

18 April 2025 | 5 pages

## Poland Economics View

### Poland Monthly Economic Outlook

#### OUR TAKE

*Dovish shift in tone of the Polish central bank is likely a prelude to the rate cutting cycle. We are convinced that inflation profile warrants rate cuts to begin already in 1H25 and we think global trade policies could push CPI closer to the target by the end of the year.*

---

**Piotr Kalisz, CFA**

+48-22-692-9633

piotr.kalisz@citi.com

**Arkadiusz Trzciolek**

+48-22-657-7750

arkadiusz.trzciolek@citi.com

**Aleksandra Siuzdak**

aleksandra.siuzdak@citi.com

---

**The Polish Monetary Policy Council signaled in May that conditions for interest rate cuts could be fulfilled soon.** We expect that the easing cycle will begin as soon as May with cuts totaling 125 bps in 2025. Although there are risks that the MPC may decide to wait until the release of next NBP's macroeconomic projections in July, we think that it would not materially affect our expected year-end reference rate of 4.50%.

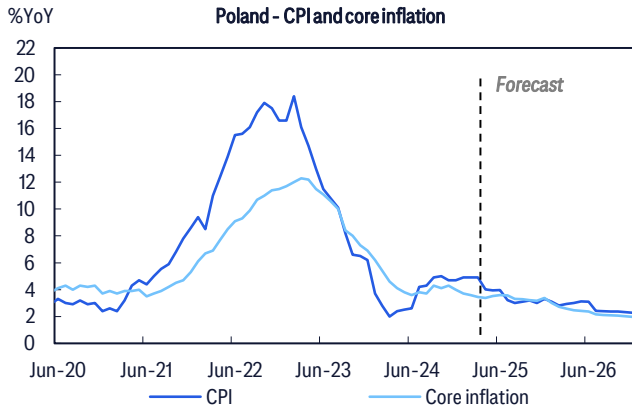
**We expect inflation to decline significantly in the coming months.** Headline inflation remained below 5% YoY throughout 1Q25 and we see it moving closer to 4% YoY already in April when the base effects of VAT hike on food from 2024 would kick in. CPI is set to fall to +/-1 pp. tolerance band around the 2.5% target in July and stay there throughout 2H25, according to our forecast. The recent MPC statements as well as NBP's staff forecasts have pointed towards risks of sharp increase in inflation in 4Q24 due to unfreezing of energy prices. The government authorities, however, have been signaling that the increase in households' electricity bills is unlikely, whereas the Energy Regulator Office signaled that new electricity tariffs should be set closer to 500 PLN/MWh (the current cap for households) vs. the present level of 623 PLN/MWh. We see it likely that headline inflation may prove even lower than we currently expect, as the impact of global increase in effective tariffs rate is in our view deflationary in Poland.

**Easing wage pressure could convince rate-setters to cut rates already in May.** In the April policy statement, the Monetary Policy Council signaled that data point to lowering of wage growth. We expect that wage growth could stay below 10% YoY throughout the year. The wage growth momentum decreased to 6% (3MMA SAAR) reflecting some loosening of the tight labour market. We do not expect, however, that wage growth will move into negative territory in real terms, given the decline in inflation as well as still very low unemployment rate.

**We continue to expect that Poland's GDP growth will improve in 2025, though global trade tensions pose a negative risk.** We revised our 2025 GDP growth only marginally by 0.1 to 3.9%. though we expect that tariff impact may be more pronounced next year as we now see 2026 GDP expanding by 3.2% vs. 3.6% before the revision. Although US reciprocal tariffs on EU goods were lowered to 10% from [initial 20%](#) we see heightened uncertainty even when Poland's trade with the US is not particularly large.

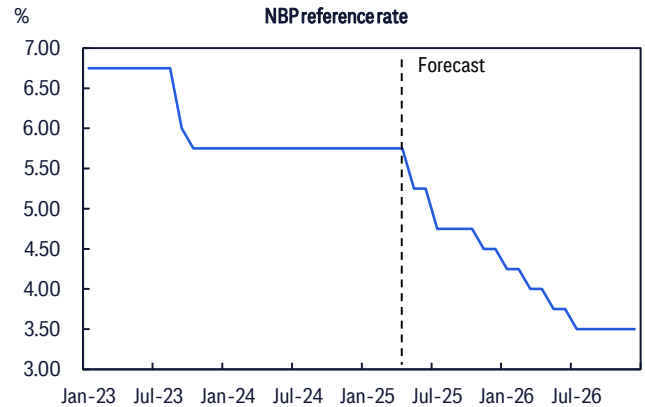
**The fiscal situation in Poland is unlikely to materially improve in the near-term.** The fiscal deficit in 2024 at 6.6% of GDP proved significantly higher than we had expected. We believe that fiscal policy in Poland will remain loose and our forecast of ~6% of GDP deficit this year stems mostly from the improvement in nominal GDP rather than actual discretionary tightening. We acknowledge that the [ReArm Europe programme](#) may give the Polish government some flexibility in terms of fulfilling the Excessive Deficit Procedure goals as some of defense expenses may get 'exemption' from the 3% rule. Nevertheless, given the political calendar, with presidential election scheduled in May and looming parliamentary campaign in 2027, any substantial fiscal tightening may prove unpopular.

**Figure 1. Inflation is likely to decline further in April and fall into the tolerance band as soon as July...**



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

**Figure 2. ...which could convince the MPC to begin the rate cutting cycle early**



Source: Citi Handlowy Forecasts, National Bank of Poland

**Figure 3. Poland Economic Indicators**

	2018	2019	2020	2021	2022	2023	2024	2025F	2026F
<b>Activity</b>									
Nominal GDP, USD bn	590	596	600	682	690	809	907	935	1,010
Population, mn	38.4	38.4	38.1	37.9	37.8	37.6	37.5	37.4	37.4
Real GDP, yoy avg	5.9	4.4	-2.0	6.9	5.3	0.1	2.9	3.9	3.2
Private consumption growth % yoy	4.4	3.5	-3.6	6.2	5.0	-0.3	3.1	3.7	3.3
Real investment growth % yoy	13.8	0.5	-7.5	19.4	7.7	-16.5	4.6	5.0	4.8
Real export growth, % yoy	6.8	5.3	-1.1	12.3	7.4	3.7	1.2	4.4	5.8
Real import growth, % yoy	7.5	3.2	-2.4	16.3	6.8	-1.5	3.3	4.1	5.9
Net export contribution to growth	-0.1	1.7	0.8	-1.9	0.8	4.1	-1.5	0.6	0.4
Unemployment, % of labour force	5.8	5.2	6.8	5.8	5.2	5.1	5.1	5.2	5.0
<b>External (US\$bn)</b>									
Current account	-13.4	-1.6	16.9	-10.1	-17.6	13.7	3.4	-2.4	-1.4
% of GDP	-2.3	-0.3	2.8	-1.5	-2.6	1.7	0.4	-0.3	-0.1
Trade balance	-6.1	-5.5	9.2	-10.4	-26.9	7.3	1.7	-2.1	-1.4
FDI, net	17.4	13.7	14.8	27.3	29.3	19.5	12.1	10.0	10.0
External debt	363.6	355.8	378.1	367.0	375.2	428.7	459.4	483.1	489.8
Short-term debt	51.5	57.0	61.3	62.4	66.6	74.5	81.9	88.1	94.8
International reserves	117.0	128.4	154.2	166.0	166.7	193.8	223.1	260.6	278.5
<b>Public Finances, % of GDP</b>									
Consolidated government balance	-0.2	-0.7	-6.9	-1.7	-3.4	-5.3	-6.6	-6.0	-4.8
Consolidated gov primary balance	1.2	0.6	-5.6	-0.7	-1.9	-3.2	-4.3	-3.2	-2.1
Public debt	46.3	43.3	47.6	43.7	39.3	38.9	44.0	48.2	51.2
External public debt	24.3	21.8	22.3	17.6	17.3	17.6	18.2	15.0	13.9
<b>Prices</b>									
CPI, %yoy, eop	1.1	3.4	2.4	8.6	16.6	6.2	4.7	3.3	2.3
CPI, %yoy, avg	1.6	2.3	3.4	5.1	14.3	11.5	3.6	3.8	2.7
PLN/EUR, eop	4.29	4.25	4.56	4.59	4.69	4.34	4.28	4.30	4.32
PLN/EUR, avg	4.26	4.30	4.44	4.57	4.68	4.54	4.31	4.27	4.31
Policy Interest Rate, % eop	1.50	1.50	0.10	1.75	6.75	5.75	5.75	4.50	3.50
Long-term yield, %, eop	2.81	2.07	1.25	3.71	6.88	5.25	5.90	4.80	4.50
Nominal wages, % yoy	7.1	6.5	4.7	8.8	13.0	11.9	11.0	7.9	6.1
<b>Quarterly Economic Indicators</b>									
	2024 Q4	2025 Q1	2025 Q2F	2025 Q3F	2025 Q4F	2026 Q1F	2026 Q2F	2026 Q3F	2026 Q4F
GDP, % yoy	3.2	3.7	3.5	4.3	3.9	3.7	3.1	3.0	3.0
CPI, %yoy, avg	4.8	4.9	4.0	3.1	3.1	2.9	3.1	2.4	2.3
PLN/EUR, eop	4.28	4.19	4.28	4.29	4.30	4.30	4.31	4.32	4.32
Policy interest rate, %, eop	5.75	5.75	5.25	4.75	4.50	4.00	3.75	3.50	3.50

Source: Citi Handlowy Forecasts, National Sources

## Chief Economist Office

### Piotr Kalisz, CFA

Chief Economist  
+48 (22) 692-9633  
[piotr.kalisz@citi.com](mailto:piotr.kalisz@citi.com)

### Arkadiusz Trzciotek, CFA

Senior Economist  
+48 (22) 657-7750  
[arkadiusz.trzciotek@citi.com](mailto:arkadiusz.trzciotek@citi.com)

### Aleksandra Siuzdak

Intern  
[aleksandra.siuzdak@citi.com](mailto:aleksandra.siuzdak@citi.com)

## Citi Handlowy

Senatorska 16, 00-923 Warszawa, Polska

This material was prepared by the employees of Bank Handlowy w Warszawie S.A. Any data, information, comments, hypotheses have been developed for information purposes only and constitute neither an offer nor enticement to execute any transactions with the Bank.

This document has been issued for information purposes only and is not an offer in the meaning of Article 66 of the Civil Code. The terms and conditions presented in this document constitute a basis for negotiations only and may be amended. Binding terms and conditions shall be presented in the final draft agreement concerning a transaction and/or in a confirmation of transaction. They do not constitute any investment or financial analysis either, or any other recommendation of a general nature concerning transactions in financial instruments referred to in Article 69 clause 4 sub-clause 6 of the Act on Trading in Financial Instruments of 29 July 2005, or any 'information recommending or suggesting an investment strategy', or any 'investment recommendation' in the meaning of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse. This material is not an investment research or a marketing communication within the meaning of article 36 of the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

All presented information is based on sources commonly regarded as reliable. The Bank made its best efforts to prepare the presented information adequately, completely and duly, however the Bank does not guarantee the adequacy or completeness of the material, especially in case any information this document is based on is considered incomplete. Any terms and conditions presented in this document are only for discussion and may change. All hypotheses contained in this document constitute an assessment for the date of publication and may be subject to change without notice.

It is exclusively Client responsibility to make the final decision whether or not to enter into a transaction and for the final result of investment decision taken based on information contained in this material.

The information contained in this publication which refers to past listings or performance of investments in a given instrument, financial index or indicator does not constitute a guarantee that the listings or performance of investments in the same instrument, index or indicator will follow the same or even a comparable trend in the future.

All the hypotheses presented are based on certain hypothetical assumptions, in particular in relation to future events or market conditions. As such assumptions adopted may fail to materialize, actual quotations and results associated with investments in the financial instruments, indices or ratios presented, may divert considerably from the values presented.

The Bank or any other subsidiary of Citigroup Inc. may occur to be an issuer or creator for identical or similar to those described in this document financial instruments. The Bank (or any other subsidiary of Citigroup Inc., or its directors, officers or employees) may be involved or may make an investment in buying or selling the financial instruments described in this document. The Bank may conclude transactions which are opposite to transactions concluded by the Client and which may or may not affect negatively the market price of a financial instrument, interest rate, index, foreign exchange rate or any other underlying market parameter (hedging). The Bank has developed policies and measures for conflict of interest management.

The Bank does not act as an advisor or a broker in financial instruments described in this market comments. The Bank certifies that the information contained in the presented document accurately reflect his own hypotheses and that it has not received any remuneration from issuers or creators of instruments, either directly or indirectly.

The Bank has not developed this market commentary based on the individual situation of the customer and not evaluated its adequacy for a Client with regard to any financial instrument described in this market comments, even if the Bank was in a possession of information as to the adequacy of certain financial instruments, investment strategy, etc. The Bank reserves the right to discontinue the distribution of market comments to selected or all customers.

Copying and distributing this document, in part or in whole, is only authorized upon the prior written consent of the Bank, except where the disclosure of this document is mandatory in legal or administrative proceedings.

Bank Handlowy w Warszawie S.A. is supervised by the Polish Financial Supervision Authority (KNF).

Citi and Citi Handlowy are registered trademarks of Citigroup Inc., used under the license. Citigroup Inc. and its subsidiaries shall also hold the rights to certain trademarks used herein. Bank Handlowy w Warszawie S.A. with its registered office in Warsaw, at ul. Senatorska 16, 00-923 Warsaw, entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, KRS 000 000 1538, Tax Identification Number NIP 526-030-02-91, with fully paid-up share capital amounting to PLN 522,638,400.