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## Poland Economics View

### Energy prices rewriting inflation scenarios

#### OUR TAKE

*We take a look at potential inflation and NBP rate scenarios depending on various fuel price trajectory. We believe the Monetary Council is reluctant to hike and its first choice will be to look through the current energy shock. Taking this into account our base case assumes the NBP will keep rates on hold in 2026. However, in case of further significant surge in oil prices the central bank would react and could eventually bring rates to the highs recorded in 2022 (6.75%).*

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The rise in oil and gas prices, and the broader increased volatility of commodity prices, heightens uncertainty regarding the inflation outlook. Taking this into account, we present below three scenarios that may serve as a useful reference in the coming months.

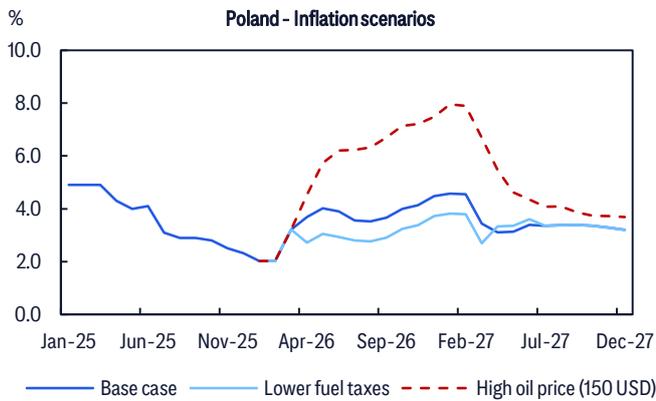
**Base case** – This is the scenario that we published in our March monthly. The base case is consistent with nearly 25% rise in retail fuel prices in March-April, followed by their gradual decline. Yet, even despite the decline the average fuel prices by the end of 2026 would be approx. 9% above levels recorded in February. That scenario assumes also a 10% rise in gas bills in July. We also assume that rising energy and fertilizer costs would likely raise the food price trajectory in 2H25, adding another 0.5pp to the annual CPI index in December 2026. In such a scenario the inflation peaks around 4.5-5% in early 2027 and then gradually falls. Core inflation remains under control, with only moderate second round effects materializing in the coming months. Although in this scenario we assume the Monetary Policy Council to keep rates on hold, we think a risk of rate hikes (by total 50-100bps) over next twelve months would be non-negligible.

**Scenario with lower fuel taxes** – The Polish government announced a plan to lower fuel taxes starting from April. According to our calculations the first round effect (i.e. direct impact of cheaper fuels) could lower the annual inflation rate by around 0.8-0.9 pp, offsetting a significant portion of the fuel price increase recorded in March. The proposal assumes the measures would remain in place until end of June, but we believe such measures quite often turn out more lasting than initially planned. For this reason we assume lower VAT to be extended beyond June, even if the excise is allowed to rise to its previous levels. In that scenario, just like in the base case, we still keep small second round effects and a higher food price path, but generally the inflation path appears relatively benign, allowing the MPC to comfortably look through the price shock. In fiscal terms, the decision may carry a significant budget cost, reaching 0.35% of GDP in 2026 (April-December).

**High oil price scenario** – Our high fuel price scenario is consistent with the bull case scenario of Citi commodity research team, which assumes oil prices peaking at USD 150 (average price in 2Q and 3Q at USD 130, followed by USD 100 in 4Q). In such a scenario the inflation is set to rise significantly, possibly reaching 8% (Figure 3). This scenario assumes more pronounced second-round effects, as inflation expectations would likely rise, affecting wage negotiations. While in the base case we assume this year's GDP growth to be around 4%, in the high oil price scenario we would be ready to lower the GDP growth forecasts to around 2.5%. The central bank would likely react with rate hikes, trying to send hawkish signals and contain the risk of de-anchoring of inflation expectations.

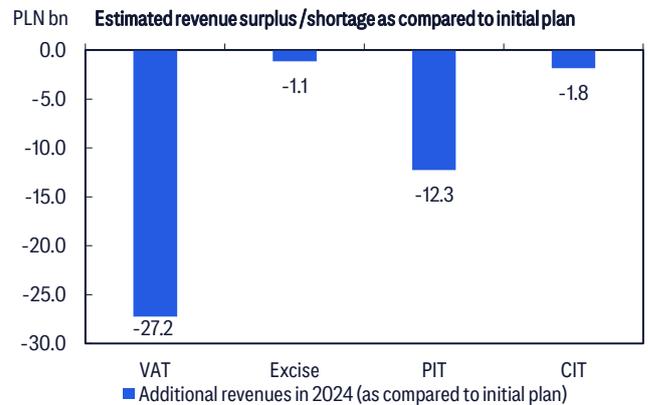
In such a scenario the policy rate could reach highs recorded during the 2022 energy shock (i.e. 6.75%) even though inflation levels would likely be lower than four years ago. However, negative demand effects from the large energy shock would eventually open room for monetary easing in late 2027 (Figure 2).

**Figure 1. Inflation is likely to head towards 2.5% target in the near term**



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Source: Citi Handlowy Estimates

**Figure 2. Budget revenues shortfall vs. the annual plan may require a 2025 budget revision**



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Source: Citi Research Estimates

**Figure 3. Poland - Monthly inflation trajectory depending on oil price scenarios**

	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27
Base case	3.7	4.0	3.9	3.6	3.5	3.7	4.0	4.1	4.5	4.6	4.6	3.4	3.1	3.1	3.4
Lower fuel taxes	2.7	3.0	2.9	2.8	2.8	2.9	3.2	3.4	3.7	3.8	3.8	2.7	3.3	3.4	3.6
High oil price (150 USD)	4.5	5.7	6.2	6.2	6.3	6.7	7.1	7.2	7.5	8.0	7.9	6.7	5.5	4.6	4.3

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## Appendix

Figure 4 shows our base-case scenario and two alternative scenarios. These are not scenarios directly linked to oil price shock, but rather stylized scenario that we think provide a plausible range of outcomes.

**Figure 4. Poland – Selected macroeconomic forecasts under alternative scenarios**

<b>Base case</b>	<b>1q26</b>	<b>2q26</b>	<b>3q26</b>	<b>4q26</b>	<b>1q27</b>	<b>2q27</b>	<b>3q27</b>	<b>4q27</b>	<b>1q28</b>	<b>2q28</b>	<b>3q28</b>	<b>4q28</b>	<b>1q29</b>
GDP growth YoY	4.0	3.9	3.9	3.6	3.1	3.0	2.8	2.7	2.8	2.8	2.8	2.8	2.8
Inflation YoY (average)	2.5	3.9	3.6	4.2	4.2	3.2	3.4	3.3	3.0	2.8	2.7	2.7	2.7
Average wage YoY (national economy)	7.0	6.4	5.9	5.8	5.8	5.7	5.6	5.6	5.4	5.3	5.2	5.1	5.1
Registered unemployment rate	6.1	5.9	5.8	5.8	5.9	5.7	5.7	5.7	5.8	5.6	5.6	5.6	5.7
Unemployment rate LFS	3.5	3.2	3.2	3.0	3.2	2.9	2.9	2.8	3.0	2.7	2.8	2.6	2.9
NBP reference rate (eop)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
WIBOR 3M (eop)	3.84	3.94	3.94	3.94	3.94	3.94	3.94	3.94	3.94	3.94	3.94	3.94	3.94
WIG (eop)	121267	121474	121865	122117	123350	124582	125814	127046	127829	128612	129395	130178	130980
WIG20 (eop)	3307	3309	3323	3369	3403	3437	3471	3505	3526	3548	3569	3591	3613
<b>Negative scenario</b>	<b>1q26</b>	<b>2q26</b>	<b>3q26</b>	<b>4q26</b>	<b>1q27</b>	<b>2q27</b>	<b>3q27</b>	<b>4q27</b>	<b>1q28</b>	<b>2q28</b>	<b>3q28</b>	<b>4q28</b>	<b>1q29</b>
GDP growth YoY	3.4	2.7	2.1	1.2	1.0	1.2	1.3	1.5	1.8	2.0	2.3	2.6	2.7
Inflation YoY (average)	2.1	2.5	1.8	2.0	2.0	1.9	2.3	2.4	2.3	2.2	2.3	2.5	2.5
Average wage YoY (national economy)	6.2	5.2	4.2	3.6	3.9	4.0	4.2	4.3	4.5	4.7	4.8	4.9	5.0
Registered unemployment rate	6.1	6.1	6.1	6.2	6.4	6.4	6.4	6.6	6.7	6.6	6.5	6.6	6.7
Unemployment rate LFS	3.5	3.4	3.4	3.3	3.6	3.5	3.6	3.5	3.9	3.6	3.7	3.5	3.8
NBP reference rate (eop)	3.75	3.75	3.25	2.75	2.25	2.00	2.00	2.00	2.00	2.25	2.50	2.75	3.00
WIBOR 3M (eop)	3.84	3.94	3.44	2.94	2.44	2.19	2.19	2.19	2.19	2.44	2.69	2.94	3.19
WIG (eop)	116384	100097	96251	92441	93374	94307	95240	96173	96765	97358	97951	98543	99151
WIG20 (eop)	3169	2717	2611	2534	2560	2585	2611	2636	2653	2669	2685	2701	2718
<b>Positive scenario</b>	<b>1q26</b>	<b>2q26</b>	<b>3q26</b>	<b>4q26</b>	<b>1q27</b>	<b>2q27</b>	<b>3q27</b>	<b>4q27</b>	<b>1q28</b>	<b>2q28</b>	<b>3q28</b>	<b>4q28</b>	<b>1q29</b>
GDP growth YoY	4.6	5.2	5.7	6.1	5.3	4.9	4.3	3.9	3.8	3.6	3.3	3.0	2.9
Inflation YoY (average)	2.9	5.3	6.5	7.5	7.5	5.8	4.6	4.3	3.8	3.4	3.1	2.9	2.9
Average wage YoY (national economy)	7.8	7.7	7.6	8.0	7.8	7.4	7.1	6.8	6.4	6.0	5.7	5.3	5.2
Registered unemployment rate	6.0	5.8	5.5	5.3	5.3	5.1	4.9	4.9	4.9	4.7	4.6	4.6	4.7
Unemployment rate LFS	3.5	3.1	3.0	2.6	2.7	2.4	2.3	2.0	2.2	1.9	1.9	1.7	1.9
NBP reference rate (eop)	3.75	4.25	4.75	5.00	5.25	5.50	5.75	5.75	5.75	5.75	5.50	5.25	5.00
WIBOR 3M (eop)	3.84	4.44	4.94	5.19	5.44	5.69	5.94	5.94	5.94	5.94	5.69	5.44	5.19
WIG (eop)	126150	137926	144115	150415	151933	153451	154968	156486	157450	158415	159379	160344	161332
WIG20 (eop)	3445	3768	3947	4172	4214	4256	4298	4340	4367	4394	4421	4447	4475

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

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