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Poland Economics View

Poland Monthly Economic Outlook

OUR TAKE

Inflation is likely to remain below 3.5% YoY in the near term and only marginally breach the upper band of inflation target at the turn of 2026 and 2027. The lack of strong inflationary pressure should make the MPC even more comfortable to keep rates on hold in the foreseeable future. Economic growth remains solid as we expect 3.5% growth in full year, with investments likely increasing on the back of EU funds flow.

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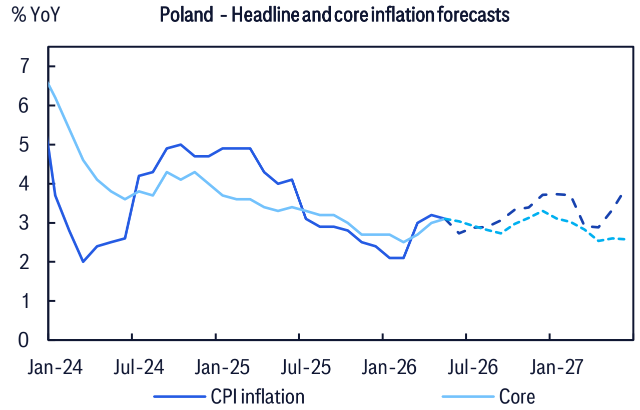
Headline inflation in Poland is likely to fall below 3% in the next couple of months, owing to favourable developments in commodities markets as well as local food price developments. We expect CPI to move to 2.7% YoY already in June and inflation is likely to average below 3% in the 3Q26. Our forecast already accounts for withdrawal of government anti-inflation measures aimed at lowering fuel prices. In mid-June the excise tax on fuel was already increased, whereas the lower VAT rate (8% from 23% previously) will be only in place until the end of 1H26, when also the mechanism of maximum price will be waived. We assume that headline inflation would only rise above 3.5% (the upper band of allowed fluctuation above the 2.5% target) in late 2026.

We expect that interest rates in Poland could be kept on hold throughout the remainder of this year. The Monetary Policy Council is pushing back against a call for rate hikes and at the June meeting, Governor Glapinski suggested that policymakers see *"no reason to change rates"*. The rate-setting body views the current interest rates (key policy rate at 3.75%) as *'good'* and plans to make decisions on a meeting-by-meeting basis, which will depend on macroeconomic data and the development of economic activity. We believe that MPC prefers to keep rates on hold and is likely to look past a brief breach in CPI of the 3.5% bar, should the NBP's forecast suggest that in medium-term (~2 years) inflation would be heading back to the target.

Despite several months of high oil and fuel prices, the Polish economy remains resilient, with GDP growth likely to hover around 3.5% in 2026. The energy price shock and weaker activity in the euro area suggest that Poland's 2026 economic growth might be slower than initially assumed. However, our estimates indicate it could remain around 3.5%, a relatively strong figure compared with those regional and EU peers. This growth should be supported by resilient consumption and an expected improvement in investment activity, fueled by the inflow of EU funds. Poland could see EU inflows rise by approximately 3% of GDP as compared with 2025, with roughly half of that increase attributed to grants. Despite still robust consumption, some weakening is noticeable in the labour market, as nominal wages growth is normalizing with trend edging closer to ~6%.

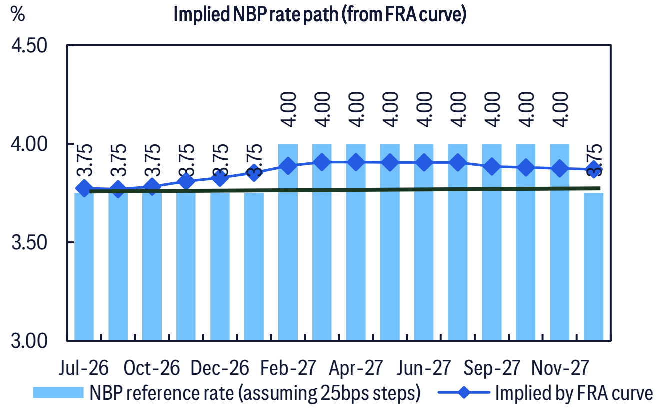
Poland stands out among EU members as a country with the largest planned fiscal deficit for 2026. The Ministry of Finance now forecasts the general government deficit at 6.8% of GDP for 2026, a slight decrease from 7.3% in 2025. We anticipate that material fiscal tightening is unlikely in the near term as the government has limited ability to increase taxes, given the high probability of a veto from the president. Furthermore, with parliamentary elections approaching in 2027, significant spending cuts or comprehensive fiscal reforms are likely to be postponed until at least 2028. Consequently, any deficit reduction is expected to stem from freezing tax brackets and minor increases in excise duties, cumulatively contributing approximately 0.4% of GDP annually.

Figure 1. Inflation is likely to remain contained in the near-term



Source: Citi Handlowy, Statistics Poland

Figure 2. Although MPC remains hesitant to raise rates, one hike is still priced in by the market



Source: Citi Handlowy, LSEG

Figure 3. Poland Economic Indicators

	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity									
Nominal GDP, USD bn	596	600	690	697	813	918	1,038	1,124	1,170
Population, mn	38.4	38.1	37.9	37.8	37.6	37.5	37.4	37.4	37.4
Real GDP, yoy avg	4.4	-2.0	6.9	5.3	0.2	3.0	3.6	3.5	2.9
Private consumption growth % yoy	3.5	-3.6	6.2	5.0	-0.3	2.9	3.7	2.9	3.5
Real investment growth % yoy	0.5	-7.5	19.4	7.7	-16.6	4.7	4.8	6.0	4.9
Real export growth, % yoy	5.3	-1.1	12.3	7.4	3.7	2.0	4.5	5.0	4.7
Real import growth, % yoy	3.2	-2.4	16.3	6.8	-1.5	4.5	5.6	5.8	6.9
Net export contribution to growth	1.7	0.8	-1.9	0.8	4.1	-1.7	-0.5	-0.3	-1.4
Unemployment, % of labour force	5.2	6.8	5.8	5.2	5.1	5.1	5.7	5.8	5.7
External (US$bn)									
Current account	-1.6	14.4	-9.2	-15.7	12.5	2.8	-8.9	-17.4	-22.2
% of GDP	-0.3	2.4	-1.3	-2.2	1.5	0.3	-0.9	-1.5	-1.9
Trade balance	-4.9	7.9	-9.1	-23.2	5.1	-6.7	-15.2	-24.8	-28.9
FDI, net	13.7	14.8	27.3	29.3	23.3	10.6	11.5	13.0	13.0
External debt	355.8	378.1	367.0	375.2	432.1	461.4	544.2	590.3	635.3
Short-term debt	57.0	61.3	62.4	66.6	74.9	82.1	78.8	83.0	88.0
International reserves	128.4	154.2	166.0	166.7	193.8	223.1	271.1	288.8	301.2
Public Finances, % of GDP									
Consolidated government balance	-0.7	-6.9	-1.7	-3.4	-5.2	-6.5	-7.3	-6.9	-6.7
Consolidated gov primary balance	0.6	-5.6	-0.6	-1.8	-3.1	-4.3	-4.8	-4.1	-3.8
Public debt	42.8	47.1	43.2	39.0	38.9	44.1	49.1	52.9	56.7
External public debt	21.8	22.3	17.4	17.1	17.5	17.9	24.0	25.3	27.3
Prices									
CPI, %yoy, eop	3.4	2.4	8.6	16.6	6.2	4.7	2.4	3.7	3.1
CPI, %yoy, avg	2.3	3.4	5.1	14.3	11.5	3.6	3.6	3.0	3.3
PLN/EUR, eop	4.25	4.56	4.59	4.69	4.34	4.28	4.22	4.25	4.27
PLN/EUR, avg	4.30	4.44	4.57	4.68	4.54	4.31	4.24	4.27	4.26
Policy Interest Rate, % eop	1.50	0.10	1.75	6.75	5.75	5.75	4.00	3.75	3.75
Long-term yield, %, eop	2.07	1.25	3.71	6.88	5.25	5.89	5.18	5.40	4.90
Nominal wages, % yoy	6.5	4.7	8.8	13.0	11.9	11.0	8.1	6.3	5.7
Quarterly Economic Indicators									
	2025 Q4	2026 Q1	2026 Q2F	2026 Q3F	2026 Q4F	2027 Q1F	2027 Q2F	2027 Q3F	2027 Q4F
GDP, % yoy	4.1	3.5	3.5	3.4	3.4	3.3	3.1	2.8	2.5
CPI, %yoy, avg	2.6	2.4	3.0	2.9	3.5	3.5	3.4	3.4	3.2
PLN/EUR, eop	4.22	4.29	4.29	4.26	4.25	4.25	4.26	4.26	4.27
Policy interest rate, %, eop	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75

Source: Citi Handlowy Forecasts, National Sources

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