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## Poland Economics View

### MPC ready to start rate cuts in early 2025

#### OUR TAKE

*Prospect of fast rate cuts by global central banks has opened room for earlier policy easing by the NBP. Taking this into account, we now expect the rate cutting cycle in Poland to begin in March 2025. In this note we also present detailed annual, quarterly and monthly forecasts for selected indicators.*

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At the NBP's press conference in early September governor Glapiński significantly [softened](#) rhetoric, suggesting that rate cuts could start in 2H25, as opposed to earlier guidance pointing towards 2026. However, in our view the easing cycle will likely begin even earlier. This is not so much because of domestic demand (consumption is expected to stay strong, after all), but rather due to disappointing activity in the economies of Poland's key trading partners, most notably in [Germany](#).

Weak growth in Europe implies more challenging environment for Polish exporters, a situation that can be exacerbated by the strength of the zloty. A standard response of a small open economy to an external demand shock would be currency depreciation. Yet, in Poland that impact is being offset by capital inflows attracted by high rates. More importantly, prospects of significant rate cuts by the Fed (markets pricing in 190 bps of easing over next twelve months) suggest that in absence of policy action by the NBP, the interest rate differential would widen significantly in the coming months.

While for now the MPC may try to postpone interest rate cuts, the market pressure may rise over time. Polish central bankers are probably aware of that risk, which may explain an increasing number of MPC members suggesting readiness to discuss rate cuts already in early 2025 (see bankier.pl articles: [here](#) or [here](#)). Taking this into account we have moved our expectations for the start of the easing cycle from July 2025 to March 2025 but we kept the total scale of rate cuts unchanged at 100 bps in 2025 and another 100bps in 2026.

The key reason why we expect the easing cycle to start in March is that at this particular meeting the MPC will receive a new inflation projection that will likely include a new CPI path. We expect this path to be by nearly 1pp lower than in the July 2024 projection, mainly due to likely extension of energy price freeze. Technically the MPC will get a new projection also in November, but in our view it seems unlikely that by that time there will be a formal decision about energy price freeze (actually November projection may include only the impact of new excise duties, a move that would raise the CPI path).

The key factor that could accelerate rate cuts is the FX performance. In case of significant PLN appreciation in a short period of time and in a scale that would meaningfully improve inflation outlook the MPC might be encouraged to start rate cuts already in 2024.

## Appendix

**Figure 1. Poland Economic Indicators**

	2017	2018	2019	2020	2021	2022	2023	2024F	2025F
<b>Activity</b>									
Nominal GDP, USD bn	526	590	596	600	682	690	809	907	991
Population, mn	38.4	38.4	38.4	38.1	37.9	37.8	37.6	37.5	37.4
Real GDP, yoy avg	5.1	5.9	4.4	-2.0	6.9	5.6	0.2	3.4	4.1
Private consumption growth % yoy	6.3	4.4	3.5	-3.6	6.2	5.4	-1.0	4.6	3.8
Real investment growth % yoy	5.6	13.8	0.5	-7.5	19.4	8.5	-14.1	-2.5	6.0
Real export growth, % yoy	9.0	6.8	5.3	-1.1	12.3	7.4	3.4	1.9	5.6
Real import growth, % yoy	9.9	7.5	3.2	-2.4	16.1	6.8	-2.0	3.8	6.0
Net export contribution to growth	-0.2	-0.2	1.6	0.8	-1.9	0.7	4.2	-1.2	0.1
Unemployment, % of labour force	6.6	5.8	5.2	6.8	5.8	5.2	5.1	4.9	5.0
<b>External (US\$bn)</b>									
Current account	0.8	-13.4	-1.6	16.9	-10.1	-17.6	13.7	3.4	-2.5
% of GDP	0.2	-2.3	-0.3	2.8	-1.5	-2.6	1.7	0.4	-0.2
Trade balance	1.5	-6.1	-5.5	9.2	-10.4	-26.9	7.3	1.7	-2.2
FDI, net	7.9	16.8	12.3	14.0	26.0	25.7	17.9	9.0	10.0
External debt	383.2	362.9	355.2	377.5	366.3	370.3	426.9	457.4	478.4
Short-term debt	51.3	50.9	56.3	60.7	61.7	65.1	74.6	79.4	83.4
International reserves	113.3	117.0	128.4	154.2	166.0	166.7	193.8	204.2	226.7
<b>Public Finances, % of GDP</b>									
Consolidated government balance	-1.5	-0.2	-0.7	-6.9	-1.8	-3.5	-5.1	-5.4	-5.7
Consolidated gov primary balance	0.1	1.2	0.6	-5.6	-0.7	-1.9	-3.0	-3.2	-3.2
Public debt	48.5	46.3	43.3	47.6	43.7	39.3	38.9	43.2	47.5
External public debt	30.0	24.2	21.7	22.2	17.5	17.1	17.5	15.2	14.1
<b>Prices</b>									
CPI, %yoy, eop	2.1	1.1	3.4	2.4	8.6	16.6	6.2	4.8	3.8
CPI, %yoy, avg	2.0	1.6	2.3	3.4	5.1	14.3	11.5	3.7	4.6
PLN/EUR, eop	4.18	4.29	4.25	4.56	4.59	4.69	4.34	4.25	4.30
PLN/EUR, avg	4.26	4.26	4.30	4.44	4.57	4.68	4.54	4.28	4.29
Policy Interest Rate, % eop	1.50	1.50	1.50	0.10	1.75	6.75	5.75	5.75	4.75
Long-term yield, % eop	3.30	2.81	2.07	1.25	3.71	6.88	5.25	5.25	4.90
Nominal wages, % yoy	5.9	7.1	6.5	4.7	8.8	13.0	11.9	11.0	8.4
<b>Quarterly Economic Indicators</b>									
	2023 Q4	2024 Q1	2024 Q2F	2024 Q3F	2024 Q4F	2025 Q1F	2025 Q2F	2025 Q3F	2025 Q4F
GDP, % yoy	1.0	2.0	3.2	3.7	4.4	4.8	4.2	3.6	3.6
CPI, %yoy, avg	6.5	2.8	2.5	4.5	4.9	5.5	5.0	3.9	3.8
PLN/EUR, eop	4.34	4.29	4.31	4.26	4.25	4.27	4.28	4.29	4.30
Policy interest rate, %, eop	5.75	5.75	5.75	5.75	5.75	5.50	5.50	5.00	4.75

Source: Citi Handlowy (Forecasts), National Sources

**Figure 2. Poland – Selected macroeconomic forecasts under alternative scenarios**

<b>Base case</b>	<b>3q24</b>	<b>4q24</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>
GDP growth YoY	3.9	4.6	4.8	4.2	3.6	3.6	3.5	3.4	3.3	3.2	3.2	3.2	3.2
Inflation YoY (average)	4.5	4.9	5.5	5.0	3.9	3.8	3.5	3.3	2.9	2.8	2.6	2.5	2.5
Average wage YoY (national economy)	11.5	9.5	9.6	8.7	7.8	7.3	6.9	6.6	6.4	6.2	5.0	4.9	4.9
Registered unemployment rate	4.9	4.9	5.3	5.2	5.1	5.0	5.3	5.2	5.1	5.1	5.3	5.1	5.1
Unemployment rate LFS	2.6	2.6	3.0	2.9	2.8	2.7	3.0	2.9	2.8	2.8	3.0	2.8	2.8
NBP reference rate (eop)	5.75	5.75	5.50	5.50	5.00	4.75	4.25	4.00	3.75	3.75	3.75	3.75	3.75
WIBOR 3M (eop)	5.86	5.86	5.69	5.52	5.10	4.77	4.35	4.02	3.94	3.94	3.94	3.94	3.94
WIG (eop)	82000	86978	88617	90256	91894	93533	94973	96414	97854	99294	100623	102047	103571
WIG20 (eop)	2300	2520	2568	2615	2663	2710	2752	2794	2835	2877	2916	2957	3001
<b>Negative scenario</b>	<b>3q24</b>	<b>4q24</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>
GDP growth YoY	3.3	3.4	2.9	1.7	1.5	1.8	2.0	2.2	2.3	2.4	2.7	3.0	3.1
Inflation YoY (average)	4.1	3.3	3.1	2.3	1.0	1.9	2.2	2.2	2.2	2.2	2.2	2.3	2.5
Average wage YoY (national economy)	11.0	8.6	8.2	6.8	5.9	5.6	5.1	5.1	5.4	5.5	4.5	4.6	4.6
Registered unemployment rate	5.0	5.1	5.6	5.6	5.6	5.7	6.0	6.0	6.0	6.1	6.3	6.1	6.1
Unemployment rate LFS	2.7	2.7	3.2	3.2	3.3	3.2	3.7	3.6	3.6	3.7	3.9	3.7	3.7
NBP reference rate (eop)	5.75	5.50	4.75	4.25	3.75	3.50	3.00	2.75	2.50	2.50	2.50	2.50	2.50
WIBOR 3M (eop)	5.86	5.61	4.94	4.27	3.85	3.52	3.10	2.77	2.69	2.69	2.69	2.69	2.69
WIG (eop)	78309	79802	77982	76177	77560	78943	80158	81374	82589	83805	84926	86128	87415
WIG20 (eop)	2189	2304	2248	2192	2232	2272	2307	2342	2377	2412	2444	2479	2516
<b>Positive scenario</b>	<b>3q24</b>	<b>4q24</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>
GDP growth YoY	4.5	5.9	6.6	6.6	5.8	5.5	5.1	4.7	4.4	4.1	3.7	3.4	3.3
Inflation YoY (average)	4.9	5.9	7.1	7.0	6.4	5.9	5.2	4.8	4.7	4.4	4.0	3.7	2.5
Average wage YoY (national economy)	12.0	10.5	11.0	10.6	9.8	9.0	8.7	8.2	7.4	7.0	5.6	5.2	5.2
Registered unemployment rate	4.9	4.8	5.0	4.7	4.5	4.4	4.5	4.4	4.2	4.2	4.3	4.1	4.1
Unemployment rate LFS	2.6	2.5	2.8	2.5	2.3	2.1	2.4	2.2	2.0	2.0	2.1	1.9	1.8
NBP reference rate (eop)	5.75	6.25	6.50	7.00	7.00	6.75	6.00	5.50	5.00	4.75	4.50	4.50	4.50
WIBOR 3M (eop)	5.86	6.36	6.69	7.02	7.10	6.77	6.10	5.52	5.19	4.94	4.69	4.69	4.69
WIG (eop)	85691	94462	100176	106200	108128	110056	111751	113446	115140	116835	118398	120074	121868
WIG20 (eop)	2411	2746	2916	3097	3153	3209	3258	3308	3357	3407	3452	3501	3553

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

Figure 3. Poland – Monthly forecasts of selected variables

	NBP ref. rate (%)	Lombard rate (%)	POLONIA A	ASK ON (%)	ASK 1M (%)	ASK 3M (%)	ASK 6M (%)	ASK 1Y (%)	Bond 2Y (%)	Bond 3Y (%)	Bond 5Y (%)	Bond 10Y (%)	ASW 2Y (bps)	ASW 5Y (bps)	ASW 10Y (bps)
Oct-24	5.75	6.25	5.65	5.75	5.86	5.86	5.95	5.81	4.70	4.75	5.10	5.35	-15	60	75
Nov-24	5.75	6.25	5.65	5.75	5.86	5.86	5.91	5.74	4.70	4.75	5.10	5.30	-15	60	75
Dec-24	5.75	6.25	5.65	5.75	5.88	5.86	5.87	5.66	4.70	4.75	5.10	5.25	-15	60	70
Jan-25	5.75	6.25	5.65	5.75	5.88	5.85	5.83	5.58	4.65	4.72	5.07	5.22	-10	55	65
Feb-25	5.75	6.25	5.65	5.75	5.76	5.77	5.74	5.47	4.60	4.68	5.03	5.18	-10	55	65
Mar-25	5.50	6.00	5.4	5.50	5.63	5.69	5.66	5.37	4.55	4.65	5.00	5.15	-10	55	60
Apr-25	5.50	6.00	5.4	5.50	5.63	5.69	5.58	5.26	4.53	4.63	4.98	5.12	-10	50	55
May-25	5.50	6.00	5.4	5.50	5.63	5.60	5.49	5.16	4.52	4.62	4.97	5.08	-10	50	55
Jun-25	5.50	6.00	5.4	5.50	5.51	5.52	5.37	5.04	4.50	4.60	4.95	5.05	-10	50	50
Jul-25	5.25	5.75	5.15	5.25	5.38	5.35	5.24	4.91	4.48	4.60	4.93	5.03	-10	45	45
Aug-25	5.25	5.75	5.15	5.25	5.26	5.27	5.12	4.79	4.47	4.60	4.92	5.02	-10	45	45
Sep-25	5.00	5.50	4.9	5.00	5.13	5.10	4.99	4.66	4.45	4.60	4.90	5.00	-10	45	45
Oct-25	5.00	5.50	4.9	5.00	5.01	5.02	4.87	4.56	4.43	4.57	4.85	4.97	-10	40	40
Nov-25	4.75	5.25	4.65	4.75	4.88	4.85	4.74	4.45	4.42	4.53	4.80	4.93	-10	40	40
Dec-25	4.75	5.25	4.65	4.75	4.76	4.77	4.62	4.37	4.40	4.50	4.75	4.90	-10	40	40
Jan-26	4.50	5.00	4.4	4.50	4.63	4.60	4.49	4.29	4.32	4.42	4.73	4.90	-10	35	35
Feb-26	4.50	5.00	4.4	4.50	4.51	4.52	4.37	4.22	4.23	4.33	4.72	4.90	-10	35	35
Mar-26	4.25	4.75	4.15	4.25	4.38	4.35	4.24	4.16	4.15	4.25	4.70	4.90	-10	35	35
Apr-26	4.25	4.75	4.15	4.25	4.26	4.27	4.16	4.12	4.10	4.20	4.70	4.90	-10	30	35
May-26	4.00	4.50	3.9	4.00	4.13	4.10	4.08	4.08	4.05	4.15	4.70	4.90	-10	30	35
Jun-26	4.00	4.50	3.9	4.00	4.01	4.02	4.04	4.06	4.00	4.10	4.70	4.90	-10	30	35
Jul-26	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.95	4.05	4.68	4.87	-10	25	30
Aug-26	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.90	4.00	4.67	4.83	-10	25	30
Sep-26	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.85	3.95	4.65	4.80	-10	25	30
Oct-26	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.83	3.93	4.60	4.80	-10	25	30
Nov-26	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.82	3.92	4.55	4.80	-10	25	30
Dec-26	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	-10	25	30
Jan-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	-10	25	30
Feb-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	-10	25	30
Mar-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	-10	25	30
Apr-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	-10	25	30
May-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	-10	25	30
Jun-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.50	4.80	-10	25	30
Jul-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.47	4.80	-10	25	30
Aug-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.43	4.80	-10	25	30
Sep-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.40	4.80	-10	25	30
Oct-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.40	4.80	-10	25	30
Nov-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.40	4.80	-10	25	30
Dec-27	3.75	4.25	3.65	3.75	3.88	3.94	3.99	4.04	3.80	3.90	4.40	4.80	-10	25	30

Source: Citi Handlowy (Forecasts)

Figure 4. Poland – Monthly forecasts of selected variables

	USDPLN (avg)	EURPLN (avg)	CHFPLN (avg)	WIG (eop)	WIG20 (eop)	Registered unemployment (%)	LFS Unemploy- ment (%)	Housing price index (%YoY)	Private consumpti- on (%YoY)	GDP (%YoY)	CPI (%YoY)	Wage growth in the economy (%YoY)
Oct-24	3.89	4.26	4.57	84778	2429						5.1	
Nov-24	3.92	4.26	4.58	85323	2445						4.7	
Dec-24	3.94	4.25	4.60	86978	2520	4.9	2.6	8.0	5.6	4.7	4.8	9.5
Jan-25	3.95	4.26	4.62	86401	2478						5.5	
Feb-25	3.96	4.26	4.63	86952	2495						5.4	
Mar-25	3.97	4.26	4.64	88617	2568	5.3	3.0	6.0	4.4	5.2	5.6	9.6
Apr-25	3.98	4.27	4.65	87989	2526						4.9	
May-25	3.98	4.27	4.66	88511	2542						5.1	
Jun-25	3.99	4.28	4.66	90256	2615	5.2	2.9	5.0	3.9	4.5	5.1	8.7
Jul-25	3.99	4.28	4.65	89571	2574						4.0	
Aug-25	3.97	4.29	4.62	90110	2590						3.8	
Sep-25	3.96	4.29	4.59	91894	2663	5.1	2.8	4.0	3.6	3.9	3.9	7.8
Oct-25	3.94	4.29	4.56	91177	2623						3.8	
Nov-25	3.93	4.30	4.53	91722	2639						3.8	
Dec-25	3.92	4.30	4.50	93533	2710	5.0	2.7	3.5	3.2	3.6	3.8	7.3
Jan-26	3.90	4.30	4.47	92800	2672						3.6	
Feb-26	3.89	4.31	4.44	93351	2689						3.5	
Mar-26	3.88	4.31	4.41	94973	2752	5.3	3.0	3.0	3.0	3.5	3.4	6.9
Apr-26	3.86	4.31	4.38	94388	2720						3.4	
May-26	3.85	4.32	4.36	94910	2736						3.3	
Jun-26	3.84	4.32	4.33	96414	2794	5.2	2.9	2.5	3.0	3.5	3.1	6.6
Jul-26	3.83	4.32	4.30	95971	2768						3.0	
Aug-26	3.81	4.33	4.28	96510	2785						2.9	
Sep-26	3.80	4.33	4.26	97854	2835	5.1	2.8	2.5	3.0	3.5	2.8	6.4
Oct-26	3.80	4.33	4.25	97576	2817						2.8	
Nov-26	3.80	4.33	4.25	98121	2834						2.8	
Dec-26	3.80	4.33	4.25	99294	2877	5.1	2.8	2.5	3.0	3.5	2.7	6.2
Jan-27	3.80	4.33	4.25	99200	2866						2.7	
Feb-27	3.80	4.33	4.25	99751	2883						2.6	
Mar-27	3.80	4.33	4.25	100623	2916	5.3	3.0	2.5	3.2	3.5	2.6	5.0
Apr-27	3.80	4.33	4.25	100787	2915						2.5	
May-27	3.81	4.33	4.25	101309	2931						2.5	
Jun-27	3.81	4.33	4.25	102047	2957	5.1	2.8	2.5	3.2	3.6	2.5	4.9
Jul-27	3.81	4.34	4.25	102370	2963						2.5	
Aug-27	3.81	4.34	4.25	102909	2979						2.5	
Sep-27	3.81	4.34	4.26	103571	3001	5.1	2.8	2.5	3.2	3.2	2.5	4.9
Oct-27	3.81	4.34	4.26	103975	3011						2.5	
Nov-27	3.81	4.34	4.26	104520	3028						2.5	
Dec-27	3.81	4.34	4.26	105033	3043	5.1	2.8	2.5	3.2	3.2	2.5	5.0

Source: Citi Handlowy (Forecasts)

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