

27 March 2024 | 3 pages

## Poland Economics View

### Summary of key macro forecasts

#### OUR TAKE

We expect 2025 to be a year of relatively strong growth thanks to acceleration in investment. Inflation trajectory is likely to be lower than the NBP assumes. This leaves space for rate cuts, but probably only starting from 3Q25 (i.e. after presidential elections). The key risk to watch is the fiscal outlook, as it can turn out more pro-inflationary than currently assumed and this can eventually shift the terminal rate higher.

**4% growth in 2025** — Private consumption is expected to grow by more than 3%, i.e. slightly faster than in 2024. The economy is set to expand by around 4% in 2025 and the boost as compared to last year will come mainly from stronger investment, financed by continued inflow of EU funds. Growth outlook beyond 2025 will depend on the fiscal response. Current plans assume fiscal tightening by around 1% of GDP in 2026, which could weigh on GDP growth, but we see a risk that actual fiscal tightening may be slower than planned.

**Disinflation from high level** — CPI is expected to peak in 1Q25 and in our view the following quarters will see gradual disinflation. Core inflation momentum has moderated in recent months and is currently running at around 3.5% (with a downward trajectory). We think the removal of energy price caps later this year will not boost CPI meaningfully. Taking this into account, we expect CPI to return to the central bank's target range within the next 12 months. Wage growth momentum is slowing as well, reinforcing our expectation for more moderate inflation in the coming quarters.

**Rate cuts only in 2H25** — The official communication from the Monetary Policy Council remains hawkish, highlighting inflation risks. However, the latest NBP projection appears based on relatively pessimistic assumptions for energy prices and we think the actual CPI path will be by around 1pp lower than the one presented by the MPC. New energy tariffs will be known by May, which in our view is likely to open room for rate cuts starting from July. By this time, any political constraints related to the timing of presidential elections (scheduled for 18th May and 1st June) would have receded.

**Key risks related to fiscal outlook** — Larger defense spending in the EU and the announcement of the [ReArm Europe](#) plan could slow the fiscal adjustment process in Poland. On balance, we treat fiscal changes as pro inflationary and if the deficit reduction path is changed substantially, we think this can limit room for policy easing in 2026, raising the terminal policy rate. From this point of view, 3Q25 will be crucial as this is when the Finance Ministry needs to announce a new budget draft for 2026, detailing fiscal adjustment plans.

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Appendix

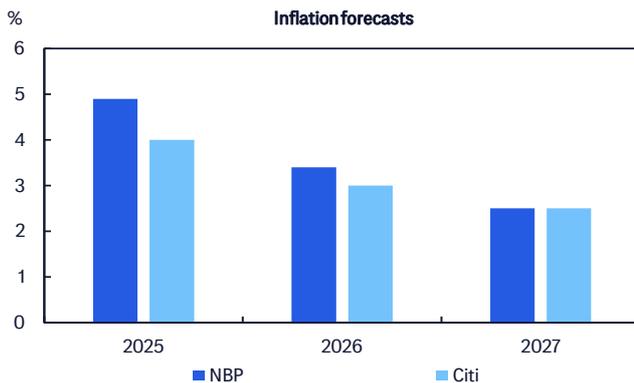
Figure 1. Poland – Selected macroeconomic forecasts under alternative scenarios

Base case	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27	3q27	4q27	1q28
GDP growth YoY	3.7	3.5	4.5	4.2	4.1	3.6	3.4	3.3	3.4	3.4	3.4	3.3	3.2
Inflation YoY (average)	4.9	4.2	3.4	3.5	3.4	3.4	2.7	2.6	2.6	2.5	2.5	2.5	2.5
Average wage YoY (national economy)	10.5	8.9	7.6	6.8	6.9	6.6	6.3	6.1	5.5	5.5	5.4	5.4	5.1
Registered unemployment rate	5.4	5.2	5.2	5.2	5.4	5.1	5.1	5.0	5.2	4.9	5.0	5.1	5.3
Unemployment rate LFS	3.1	3.0	3.0	2.7	3.1	2.9	2.9	2.6	2.9	2.7	2.8	2.7	3.1
NBP reference rate (eop)	5.75	5.75	5.25	5.00	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.75	3.75
WIBOR 3M (eop)	5.90	5.77	5.35	5.02	4.60	4.27	4.19	4.19	3.94	3.94	3.94	3.94	3.94
WIG (eop)	99377	99649	99920	101276	102809	104341	105874	107406	109003	110600	112197	113794	115372
WIG20 (eop)	2798	2815	2841	2884	2928	2972	3015	3059	3104	3150	3195	3241	3286
<b>Negative scenario</b>	<b>1q25</b>	<b>2q25</b>	<b>3q25</b>	<b>4q25</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>
GDP growth YoY	3.1	2.3	2.7	1.7	1.9	1.8	1.9	2.1	2.4	2.6	2.9	3.1	3.1
Inflation YoY (average)	4.5	3.4	1.6	1.4	1.5	1.7	1.6	1.7	1.6	1.7	2.1	2.3	2.5
Average wage YoY (national economy)	10.1	7.9	6.1	5.0	5.0	4.9	4.8	4.8	4.5	4.7	4.9	5.1	5.1
Registered unemployment rate	5.5	5.4	5.5	5.6	5.9	5.7	5.9	5.9	6.1	5.8	5.9	6.1	6.3
Unemployment rate LFS	3.2	3.1	3.2	3.1	3.6	3.4	3.6	3.4	3.8	3.5	3.6	3.6	4.0
NBP reference rate (eop)	5.50	5.25	4.50	4.00	3.25	3.00	2.75	2.75	2.50	2.50	2.50	2.50	2.50
WIBOR 3M (eop)	5.65	5.27	4.60	4.02	3.35	3.02	2.94	2.94	2.69	2.69	2.69	2.69	2.69
WIG (eop)	96063	92325	88731	86240	87545	88850	90155	91460	92820	94180	95540	96900	98243
WIG20 (eop)	2703	2603	2514	2444	2481	2518	2555	2592	2630	2669	2707	2746	2784
<b>Positive scenario</b>	<b>1q25</b>	<b>2q25</b>	<b>3q25</b>	<b>4q25</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>
GDP growth YoY	4.4	4.8	6.4	6.6	6.2	5.5	5.0	4.6	4.5	4.3	4.0	3.5	3.3
Inflation YoY (average)	5.5	5.2	4.8	6.1	5.5	5.3	5.6	4.6	4.6	4.3	2.9	2.7	2.5
Average wage YoY (national economy)	11.0	9.8	9.3	9.0	9.2	8.6	7.8	7.3	6.6	6.2	6.0	5.7	5.1
Registered unemployment rate	5.3	5.0	4.9	4.8	4.8	4.4	4.4	4.2	4.3	4.0	4.0	4.1	4.3
Unemployment rate LFS	3.1	2.8	2.7	2.4	2.7	2.3	2.3	1.9	2.1	1.9	1.9	1.7	2.1
NBP reference rate (eop)	6.25	6.75	6.75	7.00	6.50	6.25	6.00	5.75	5.25	5.00	4.75	4.50	4.50
WIBOR 3M (eop)	6.40	6.77	6.85	7.02	6.60	6.27	6.19	5.94	5.44	5.19	4.94	4.69	4.69
WIG (eop)	102692	107249	112007	118192	119981	121769	123558	125347	127210	129074	130938	132802	134643
WIG20 (eop)	2893	3036	3195	3382	3433	3484	3535	3587	3640	3693	3746	3800	3852

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

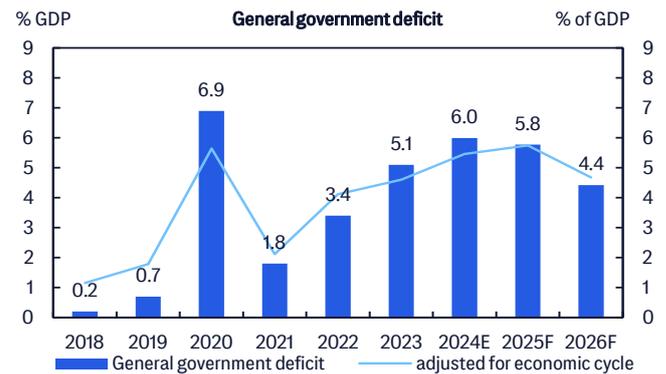
Figure 2. Inflation may come below NBP projections



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Source: Citi Handlowy Forecasts, National Bank of Poland

Figure 3. Key risks are related to fiscal outlook



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Source: Citi Handlowy Forecasts, Ministry of Finance

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