5.01	5.02	4.87	4.62	4.60	4.70	5.00	5.20	3.86	4.25	4.43
Jan-26	4.75	5.25	4.65	4.75	4.88	4.85	4.74	4.54	4.52	4.62	4.93	5.13	3.86	4.25	4.43
Feb-26	4.75	5.25	4.65	4.75	4.76	4.77	4.62	4.47	4.43	4.53	4.87	5.07	3.86	4.26	4.43
Mar-26	4.50	5.00	4.40	4.50	4.63	4.60	4.49	4.41	4.35	4.45	4.80	5.00	3.86	4.26	4.43
Apr-26	4.50	5.00	4.40	4.50	4.51	4.52	4.41	4.35	4.30	4.37	4.77	4.97	3.86	4.26	4.43
May-26	4.25	4.75	4.15	4.25	4.38	4.35	4.33	4.29	4.25	4.28	4.73	4.93	3.85	4.27	4.43
Jun-26	4.25	4.75	4.15	4.25	4.26	4.27	4.29	4.24	4.20	4.20	4.70	4.90	3.85	4.27	4.43
Jul-26	4.00	4.50	3.90	4.00	4.13	4.19	4.24	4.20	4.13	4.15	4.68	4.87	3.85	4.27	4.43
Aug-26	4.00	4.50	3.90	4.00	4.13	4.19	4.24	4.18	4.07	4.10	4.67	4.83	3.85	4.28	4.43
Sep-26	4.00	4.50	3.90	4.00	4.13	4.19	4.24	4.16	4.00	4.05	4.65	4.80	3.85	4.28	4.43
Oct-26	4.00	4.50	3.90	4.00	4.13	4.19	4.20	4.14	3.93	4.00	4.60	4.80	3.85	4.28	4.43
Nov-26	4.00	4.50	3.90	4.00	4.13	4.19	4.16	4.12	3.87	3.95	4.55	4.80	3.85	4.29	4.43
Dec-26	4.00	4.50	3.90	4.00	4.13	4.19	4.12	4.10	3.80	3.90	4.50	4.80	3.84	4.29	4.43
Jan-27	4.00	4.50	3.90	4.00	4.13	4.10	4.08	4.08	3.80	3.90	4.50	4.80	3.84	4.29	4.43
Feb-27	4.00	4.50	3.90	4.00	4.01	4.02	4.04	4.06	3.80	3.90	4.50	4.80	3.84	4.30	4.43
Mar-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	3.84	4.30	4.43
Apr-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	3.84	4.30	4.43
May-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	3.84	4.30	4.42
Jun-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	3.84	4.30	4.42
Jul-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.47	4.80	3.85	4.31	4.42
Aug-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.43	4.80	3.85	4.31	4.41
Sep-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.40	4.80	3.85	4.31	4.41
Oct-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.40	4.80	3.85	4.31	4.41
Nov-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.40	4.80	3.85	4.31	4.40
Dec-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.40	4.80	3.85	4.31	4.40

Source: Citi Handlowy Forecasts, Haver Analytics, National Bank of Poland, Statistics Poland

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