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Poland Economics View

Poland Monthly Economic Outlook

OUR TAKE

Economic growth proved robust at the end of last year and we expect it to remain strong in 2026 as well. Inflation decline at the beginning of the year was smaller than expected, but the CPI is already below the target. The MPC is likely to resume the rate cutting cycle as soon as March. Fiscal policy is so far of little concern to investors, who flock towards Polish bonds.

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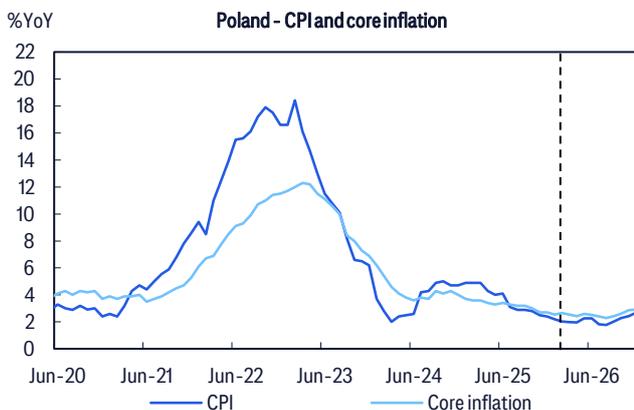
GDP increased by 4% YoY in 4Q25 and we expect it to remain close to 4% in 1Q26. The positive carry-over effect from 2025 will likely be combined with robust private consumption. Despite some slowdown in nominal wage growth, the real wage increase remains high. We are expecting that investments rebound could be more pronounced later in 2026, though we see some upwards risks should the absorption of EU funds accelerate sooner.

Inflation held above 2% at the beginning of the year, though we think it may fall in the coming months. We note that CPI in January at 2.2% YoY proved higher than expectations of below 2% print. We note, however, that the January release is preliminary and may be subject to further revisions (which in Poland's case tend to be negative on average) and on top of that, the Statistics Office switched to new weighting system (COICOP 2018) which likely contributed to the January downward surprise. Despite those technical factors, we think that inflation will hover around 2% in the near term, before rising towards 2.5% by the year-end. The January data does not materially change our outlook, as we expect the annual average inflation to come below the 2.5% target.

We expect the MPC to resume the rate cut cycle already in March after a two months' pause at the beginning of 2026. Expectations for the February decision were almost evenly split between a rate cut and keeping rates on hold and the rate-setters opted for the latter, awaiting for more clarity over inflation data at the beginning of the year. We believe that rate setters also wanted to send a signal that policy moves will be more gradual and thus it is likely that they may want to prefer to make at least a one-month pause between the cuts. We see the NBP terminal rate at around 3.50% in the 1H26.

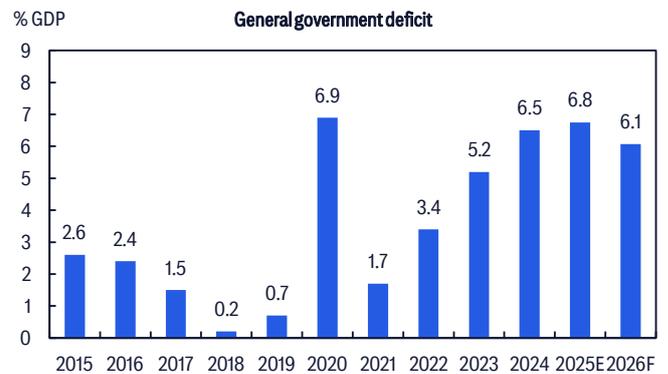
Fiscal concerns seem to be sidelined by fixed income investors so far, given the robust demand for Polish bonds. Poland's fiscal stance has not changed materially recently, as fiscal deficit hovers around 7% of GDP and any potential narrowing will be mostly stemming from robust nominal GDP growth as well as from the freezing of tax brackets for individuals. Nevertheless, we do not see any major concerns from investors, as demand for Polish bonds (both denominated in local currency and hard currencies) seems strong. So far during the year, the demand on regular POLGBs bond auctions improved, as the bid-to-cover indicator averaged 1.8x, a significant increase vs. 1.3x bid-to-cover recorded last year. Financing of the borrowing needs is unlikely to be any headache for the Ministry of Finance this year. We note, that Poland is also expected to receive large flows for the defense needs for EU's SAFE, which may begin to flow somewhere in March or April.

Figure 1. Low inflation environment should justify resuming rate cut cycle



Source: Citi Handlowy, Statistics Poland

Figure 2. Despite large fiscal deficit, the demand for Polish bonds is robust



Source: Citi Handlowy, Statistics Poland

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	1,042	1,117	1,171
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	4.0	3.1
Private consumption growth % yoy	3.5	-3.6	6.2	5.0	-0.3	2.9	3.7	3.6	2.9
Real investment growth % yoy	0.5	-7.5	19.4	7.7	-16.6	4.7	4.6	6.2	2.4
Real export growth, % yoy	5.3	-1.1	12.3	7.4	3.7	2.0	4.0	6.0	5.8
Real import growth, % yoy	3.2	-2.4	16.3	6.8	-1.5	4.5	4.7	5.9	5.5
Net export contribution to growth	1.7	0.8	-1.9	0.8	4.1	-1.7	-0.2	0.5	0.7
Unemployment, % of labour force	5.2	6.8	5.8	5.2	5.1	5.1	5.7	5.4	5.3
External (US\$bn)									
Current account	-1.6	14.4	-9.2	-15.7	12.5	2.8	-7.1	-14.9	-19.9
% of GDP	-0.3	2.4	-1.3	-2.2	1.5	0.3	-0.7	-1.3	-1.7
Trade balance	-4.9	7.9	-9.1	-23.2	5.1	-6.7	-14.9	-23.8	-28.2
FDI, net	13.7	14.8	27.3	29.3	23.3	10.6	13.0	13.0	13.0
External debt	355.8	378.1	367.0	375.2	432.1	461.4	541.4	604.1	628.7
Short-term debt	57.0	61.3	62.4	66.6	74.9	82.1	91.4	99.1	108.7
International reserves	128.4	154.2	166.0	166.7	193.8	223.1	278.8	288.5	308.8
Public Finances, % of GDP									
Consolidated government balance	-0.7	-6.9	-1.7	-3.4	-5.2	-6.5	-6.7	-6.0	-5.8
Consolidated gov primary balance	0.6	-5.6	-0.6	-1.8	-3.1	-4.3	-4.2	-3.3	-2.9
Public debt	42.8	47.1	43.2	39.0	38.9	44.3	48.6	51.4	54.4
External public debt	21.8	22.3	17.4	17.1	17.5	17.9	13.4	12.5	12.0
Prices									
CPI, %yoy, eop	3.4	2.4	8.6	16.6	6.2	4.7	2.4	2.7	2.8
CPI, %yoy, avg	2.3	3.4	5.1	14.3	11.5	3.6	3.6	2.1	2.8
PLN/EUR, eop	4.25	4.56	4.59	4.69	4.34	4.28	4.22	4.20	4.24
PLN/EUR, avg	4.30	4.44	4.57	4.68	4.54	4.31	4.24	4.20	4.23
Policy Interest Rate, % eop	1.50	0.10	1.75	6.75	5.75	5.75	4.00	3.50	3.50
Long-term yield, % eop	2.07	1.25	3.71	6.88	5.25	5.89	5.18	4.65	4.85
Nominal wages, % yoy	6.5	4.7	8.8	13.0	11.9	11.0	8.1	5.7	5.5
Quarterly Economic Indicators									
	2025 Q4	2026 Q1	2026 Q2F	2026 Q3F	2026 Q4F	2027 Q1F	2027 Q2F	2027 Q3F	2027 Q4F
GDP, % yoy	4.0	3.9	3.9	3.9	3.8	3.4	3.2	3.1	2.8
CPI, %yoy, avg	2.6	2.1	2.2	1.9	2.5	2.7	2.8	2.8	2.8
PLN/EUR, eop	4.22	4.20	4.20	4.20	4.20	4.21	4.22	4.23	4.24
Policy interest rate, %, eop	4.00	3.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50

Source: Citi Handlowy Forecasts, National Sources

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