

POLAND : MACRO OUTLOOK

# Inflation at target gives more room to the NBP

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Economy Poland - Analyses and Forecasts | Erste Group Bank AG  
December 10, 2025

Spot Rates as of: December 10, 2025  
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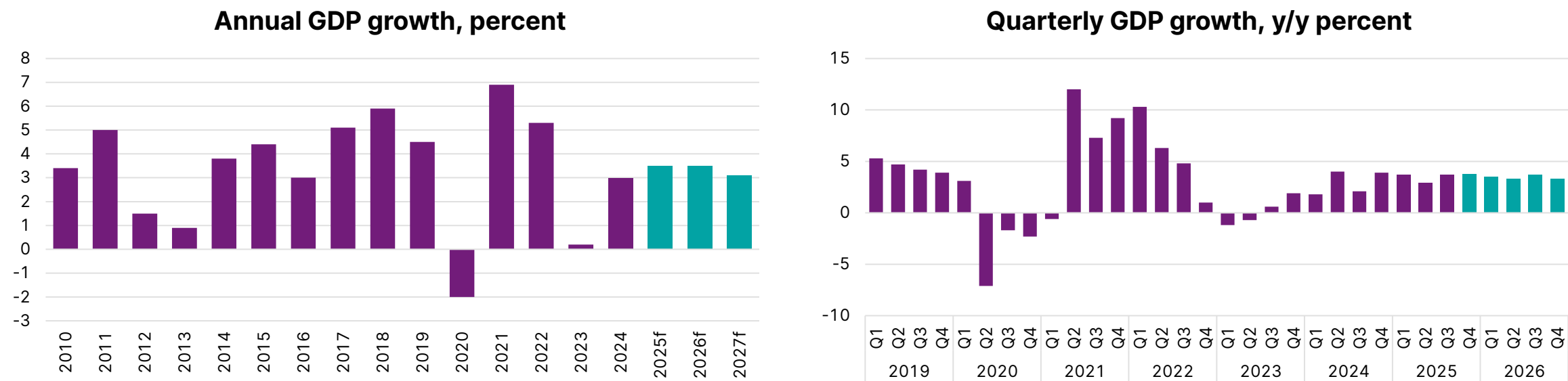
# Expected development in a nutshell

Poland continues with its impressive economic growth with Q3 figure at 3.8%, prompting an upward revision of our 2025 forecast to 3.5%. The robust performance this year is attributed to strong private consumption, government spending and an improving external balance, with expectations that growth will remain above potential through 2026 before moderating in 2027. In Q3, public consumption, investments and trade have been the key drivers, while private consumption slightly disappointed and inventories were a drag. Investment is set to benefit from EU funds, and exports have outperformed expectations, signaling a positive trend for external demand.

Inflation has surprised on the downside, with November's flash estimate at 2.4% and forecasts suggesting moderate price growth into 2026 and 2027. The Monetary Policy Council responded by cutting rates, with further easing expected if inflation remains subdued. Even after rate cuts, the Monetary Conditions Index remains restrictive due to an overvalued real exchange rate, which could justify further rate reductions. Despite negative fiscal developments and credit rating downgrades, Polish bonds have remained resilient, supported by dovish monetary policy. The FX market has seen stability in the EUR/PLN rate, with the zloty expected to gradually depreciate as interest rate differentials narrow.

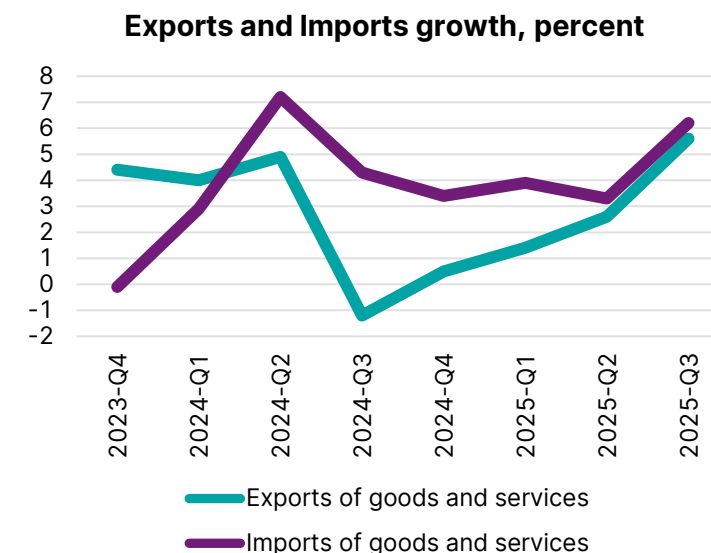
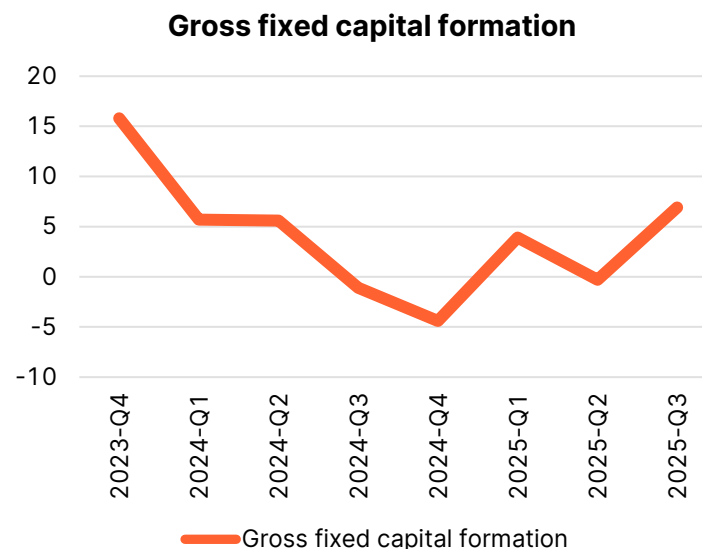
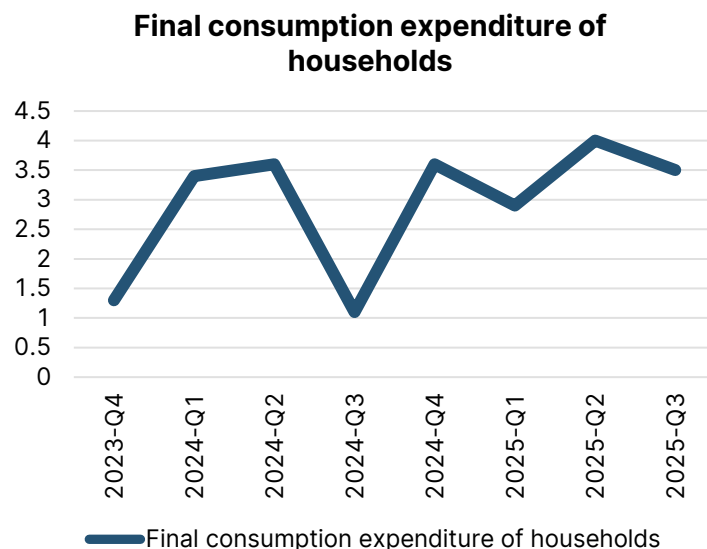
Poland's fiscal situation remains challenging, with the deficit projected at 7% of GDP in 2025 and 6.8% in 2026, driven by record defense spending, social transfers, and rising debt servicing costs. The government aims to enhance revenues through targeted tax increases rather than cutting social programs, leaving the budget reliant on nominal GDP growth. Politically, the landscape has stabilized post-election, with the President and government finding some limited common ground, while polling data showing shifts among major parties. The latest Eurostat SDG report highlights Poland's progress on most sustainable development goals, especially in social areas, though environmental challenges persist.

# GDP growth to remain strong also next year



Third-quarter GDP growth reached 3.8% year-over-year, with seasonally adjusted quarterly figure recorded at 0.8%. This represents the strongest annual economic performance since 2022. As the year-to-date growth already averages 3.4%, which was our initial full-year estimate, we have revised our 2025 forecast upward to 3.5% due to expectations of a robust fourth quarter. This revision is primarily driven by substantial government spending in Q3 and a faster-than-anticipated improvement in the external balance. We project this momentum will persist into 2026, with the economy maintaining a growth rate of 3.5%. In both years, the Polish economy is set to outperform its potential growth, which the European Commission estimates at 2.9% for 2025 and 2026. Looking toward 2027, we expect growth to moderate slightly to 3%, signaling a convergence toward the estimated potential of 2.8%.

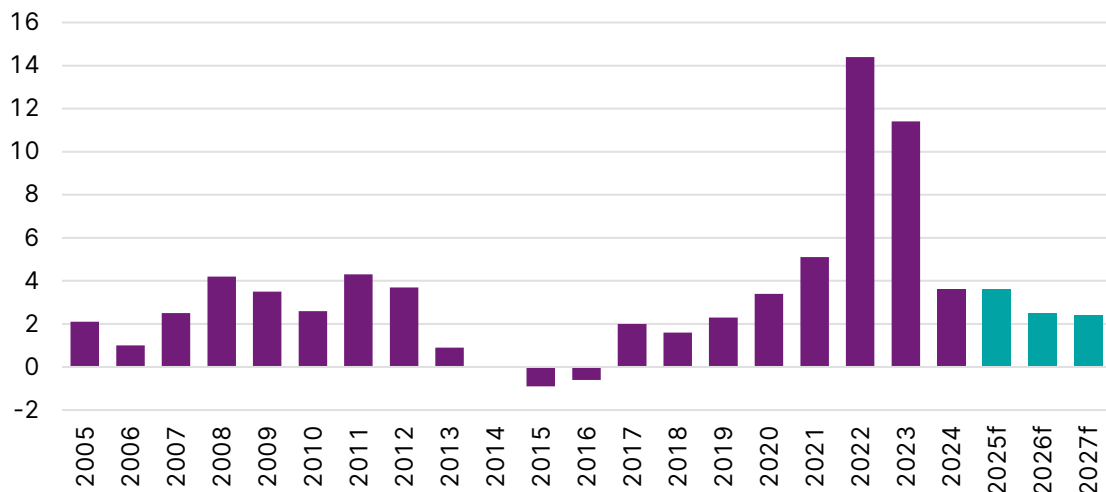
# GDP boosted by public consumption and improving trade



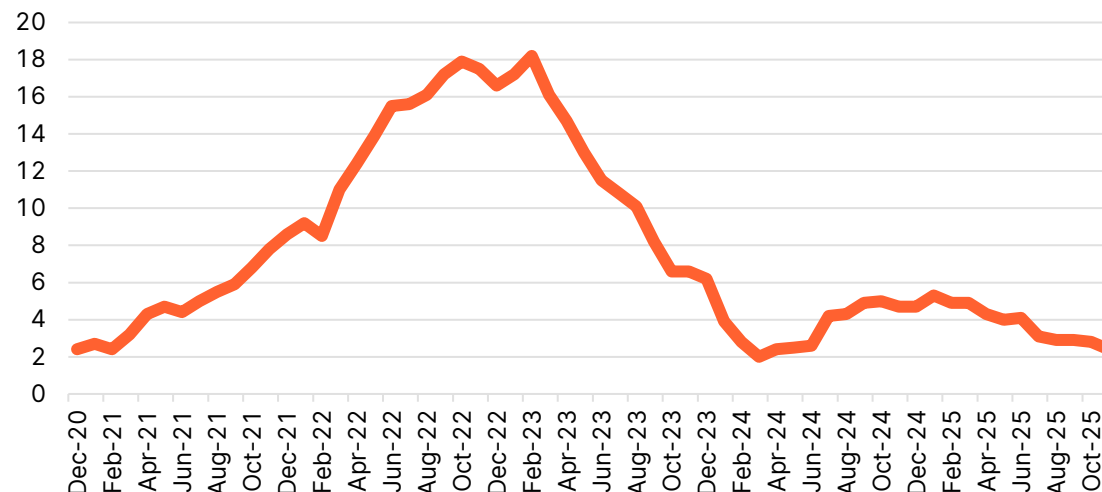
Q3 growth was primarily driven by the already mentioned surge in public expenditure (+1.5pp) and steady fixed investment (+1.1pp). On the other hand, private consumption fell short of expectations, yet still added 2pp to overall growth, while inventories acted as a drag. Interestingly, net exports provided a positive contribution for the first time since early 2024, signaling a trend reversal that bodes well for 2026. Looking ahead, private consumption is projected to rise from 3.5% in Q3 to approximately 4% before slowing as wage increases moderate. Investment is expected to receive a significant boost from the full utilization of RRF funds and the increasing inflows of Cohesion funds. The inventory cycle, having turned negative in Q3, is not expected to see a meaningful buildup until late 2026. Finally, export performance exceeded expectations; while we initially anticipated a widening trade deficit due to a weak external environment, solid export growth indicates growing external demand for Polish goods and services. Therefore, we expect the external balance to make a much smaller, albeit still negative, contribution to growth next year.

# Inflation to remain around the target next year

**Inflation, percent**

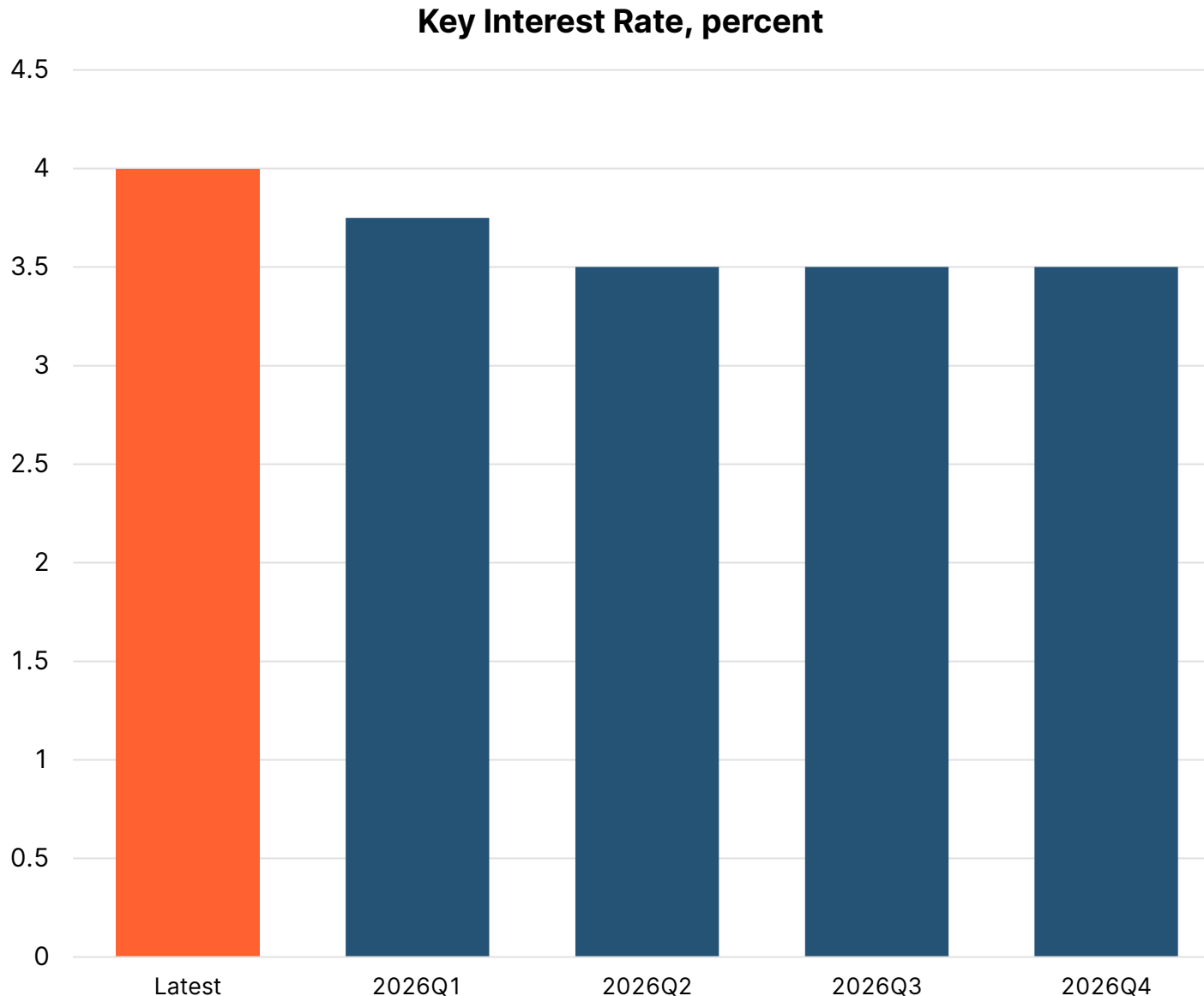


**Monthly inflation development, y/y percent**



The flash inflation estimate for November came in at 2.4% year-on-year, yet another downside surprise. On a monthly basis, prices rose by a marginal 0.1%. Recent data confirms that inflationary pressures within the Polish economy are dissipating. The primary driver of this disinflation has been goods prices, particularly food and beverages, which have consistently grown below expectations since August. Favorable base effects from this category are expected to persist throughout most of 2026, putting downward pressure on the headline figure. While service price inflation remains elevated, currently standing at 5.6% y/y, a downward trajectory is expected as wage growth cools off. Regarding the 2026 outlook, there are no major external factors likely to drive inflation significantly higher. Forecasts suggest oil prices will stagnate or decline further; coupled with declining agricultural commodity futures, this signals a continued disinflationary environment. Furthermore, government and energy sector projections indicate that new energy tariffs will likely be comparable to, or lower than, the fixed levels seen in 2025. We see 2026 inflation average 2.5%, declining marginally in 2027 to 2.4%.

# Monetary policy



At its final meeting of 2025, the Monetary Policy Council opted to cut interest rates again, responding to strong disinflationary data from November. The Governor adopted a cautiously dovish tone during his press conference, reiterating that future decisions remain data-dependent while acknowledging the potential for further easing.

We anticipate a pause in rate reductions during January and February, with a resumption of easing likely in March via a 25 basis point cut. This decision will depend on the updated inflation and growth forecasts, which are expected to reveal a more moderate inflation path than the Council's current assumptions. If our projections materialize, we expect an additional rate reduction in Q2. Moreover, should inflation fall below the central bank's target, it could prompt even deeper cuts, potentially bringing the key interest rate to the lowest level in the CEE region.

# Yields and spreads

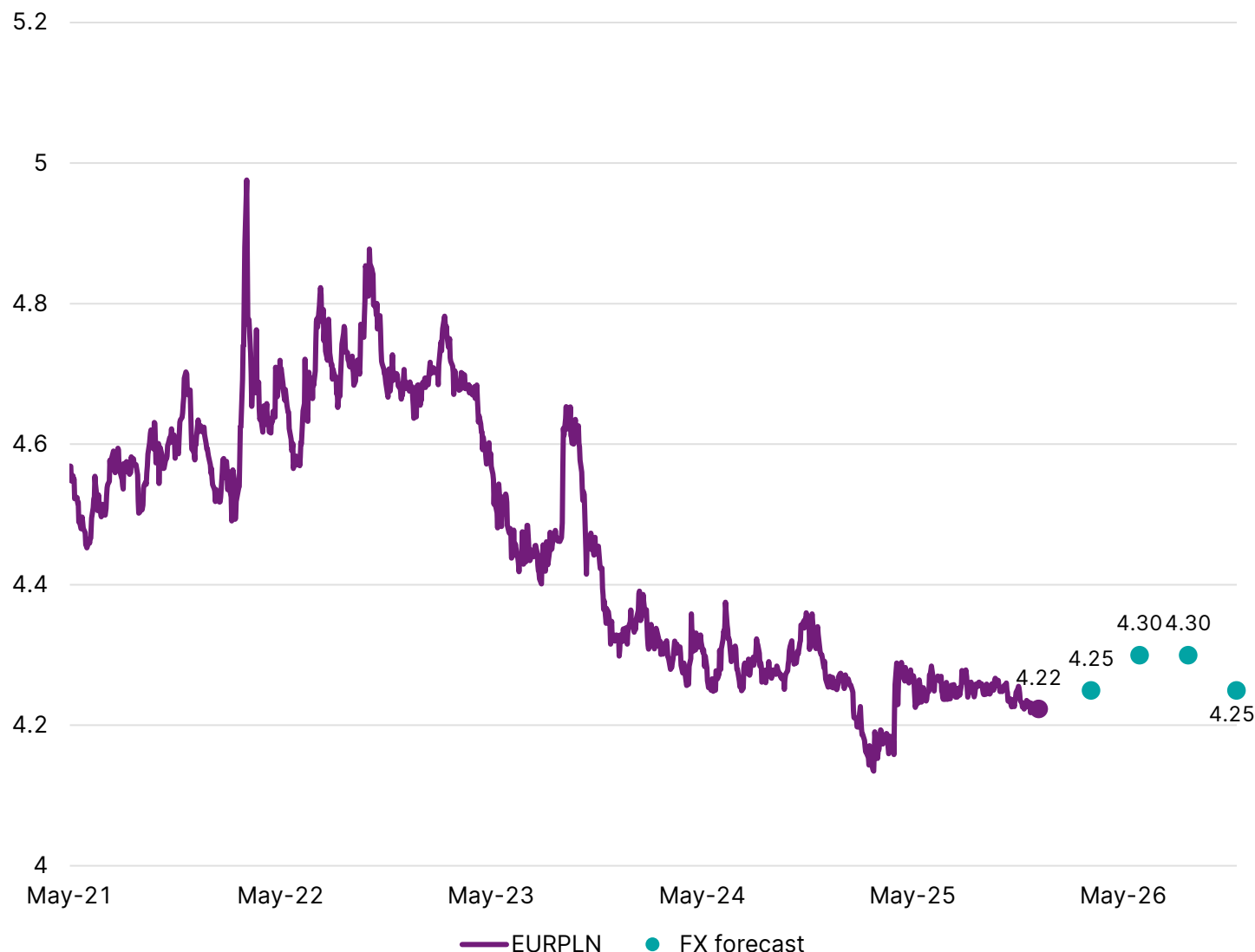
The Polish bond market has demonstrated resilience, showing only a moderate reaction to negative fiscal developments. The 2026 draft budget, which projects a significant deficit of 6.5% of GDP and rising debt levels, prompted Fitch and Moody's to revise their outlooks to negative. Despite these downgrades, the 10-year yield remained capped below 5.5%. Sentiment improved after S&P affirmed its rating, triggering a decline in yields. This downward trend persisted through the second half of November, supported by the NBP's dovish policy, with the 10-year yield reaching 5.1%, followed by a return to 5.2%.

We forecast that the benchmark yield will consolidate above 5% through the end of the year and into the coming months, before trending back towards 5% as the NBP continues to cut rates. However, we see potential upside risks stemming from external markets, specifically the possibility of yield curve steepening in both the US and Germany.

## 10Y yield development and forecast



## FX market development and forecast



## FX Market

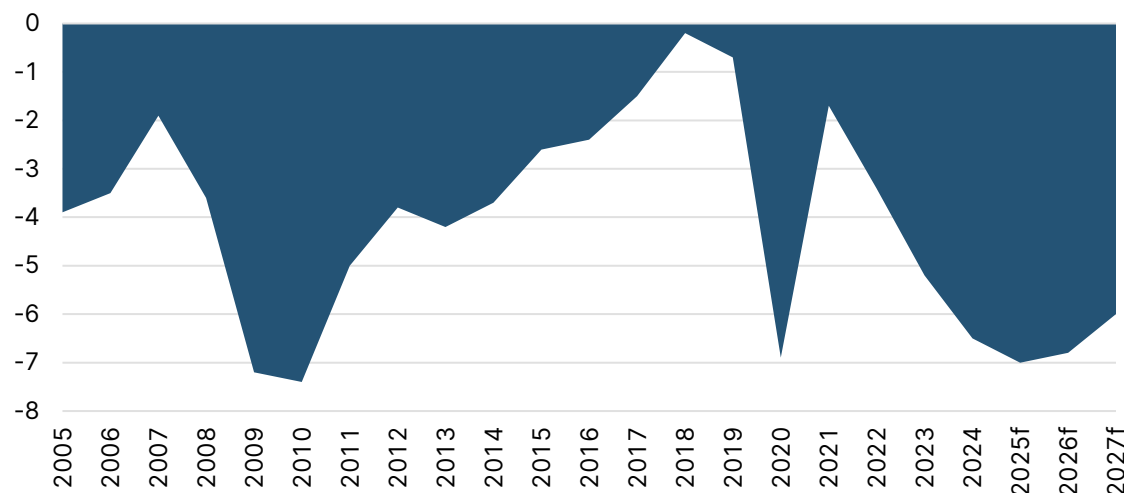
Following the correction in the EUR/PLN exchange rate in April, driven by a reassessment of the monetary policy outlook, the zloty has remained remarkably stable. The currency is currently trading within a narrow range of 4.20 to 4.25. The market has largely priced in the NBP's interest rate path, while concerns regarding sovereign rating outlooks and the challenging domestic political landscape have been outweighed by robust economic growth and the inflow of EU funds.

We forecast the zloty to remain stable over the coming months, followed by gradual depreciation as the interest rate differential between the ECB and the NBP narrows. Furthermore, our internal models suggest the exchange rate is overvalued in real terms, given the substantial cumulative inflation differential between Poland and the Eurozone since 2021.

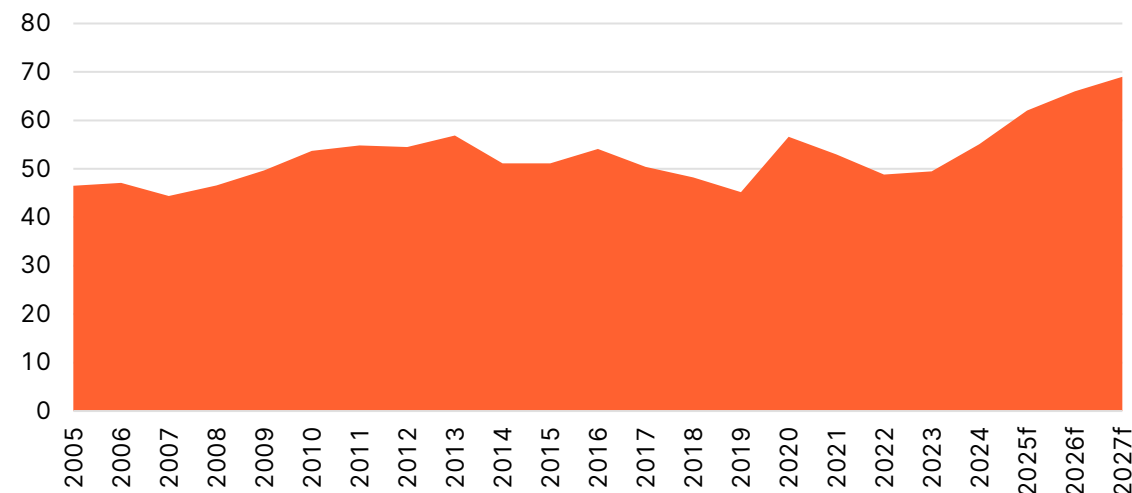


# Fiscal Situation

## Budget balance, percent of GDP



## Public debt, percent of GDP



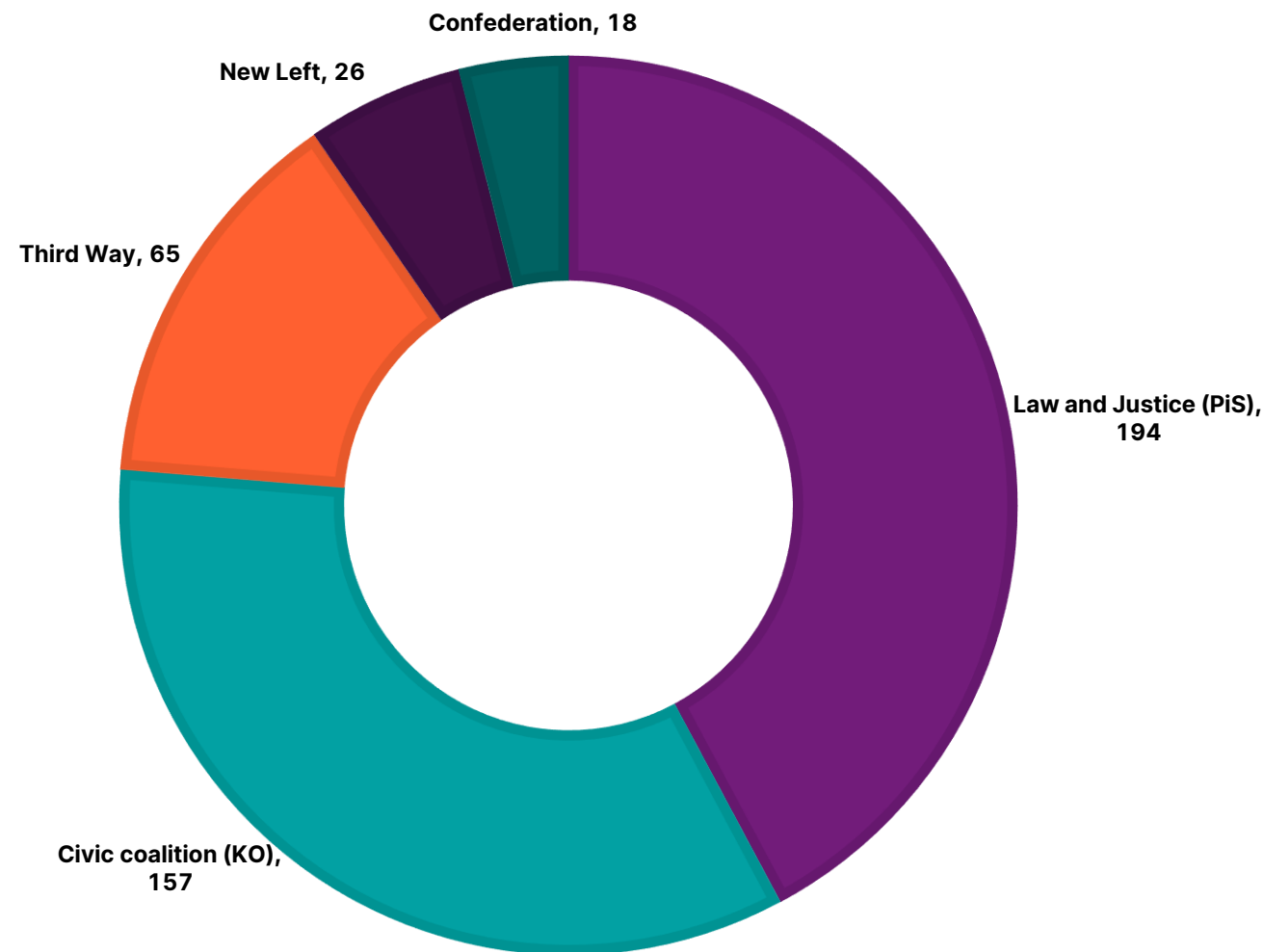
For the second year in a row, Poland will report budget deficit that will most probably be the second-highest in the EU. Our expectations are that the deficit will reach 7% of GDP, with risks skewed to an even higher figure. The fiscal outlook in 2026 is characterized again by a significant shortfall, which we see at 6.8% of GDP. Expenditure is heavily dominated by record defense spending, set to approach 5% of GDP in cash terms, alongside rigid social transfer obligations and escalating debt servicing costs. These fixed commitments maintain pressure on financing, resulting in gross borrowing needs at 690bn and net borrowing requirement exceeding 300 billion PLN. Rather than reducing flagship social programs, the government's strategy focuses on revenue enhancement, most importantly through a targeted increase in the Corporate Income Tax for the banking sector to 30% effective January 2026, alongside scheduled excise duty hikes. While this approach mitigates the risk of slowing economic momentum, it leaves the budgetary framework heavily reliant on sustained nominal GDP growth to stabilize the debt-to-GDP ratio, effectively postponing deeper structural adjustments until later.

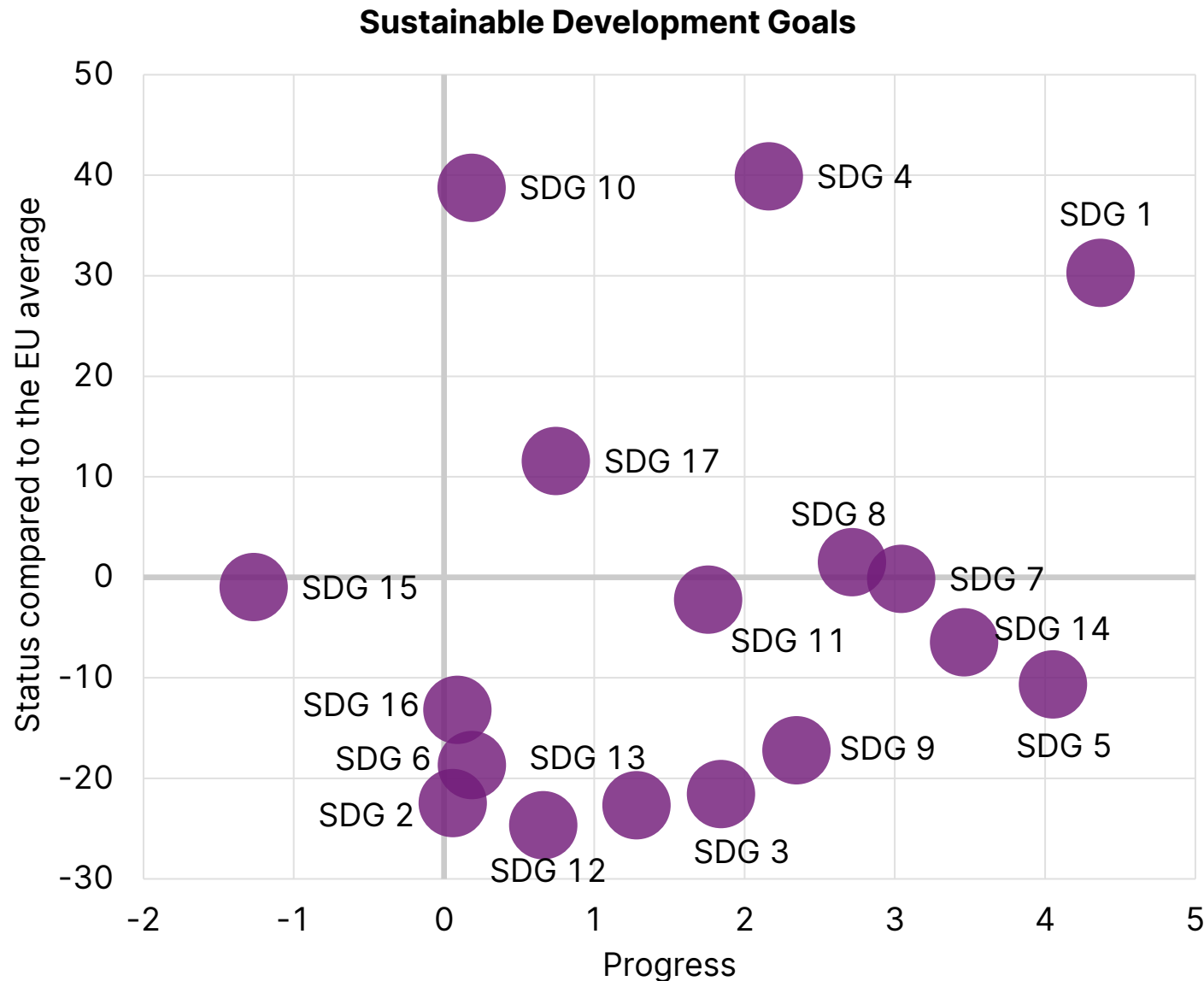
# Political landscape

The political situation in Poland has stabilized following the presidential elections earlier this year. While the relationship between the President and the government remains tricky, there appears to be room for agreement. Although President Nawrocki is generally opposed to tax increases, he approved the increase in corporate income tax for banks, citing the sector's 'above-average profits'.

Recent polling data indicates a decline in support for the main opposition party, PiS. After hovering around 30% for several months, their support currently stands at approximately 26.5%, while the leading coalition party, KO, is polling just above 32%. It appears that former PiS voters have shifted toward the KKP\* (6.9%), a far-right party led by Grzegorz Braun. Meanwhile Confederation, another far-right party, is holding steady in third place with around 13% of the vote.

Parliamentary seats





## All but one SDGs improve

The latest edition of the Sustainable Development Goals (SDGs) report by Eurostat has recently been released, showing that Poland has made progress across nearly all goals, with the exception of SDG 15 – “Life on Land.” This particular goal monitors ecosystem health, land degradation, and biodiversity, where Poland continues to face challenges.

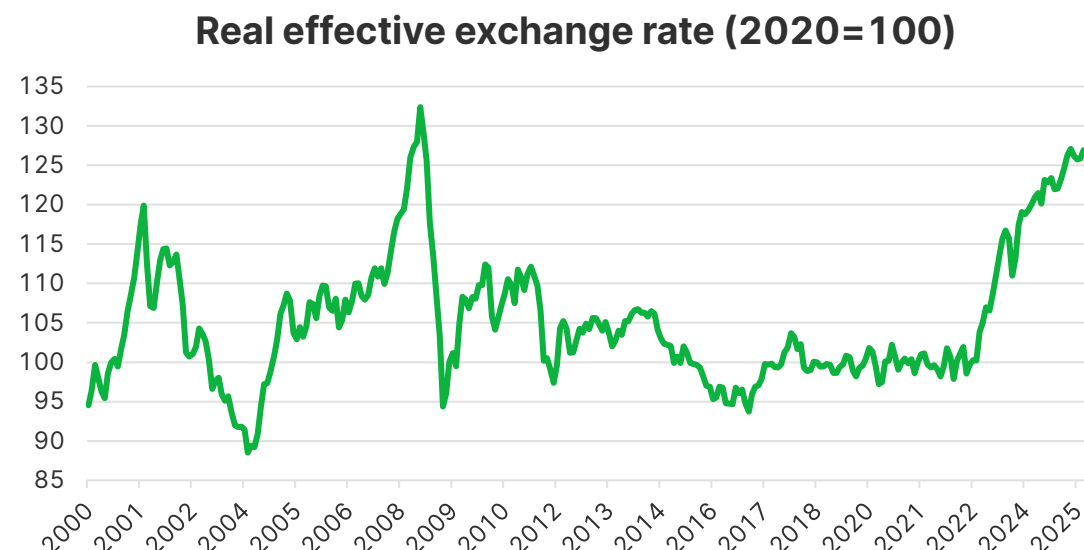
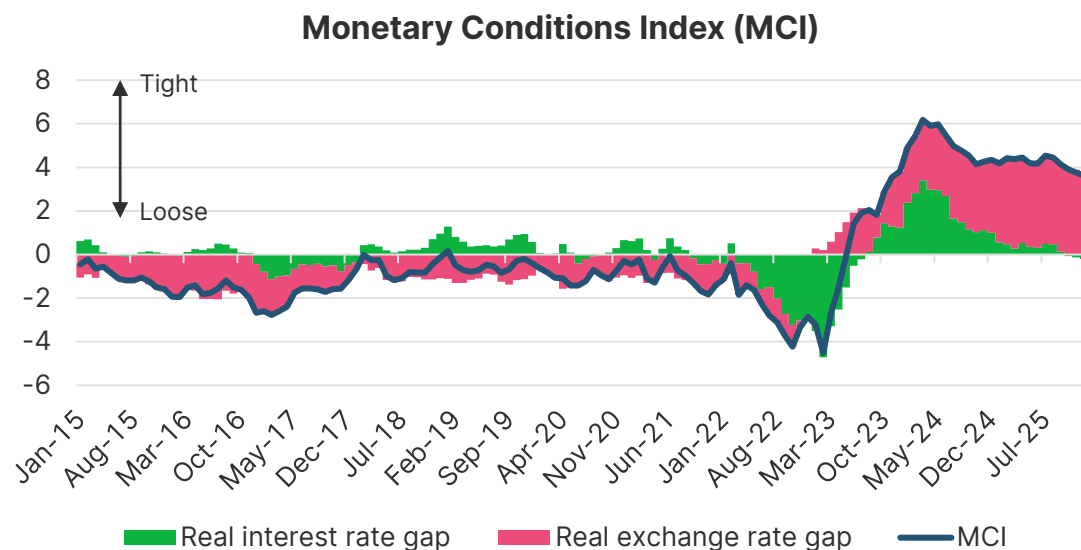
Conversely, the most significant progress was recorded in SDG 1 – “No Poverty.” Compared to the EU average, Poland stands out particularly in social dimensions of the SDGs, including SDG 10 – “Reduced Inequalities,” SDG 4 – “Quality Education,” and the aforementioned SDG 1. Areas requiring further improvement are primarily environmental, such as SDG 12 – “Responsible Consumption and Production” and SDG 13 – “Climate Action.”

# Are the monetary conditions in Poland still too tight?





# Exchange rate keeps monetary conditions tight



The National Bank of Poland has delivered cumulative rate cuts totaling 175 basis points in 2025, exceeding our initial beginning-of-year projections. Anticipating further easing, we examine the Monetary Conditions Index (MCI), a core component of the standard QPR economic model. The index indicates that despite recent rate reductions, monetary conditions in Poland remain restrictive. While the real interest rate has approached equilibrium, this restrictiveness now stems primarily from the real exchange rate (RER). As previously noted, our model suggests the RER is overvalued due to the significant inflation differential between Poland and the Eurozone during 2022 and 2023, as well as the post 2023 election appreciation. Although the model's weighting of the RER may appear elevated, inflation pass-through occurs predominantly via import prices; a dynamic repeatedly acknowledged by the NBP. However, given the subdued activity in foreign currency lending in recent years, the transmission channel via loans remains weak. Nonetheless, the FX rate should constitute the primary justification if the Council decides to reduce rates below 3.5%, our projected terminal rate at this moment.

# Poland: Forecasts

	2019	2020	2021	2022	2023	2024	2025f	2026f	2027f
<b>Percent</b>									
Real GDP growth	4.5	-2	6.9	5.3	0.2	3	3.5	3.5	3.1
Private consumption growth	3.5	-3.6	6.2	5	-0.3	2.9	3.5	3	3.2
Fixed capital formation growth	6.2	-2.3	1.5	1.7	12.7	-0.9	5	7	4
Inflation	2.3	3.4	5.1	14.4	11.4	3.6	3.6	2.5	2.4
Unemployment rate	5.2	6.8	5.8	5.2	5.1	5.1	5.3	5.2	5.2
<b>Percent of GDP</b>									
Budget balance	-0.7	-6.9	-1.7	-3.4	-5.2	-6.5	-7.1	-6.8	-6.0
Public debt	45.2	56.6	53.0	48.8	49.5	55.1	62.0	66.0	69.0
Current account balance	-0.3	2.4	-1.3	-2.2	1.5	0.3	-1.0	-1.5	-1.0
<b>Percent of nominal GDP</b>									
EURLCY	4.25	4.55	4.58	4.68	4.34	4.27	4.22	4.25	4.25
Central bank policy rate	1.50	0.10	1.75	6.75	5.75	5.75	4.00	3.50	3.50
3M interbank offer rate	1.71	0.21	2.54	7.02	5.88	5.84	4.00	3.65	3.65
2Y Yield	1.47	-0.04	3.33	6.66	5.00	5.17	3.90	3.75	3.75
5Y Yield	1.77	0.37	3.95	6.84	5.00	5.50	4.50	4.20	4.10
10Y Yield	2.05	1.25	3.67	6.85	5.22	5.87	5.20	4.80	4.50

# Poland: Country overview

**Official EU language:** Polish

**Capital:** Warsaw

**Geographical size:** 311 928 km<sup>2</sup>

**Population:** 36 620 970

**GDP per capita (PPS):** EUR 30 100, below the EU average

**Currency:** Polish Zloty PLN

**Credit Ratings:**

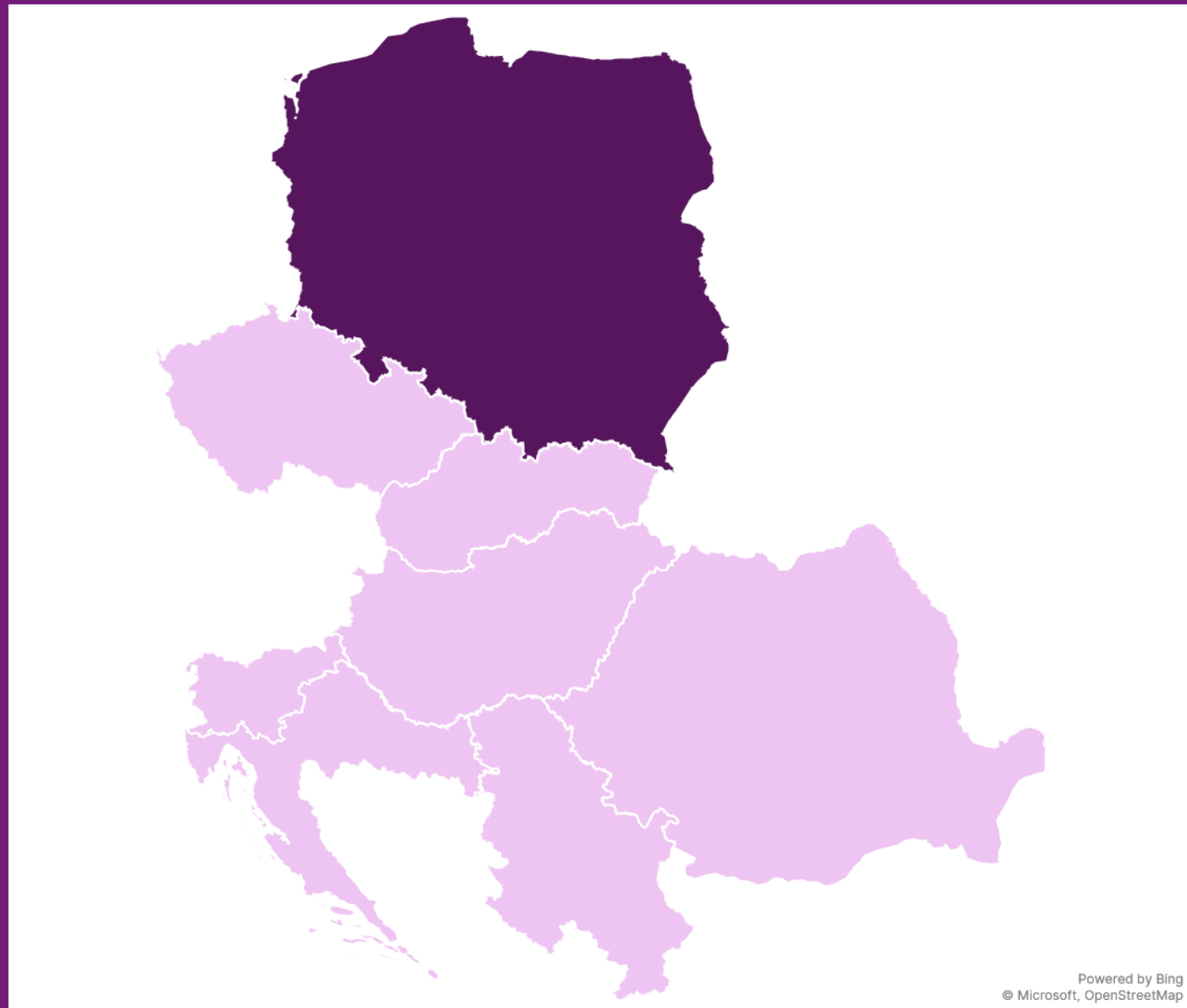
**Moody's:** A2, outlook negative

**S&P:** A-, outlook stable

**Fitch:** A-, outlook negative

**EU member state:** since 1 May 2004

**Schengen:** member since 21 December 2007



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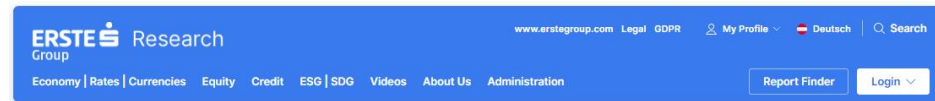
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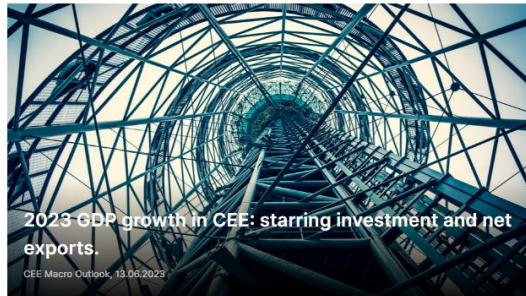


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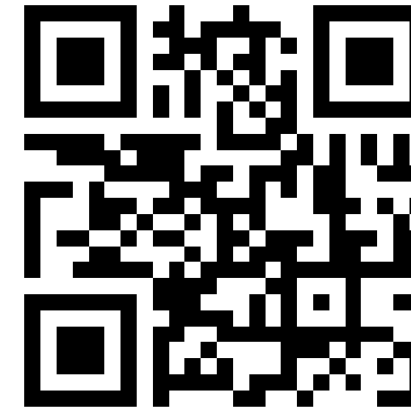
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