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Poland Economics View

Post-election macro landscape

OUR TAKE

In this note we present our updated macroeconomic scenario, reflecting implications of the recent presidential election and a change in central bank's communication. The new macro landscape appears consistent with a scenario of relatively higher rates and bond yields as compared to earlier expectations, mainly due to additional risk premium and increased borrowing needs. Implications for PLN are less straightforward as we believe the rising rates differential should offset the impact of the political risk premium.

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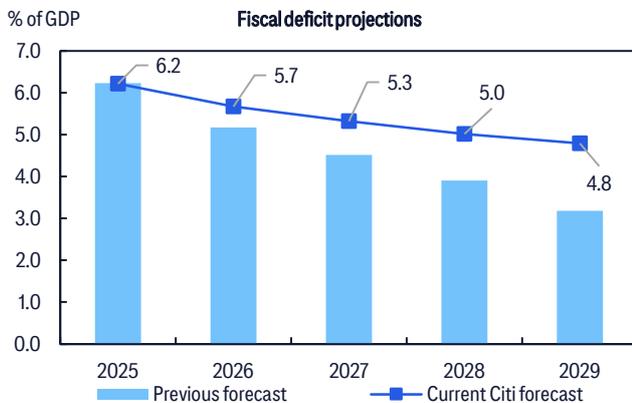
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The President’s role in shaping economic policies is very limited in the Polish legal system and it is mostly constrained to the ability to veto bills prepared by the government. Nevertheless, we argue that the election outcome (victory of the opposition-backed candidate Karol Nawrocki), can have meaningful impact on the macroeconomic trajectory. First, president-elect openly declared his opposition to any tax hikes, which limits chances of fiscal tightening. Second, after the lost election the ruling coalition may be inclined to conduct even more accommodative fiscal policy.

Taking this into account in our new scenario we assume no new fiscal tightening effort beyond what has already been approved (small increase in excise duties combined with the ‘tax bracket creep’). These measures in total can reach 0.3-0.4% of GDP annually vs. previous plans of fiscal adjustment of 1% of GDP annually.

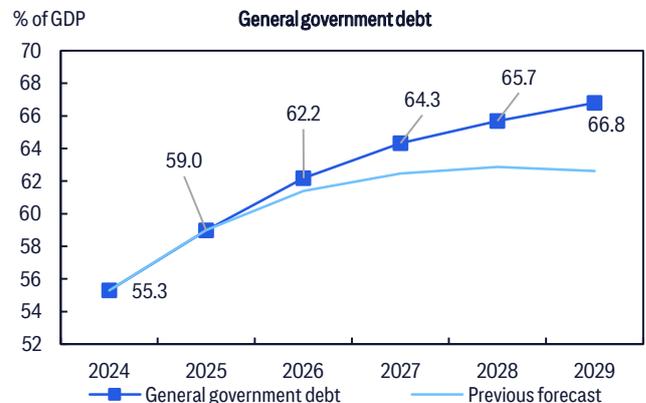
In our updated scenario the deficit falls only slightly below 6% in 2026 and stays above 5% in 2027 (Figure 1). Such a deficit path would be significantly above both the official plan of the government and the European Commission’s recommended path. Although running a high deficit potentially creates a risk of EU sanctions, we believe this will not affect Poland this time. The government has already requested activation of the National Escape Clause (NEC) related to defense spending, and according to our estimates the new deficit trajectory would be within limits permitted by that Clause, at least in first two years. This means that the European Commission will likely allow Poland to run elevated deficit in the coming years without any penalties, though this will not change macroeconomic consequences of the deficit.

Figure 1. Fiscal deficit is expected to stay significantly above 4% in the foreseeable future...



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Source: Citi Handlowy Forecasts, Eurostat, European Commission

Figure 2. ...pushing the general government debt towards 67% in next four years



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Source: Citi Handlowy Forecasts, Eurostat

In particular, with new fiscal deficit trajectory the general government debt is set to approach 67% within next four years vs. 55% of GDP in 2024 (Figure 2). The debt calculated according to domestic definition will stay below the constitutional limit of 60% of GDP, as that measure excludes debt issued by extra-budget funds. The rise in debt will lead also to a significant jump in debt service costs – assuming that average implicit interest on issued debt will stay around 4.7%, debt service costs will exceed 3% of GDP, up from 2.2% in 2024. With simultaneously high defense spending (~5% of GDP in cash terms) this will make policy decisions particularly challenging, making the deficit reduction even more difficult, especially in light of 2027 parliamentary elections.

We do not see any reason for significant changes to 2025 GDP growth forecast, but we think next year the growth can be stronger than previously

assumed. We estimate that the smaller scale of fiscal tightening in 2026 can add around 0.3pp to our previous growth forecasts. Taking into account also some backtracking of US administration on tariffs, we now see 2026 GDP growth at around 3.7% vs. previously expected 3.2%. Admittedly higher GDP growth should help with deficit reduction and contribute to higher denominator in the debt-to-GDP ratio but these cyclical factors are already included in our fiscal trajectories. Higher growth may add to demand side inflationary pressures but given the overall weakening of the CPI and core inflation momentum, we believe inflation will converge to the target in the coming months anyway.

Figure 3. Monthly inflation and interest rate forecasts

	2025							2026											
	06	07	08	09	10	11	12	01	02	03	04	05	06	07	08	09	10	11	12
CPI (%YoY)	4.1	2.9	2.6	2.8	2.9	2.7	2.9	2.6	2.4	2.5	2.3	2.6	2.7	2.4	2.4	2.4	2.4	2.3	2.3
CPI (%MoM)	0.1	0.2	-0.1	0.2	0.3	0.2	0.3	0.7	0.2	0.2	0.3	0.1	0.1	-0.1	-0.2	0.2	0.3	0.2	0.2
Core inflation (%YoY)	3.3	3.1	2.9	2.8	2.8	2.7	2.9	2.7	2.5	2.4	2.1	2.3	2.3	2.2	2.1	2.1	2.1	2.0	2.0
NBP policy rate (%)	5.25	5.25	5.25	5.00	5.00	4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.50	4.25	4.25	4.25	4.25	4.25	4.25

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

In recent weeks we repeatedly highlighted that one of consequences of presidential elections could be more cautious monetary policy. NBP's pivot in June is a sign that these concerns were justified and that the fiscal outlook will likely be an obstacle for significant policy easing in Poland. Although the favourable near-term inflation outlook leaves space for rate cuts, the Monetary Policy Council appears more willing to focus on medium term risks. In practice it means rate cuts may be delivered at a slower pace and the terminal rate will likely be higher than previously assumed. In recent days the rates market started to price in such a scenario, but the terminal rate of 3.75% currently implied by the FRA curve appears low to us. Our own forecast assumes that the rate cutting cycle may end with the policy rate at around 4.25%. The timing of particular moves appears highly uncertain. Given hawkish rhetoric of NBP officials we now think the next cut may come only after the summer (in September and November) as the Council may want to see some details of 2026 budget before cutting again.

From market's point of view the recent political developments in Poland are consistent with relatively higher rates outlook, due to hawkishness of the central bank and due to larger bond issuances. However, the impact of political factors on the FX market is likely to be more neutral. Although the uncertainty adds to the risk premium, this should be largely offset by the wider interest rate differential. Also, in our view regardless of the political uncertainty Poland is likely to benefit from continued inflow of EU funds, as we do not expect the European Commission to block EU funds even if the government cannot deliver the judiciary reform.

Appendix

Figure 4. Poland – Selected macroeconomic forecasts under alternative scenarios

Base case	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27	3q27	4q27	1q28	2q28
GDP growth YoY	3.5	4.3	3.8	4.1	3.6	3.5	3.4	3.3	3.3	3.3	3.2	3.2	3.2
Inflation YoY (average)	4.1	2.8	2.8	2.5	2.6	2.4	2.3	2.2	2.7	2.6	2.5	2.4	2.4
Average wage YoY (national economy)	8.3	6.9	6.1	5.9	5.7	5.6	5.6	5.5	5.5	5.4	5.3	5.1	5.0
Registered unemployment rate	5.2	5.2	5.3	5.4	5.1	5.1	5.1	5.3	5.0	5.0	5.1	5.3	5.0
Unemployment rate LFS	3.2	3.2	3.0	3.2	2.8	2.8	2.7	3.0	2.7	2.8	2.6	3.0	2.6
NBP reference rate (eop)	5.25	5.00	4.75	4.50	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
WIBOR 3M (eop)	5.20	5.10	4.94	4.69	4.52	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44
WIG (eop)	98691	98949	100241	101705	103169	104633	106097	107647	109197	110747	112297	113824	115463
WIG20 (eop)	2722	2813	2855	2896	2938	2980	3022	3066	3110	3154	3198	3242	3288
Negative scenario	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27	3q27	4q27	1q28	2q28
GDP growth YoY	2.8	3.1	2.0	1.6	1.5	1.7	1.9	2.1	2.3	2.5	2.7	3.0	3.1
Inflation YoY (average)	3.7	1.6	1.2	0.6	0.9	1.1	1.2	1.0	1.7	2.0	2.1	2.4	2.4
Average wage YoY (national economy)	7.8	5.9	4.7	3.8	3.8	4.0	4.1	4.2	4.5	4.7	4.8	5.1	5.0
Registered unemployment rate	5.3	5.3	5.6	5.9	5.6	5.7	5.8	6.1	5.9	6.0	6.1	6.3	6.0
Unemployment rate LFS	3.3	3.3	3.2	3.6	3.2	3.3	3.3	3.7	3.5	3.7	3.6	3.9	3.6
NBP reference rate (eop)	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
WIBOR 3M (eop)	4.95	4.60	4.19	3.69	3.27	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19
WIG (eop)	94695	90999	88397	86006	87244	88482	89720	91031	92342	93653	94963	96255	97641
WIG20 (eop)	2606	2580	2507	2435	2470	2505	2540	2577	2614	2651	2689	2725	2764
Positive scenario	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27	3q27	4q27	1q28	2q28
GDP growth YoY	4.1	5.5	5.7	6.5	5.8	5.4	5.0	4.6	4.4	4.2	3.7	3.4	3.3
Inflation YoY (average)	4.5	3.6	4.7	4.8	4.7	5.5	4.5	4.4	4.7	3.2	2.9	2.4	2.4
Average wage YoY (national economy)	8.8	8.2	7.8	8.4	8.0	7.3	7.0	6.7	6.4	6.2	5.8	5.1	5.0
Registered unemployment rate	5.2	5.0	5.0	5.0	4.6	4.4	4.3	4.5	4.1	4.1	4.1	4.3	4.0
Unemployment rate LFS	3.2	3.1	2.8	2.9	2.4	2.2	2.0	2.3	1.9	1.9	1.7	2.0	1.7
NBP reference rate (eop)	5.75	6.00	6.25	6.50	6.50	6.25	6.00	5.75	5.50	5.25	5.00	5.00	5.00
WIBOR 3M (eop)	5.70	6.10	6.44	6.69	6.52	6.44	6.19	5.94	5.69	5.44	5.19	5.19	5.19
WIG (eop)	102687	107233	113098	119460	121180	122899	124619	126439	128260	130081	131901	133695	135621
WIG20 (eop)	2839	3056	3234	3421	3470	3519	3568	3621	3673	3725	3777	3828	3883

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

Figure 5. Poland – Monthly forecasts of selected variables – Base case scenario

	NBP ref. rate (%)	Lombard rate (%)	POLONIA	ASK ON (%)	ASK 1M (%)	ASK 3M (%)	ASK 6M (%)	ASK 1Y (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)
Jul-25	5.25	5.75	5.15	5.25	5.38	5.18	5.00	4.80	4.50	4.60	4.70	5.12	5.43
Aug-25	5.25	5.75	5.15	5.25	5.26	5.15	5.00	4.80	4.50	4.60	4.70	5.08	5.37
Sep-25	5.00	5.50	4.90	5.00	5.13	5.10	5.00	4.80	4.50	4.60	4.70	5.05	5.30
Oct-25	5.00	5.50	4.90	5.00	5.01	5.02	4.99	4.80	4.48	4.58	4.68	5.00	5.23
Nov-25	4.75	5.25	4.65	4.75	4.88	4.94	4.91	4.79	4.47	4.57	4.67	4.95	5.17
Dec-25	4.75	5.25	4.65	4.75	4.88	4.94	4.87	4.74	4.45	4.55	4.65	4.90	5.10
Jan-26	4.75	5.25	4.65	4.75	4.88	4.85	4.83	4.70	4.40	4.50	4.60	4.83	5.03
Feb-26	4.75	5.25	4.65	4.75	4.76	4.77	4.74	4.66	4.35	4.45	4.55	4.77	4.97
Mar-26	4.50	5.00	4.40	4.50	4.63	4.69	4.66	4.62	4.30	4.40	4.50	4.70	4.90
Apr-26	4.50	5.00	4.40	4.50	4.63	4.69	4.62	4.60	4.27	4.37	4.45	4.63	4.83
May-26	4.50	5.00	4.40	4.50	4.63	4.60	4.58	4.58	4.23	4.33	4.40	4.57	4.77
Jun-26	4.50	5.00	4.40	4.50	4.51	4.52	4.54	4.56	4.20	4.30	4.35	4.50	4.70
Jul-26	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.18	4.28	4.33	4.50	4.70
Aug-26	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.17	4.27	4.32	4.50	4.70
Sep-26	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.15	4.25	4.30	4.50	4.70
Oct-26	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.15	4.25	4.30	4.48	4.67
Nov-26	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.15	4.25	4.30	4.47	4.63
Dec-26	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.15	4.25	4.30	4.45	4.60
Jan-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.15	4.25	4.30	4.45	4.60
Feb-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.15	4.25	4.30	4.45	4.60
Mar-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.15	4.25	4.30	4.45	4.60
Apr-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.18	4.28	4.33	4.48	4.63
May-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.22	4.32	4.37	4.52	4.67
Jun-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.25	4.35	4.40	4.55	4.70
Jul-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.28	4.38	4.43	4.58	4.73
Aug-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.32	4.42	4.47	4.62	4.77
Sep-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.80
Oct-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.83
Nov-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.87
Dec-27	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Jan-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Feb-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Mar-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Apr-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
May-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Jun-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Jul-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Aug-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Sep-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Oct-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Nov-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90
Dec-28	4.25	4.75	4.15	4.25	4.38	4.44	4.49	4.54	4.35	4.45	4.50	4.65	4.90

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

Figure 6. Poland – Monthly forecasts of selected variables – Base case scenario

	WIG (eop)	WIG20 (eop)	USDPLN (avg)	EURPLN (avg)	CHFPLN (avg)
Jul-25	96172	2771	3.67	4.25	4.60
Aug-25	96730	2786	3.65	4.25	4.59
Sep-25	98949	2813	3.64	4.26	4.58
Oct-25	97834	2816	3.62	4.26	4.57
Nov-25	98398	2831	3.61	4.27	4.56
Dec-25	100241	2855	3.59	4.27	4.55
Jan-26	99514	2861	3.59	4.28	4.54
Feb-26	100084	2877	3.59	4.28	4.53
Mar-26	101705	2896	3.59	4.28	4.53
Apr-26	101157	2906	3.61	4.29	4.52
May-26	101697	2920	3.63	4.29	4.51
Jun-26	103169	2938	3.65	4.29	4.51
Jul-26	102795	2950	3.67	4.30	4.50
Aug-26	103353	2965	3.69	4.30	4.50
Sep-26	104633	2980	3.71	4.30	4.49
Oct-26	104457	2995	3.73	4.31	4.49
Nov-26	105021	3010	3.75	4.31	4.48
Dec-26	106097	3022	3.77	4.31	4.48
Jan-27	106137	3041	3.79	4.32	4.48
Feb-27	106707	3056	3.81	4.32	4.47
Mar-27	107647	3066	3.83	4.32	4.47
Apr-27	107780	3085	3.84	4.33	4.47
May-27	108320	3100	3.85	4.33	4.46
Jun-27	109197	3110	3.87	4.33	4.46
Jul-27	109418	3129	3.87	4.33	4.45
Aug-27	109976	3144	3.87	4.33	4.45
Sep-27	110747	3154	3.87	4.33	4.44
Oct-27	111080	3174	3.87	4.33	4.44
Nov-27	111644	3189	3.87	4.33	4.44
Dec-27	112297	3198	3.87	4.33	4.43
Jan-28	112753	3219	3.87	4.33	4.43
Feb-28	113317	3235	3.87	4.34	4.42
Mar-28	113824	3242	3.87	4.34	4.42
Apr-28	114403	3264	3.87	4.34	4.41
May-28	114943	3279	3.87	4.34	4.41
Jun-28	115463	3288	3.87	4.34	4.41
Jul-28	116041	3308	3.88	4.34	4.40
Aug-28	116599	3323	3.88	4.34	4.40
Sep-28	117126	3336	3.88	4.34	4.39
Oct-28	117702	3353	3.88	4.34	4.39
Nov-28	118266	3369	3.88	4.34	4.38
Dec-28	118812	3384	3.88	4.34	4.38

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

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