

12 September 2025

# Poland – Economic outlook: Wheels in motion



BNP PARIBAS

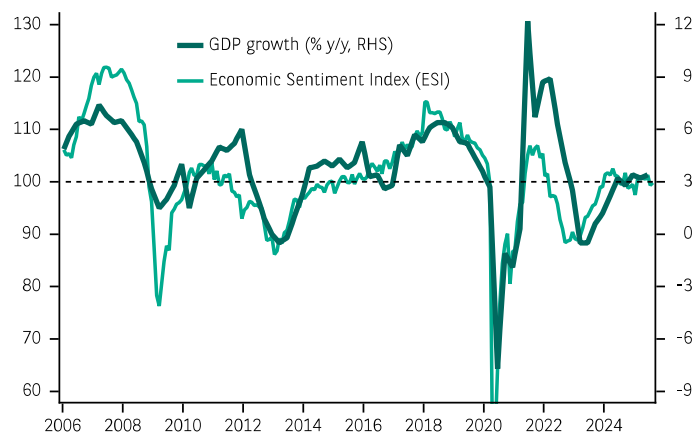
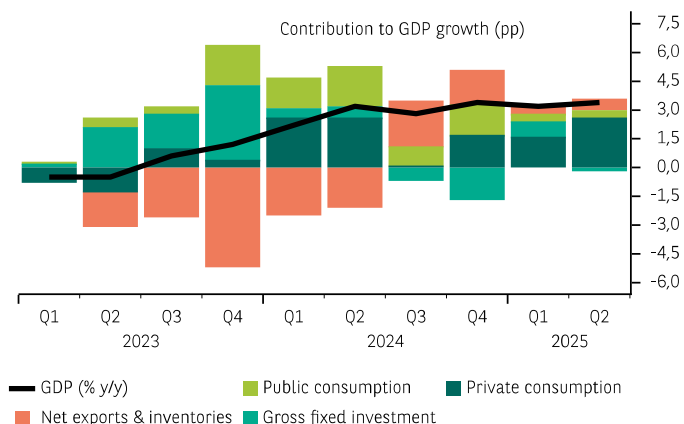
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# Forecasts

Sep 2025

## BNP PARIBAS FORECAST - SUMMARY

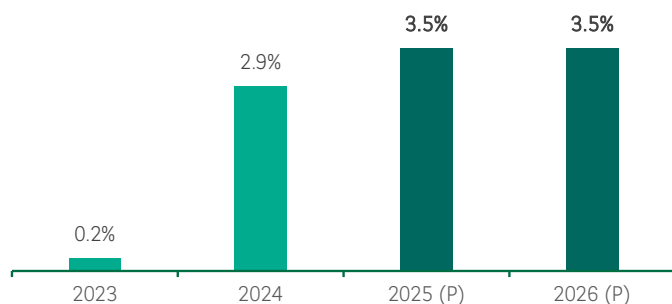


- In the second quarter of 2025, Gross Domestic Product rose by 0.8% q/q and 3.4% y/y. Household consumption was the main driver of economic growth during the spring, increasing by 4.4% y/y.
- Gross fixed capital formation was significantly weaker, falling by 1% y/y. Given that investment expenditures of large and medium-sized enterprises (employing more than 49 people) increased by more than 1% during this period, weaker investment was most likely down to lower capital spending of households and the government sector.
- Public consumption rose by only 2.1% y/y, which was driven by, among others, a smaller scale of salary increases in the public sector than last year.
- Exports of goods and services increased by 1.5% y/y in the April-June 2025. While at the beginning of the year sales to the US and other countries outside the European Union grew dynamically, in the second quarter intra-EU exports led the way.
- In the same period, imports advanced by 2.6% y/y, leading to an increase in Poland's trade deficit (in real terms) compared to the previous year.
- For the fourth quarter in a row, rising inventories made a positive contribution to GDP growth, adding 1pp to the economic growth rate in Q2.
- Monthly data on activity (industrial production, construction and assembly production, retail sales) as well as business indicators suggest that the GDP growth rate in the summer continued oscillating in a 3-3.5% y/y range.

## BNP PARIBAS FORECAST - SUMMARY



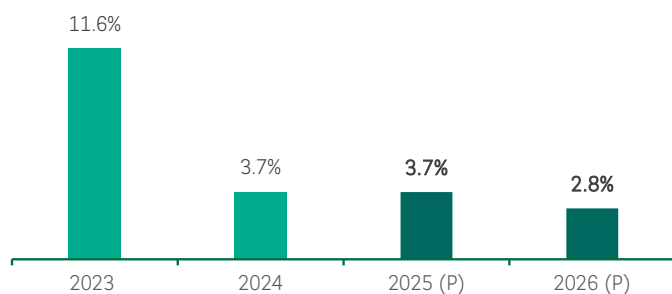
### GDP [% y/y]



- We maintain our forecast for a 3.5% GDP growth in Poland both this year and next. While the Polish economy should be gaining momentum in the coming quarters, the scale of recovery will remain moderate and GDP growth is unlikely to near the cyclical peaks seen in the previous periods of expansion.
- Projects implemented under the EU Recovery and Resilience Facility (RRF), as well as solid household consumption, will be key factors propelling activity. The prospects for exports look worse, mainly due to the 15% tariff imposed by the US on goods imported from the European Union.
- On the other hand, the sensitivity of the domestic economy to American demand is limited, and if the economic situation in Western Europe improves, the external environment in the coming quarters does not have to be too unfavourable for Poland
- We estimate that in the grant part of the RRF, Poland can still disburse as much as PLN 80bn until end-2026 to ultimate beneficiaries. In addition, more than PLN 100 billion of funds are available under the loan part of the RRF.
- Despite some deterioration on the labour market, economic growth should also be supported by consumer spending. In our opinion, household consumption, alike GDP, will increase by about 3.5% in both 2025 and 2026.
- CPI inflation will remain in the National Bank of Poland's target range of 2.5% +/-1pp until the end of next year, at least. Tax and administrative decisions (*inter alia*. electricity tariffs set for households) are an area of uncertainty for the forecasts.



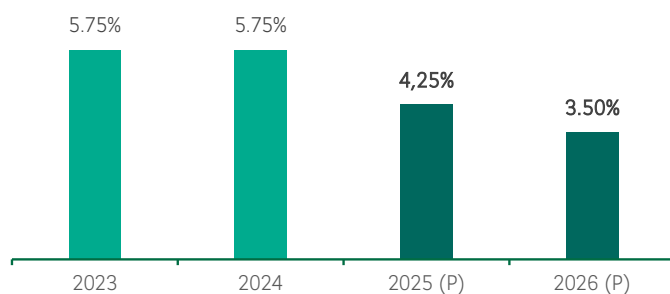
### CPI inflation [% y/y, average]



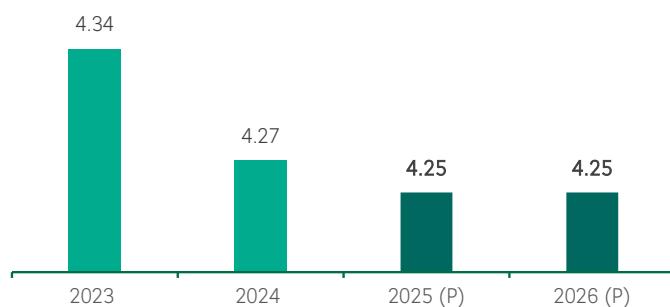
## BNP PARIBAS FORECAST - SUMMARY



### NBP reference rate [%, end-of-period]



### EURPLN [end-of-period]



- Considering the situation on global commodity markets and the decline in the USDPLN exchange rate in recent months, we think that inflationary pressure from imported prices will remain benign. As a result, we expect the upward pressure on prices of goods to remain low.
- The situation is different in case of services, as inflation is (more) sticky there. However, surveys suggest that in the coming months the pressure on price increases in services may ease as well. This will be supported by a lower wage growth rate ahead.
- The scale of monetary policy easing will be a function of the current economic situation, the situation on the labour market, as well as fiscal measures. Administrative decisions will also have an impact on the steps taken by the MPC.
- Our current forecasts suggest that the macroeconomic environment will allow for a continuation of the downward adjustment of interest rates in the coming months, even if it does not take the form of a measured cycle.
- We maintain our long-held view for a decline of the NBP reference rate to 3.50% by mid-2026.
- In recent weeks, the EURPLN exchange rate has seen compressed volatility. We believe that geopolitical factors may primarily determine the tone for the zloty exchange rate in the coming months..
- The relatively brisk economic growth in Poland compared to Western Europe will remain an important element supporting the zloty in the months ahead, we believe.



## BNP PARIBAS FORECAST - TABLE

<b>Key indicators for Poland*:</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Gross Domestic Product (% y/y)	0,2	2,9	3,5	3,5	3,2
Private consumption (% y/y)	-0,3	3,1	3,5	3,5	3,0
Gross fixed investment (% y/y)	12,7	-2,2	3,5	9,5	5,0
CPI Inflation (% y/y)	11,6	3,7	3,7	2,8	2,6
Core inflation (% y/y)	10,2	4,3	3,3	2,8	2,5
Average wage in the national economy (% y/y)	13,1	13,8	8,5	7,0	7,0
Registered unemployment rate (%)	5,2	5,1	5,4	5,3	5,3
General government balance (% of GDP)	-5,3	-6,6	-6,9	-6,5	-6,0
Current account balance (% of GDP)	1,8	0,2	-0,9	-1,4	-1,2
NBP main policy rate (% , end of period)	5,75	5,75	4,25	3,50	3,50
EURPLN (end of period)	4,34	4,27	4,25	4,25	4,30
USDPLN (end of period)	3,94	4,10	3,54	3,48	3,53

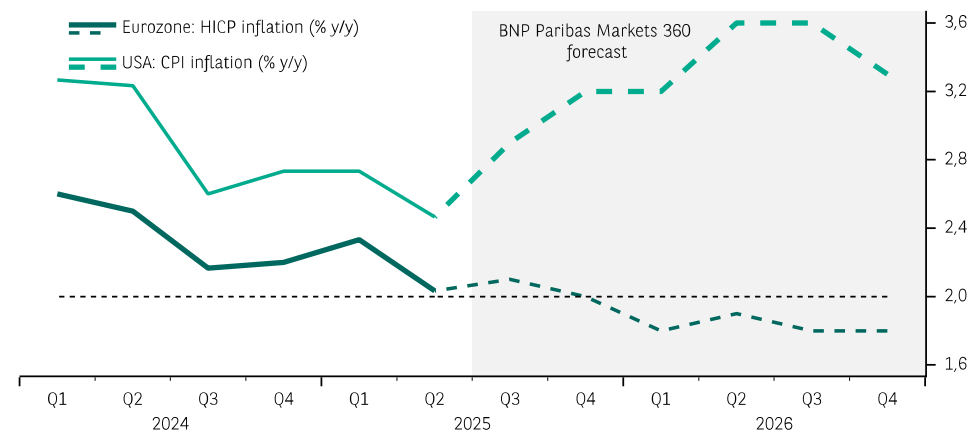
\*period average unless stated otherwise; Source: GUS, NBP, Eurostat, Bank BNP Paribas

# BNP PARIBAS MARKETS 360 – GLOBAL FORECASTS

## GDP growth

Region	% y/y			% q/q			
	2024	2025	2026	2025		2026	
				Q3	Q4	Q1	Q2
USA	2,8	1,7	1,5	0,2	0,4	0,3	0,4
Eurozone	0,8	1,3	1,4	0,0	0,3	0,4	0,5
Germany	-0,5	0,3	1,4	0,1	0,3	0,3	0,5
China	5,0	5,0	4,5	1,2	1,2	1,0	1,2

Source: BEA, Eurostat, Destatis, PBS, BNP Paribas Markets 360, Bank BNP Paribas



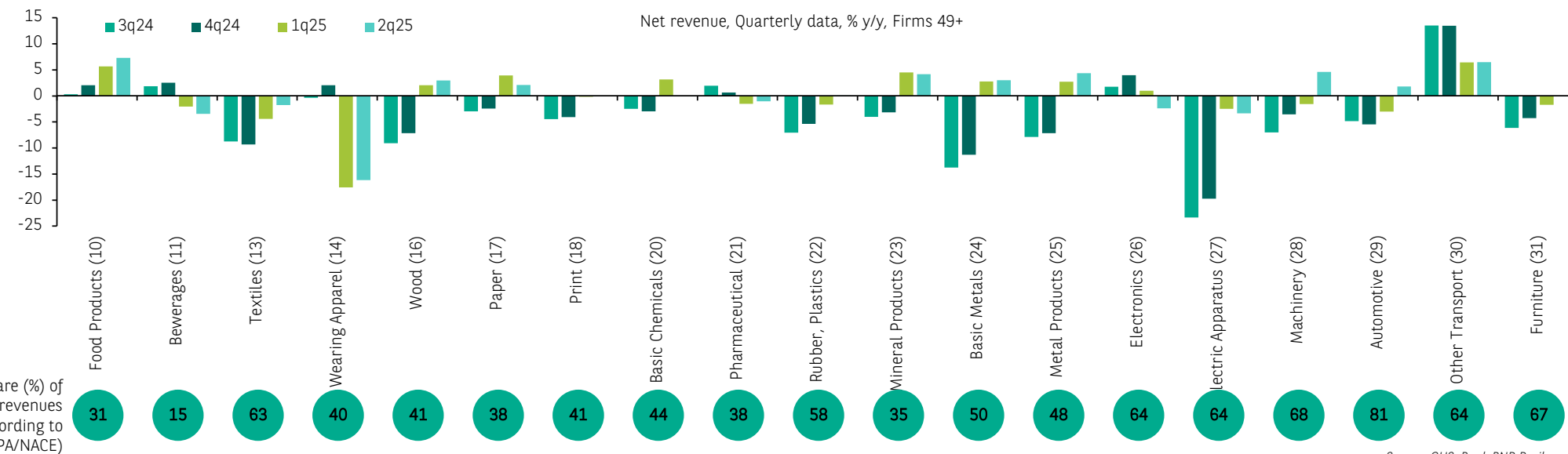
## Interest rates, FX, commodities

Interest rates	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Fed funds rate (% upper bound, end of period)	3,75	3,50	3,25	3,25
ECB deposit rate (% eop)	2,00	2,00	2,00	2,00
<b>FX</b>				
EURUSD (eop)	1,20	1,21	1,21	1,22
EURCHF (eop)	0,94	0,94	0,94	0,95
<b>Commodities</b>				
Brent oil (USD/bbl)	59	55	57	62

Source: Fed, ECB, BNP Paribas Markets 360, Bank BNP Paribas

## MANUFACTURING: DIFFERENT STARTING POINT FOR DIFFERENT INDUSTRIES

### H1 2025 saw increase in net revenues in food manufacturing, construction, and production of other transport equipment



The first half of the year brought a clear differentiation in the financial situation of industrial sectors in Poland. On one hand, revenues grew (traditionally) in the food industry (NACE 10), supported by growing consumer spending, and among industries that benefit from infrastructure projects, including those co-financed by EU funds (i.e. mineral industry – NACE 23, metal industry – NACE 24). On the other hand, however, the textile and clothing segment continues to struggle generating revenue growth in a sustainable way. The turbulent international environment, especially the tariffs imposed by the US, has so far, a limited impact on exports of domestic producers. Even in the case of industries strongly focused on serving foreign markets (i.e. the automotive industry – NACE 29).





## MANUFACTURING: FACTORS LIMITING GROWTH

### High labour costs and a growing problem with demand among corporates are key worries

	Development Barriers according to GUS (August 2025)								Operational Costs Structure		
	Insufficient Domestic Demand		Insufficient Foreign Demand		Labour Costs		Competitive Imports		Materials	Energy	Labour
	pts.	y/y in pp.	pts.	y/y in pp.	pts.	y/y in pp.	pts.	y/y in pp.	%	%	%
Food, Beverages (10-12)	35	-3	28	±0	47	-1	12	±0	63	2	10
Textiles (13)	50	-3	39	-9	66	-3	20	±0	50	3	21
Wearing Apparel (14)	43	+7	46	+11	79	+2	21	-5	28	2	34
Wood (16)	54	+3	55	+9	51	-2	18	+2	51	5	16
Paper (17)	46	+5	45	+5	39	+4	12	+4	58	5	13
Print (18)	43	±0	46	-4	50	-1	0	-1	41	3	26
Basic Chemicals (20)	38	+7	38	+2	42	+3	26	+5	58	5	11
Pharmaceuticals (21)	49	-5	36	±0	53	+9	19	-1	27	2	19
Rubber, Plastics (22)	49	+9	50	+11	52	+1	13	+2	53	4	19
Mineral Products (23)	49	-1	42	+1	46	+4	17	±0	42	7	17
Basic Metals (24)	57	+6	58	+4	37	+3	32	+7	54	10	10
Metal Products (25)	46	+7	47	+9	55	-4	15	+2	48	2	19
Electronics (26)	39	+4	54	+12	38	-6	18	-5	69	1	12
Electric Apparatus (27)	47	+8	48	+1	52	+5	25	+5	59	2	13
Machinery (28)	45	-5	50	-1	57	+1	19	+4	47	2	22
Automotive (29)	29	-3	44	+1	43	-1	12	+5	65	2	12
Other Transport (30)	31	-6	41	-3	38	-2	7	±0	55	1	18
Furniture (31)	38	±0	49	±0	53	-1	10	+1	50	2	23

Source: GUS, Eurostat, Bank BNP Paribas

Most industries identify the cost of employment as one of the most important barriers to growth. Although in August 2025 only half of the industries saw an increase in respondents' indications, in the clothing sector, the percentage of companies citing labour costs as an obstacle to operations reached nearly 80%.

With a few exceptions (i.e. metal industry – NACE 24, chemical industry – NACE 20, electrical equipment – NACE 27), foreign competition does not pose a strong threat to domestic manufacturers.

Undoubtedly, the current assessment of the scale of insufficient demand is a reason for cautiousness. Interestingly, most industries identify greater problems with domestic than foreign demand, with exception for producers of electronics (NACE 26) and the automotive sector (NACE 29). Nevertheless, the assessment of insufficient foreign demand is deteriorating much faster than in the case of the domestic market, which may be related to the tightening of trade conditions between the EU and the US.

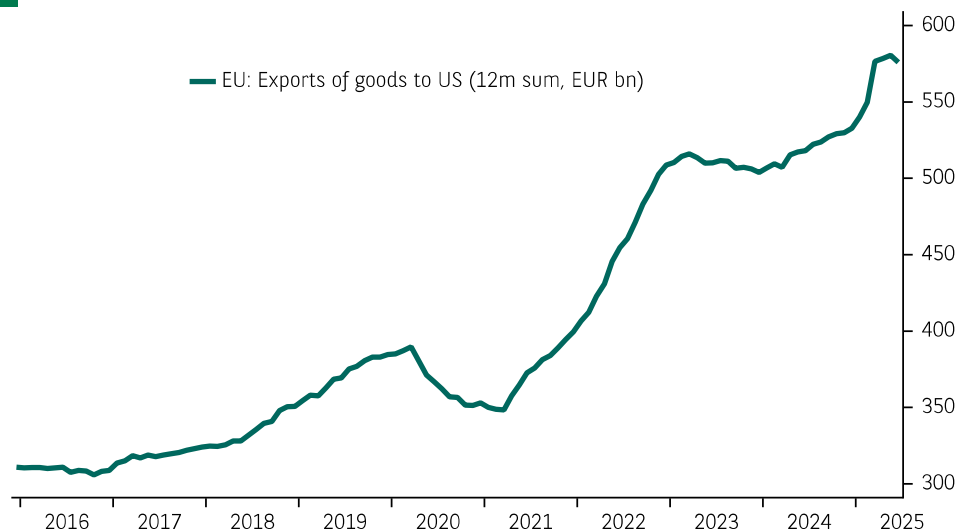
# US – EU trade deal Victory or defeat?



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## EU ECONOMY'S SENSITIVITY...

### ... to US demand



Source: Census Bureau, USITC, Macrobond, Bank BNP Paribas

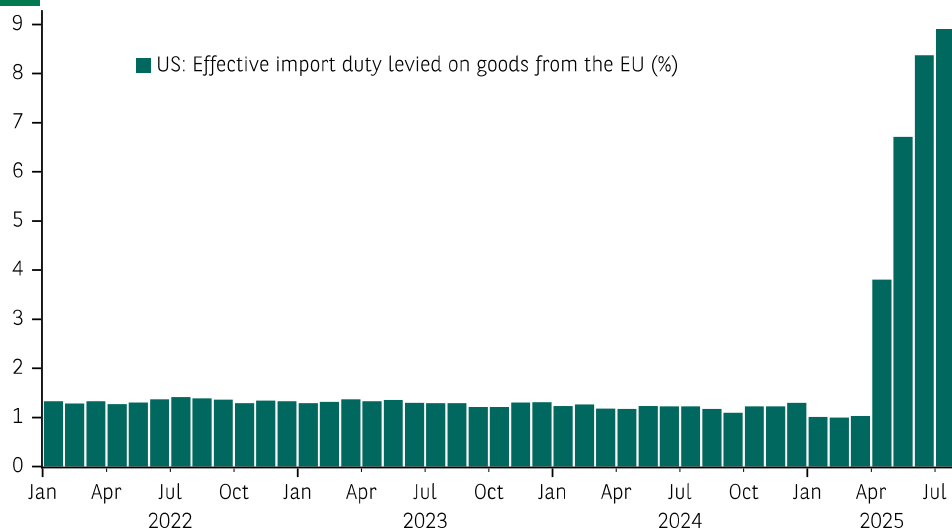
United States are the European Union's most important trading partner. Last year the bloc's members sent goods worth EUR 533bn across the Atlantic. At face value the Union's vulnerability to the American market may seem limited, as in 2024 exports to the US accounted for only 3% of the EU's GDP (all else equal a 10% decline in US demand should lead to a 0.3% fall in EU's production of goods and services).

However, including second-round effects (impact on profitability, investment, employment) of a plunge in US purchases, the actual economic exposure could be more palpable. According to the Eurostat as many as 5.2mn jobs (2.3% of the overall workforce) were supported by exports to the US in 2023. Against this backdrop, the EU's push to reach a deal with the US and keep the trade conditions on the Atlantic as liberal as possible (the EU proposed a mutual zero tariff rate), seemed well-reasoned.

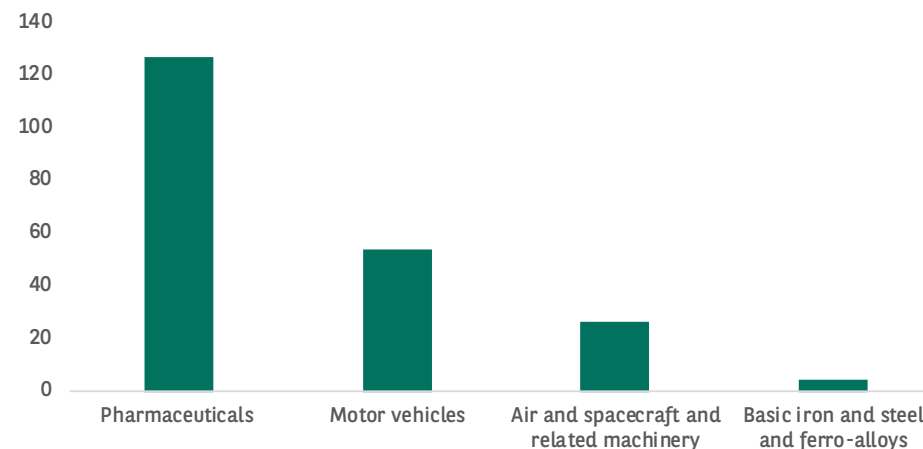


## US LEVIED A 15% TARIFF RATE...

### ... on EU goods



### EU: Exports to US in 2024 (EUR bn)



Source: US Census Bureau, USITC, Eurostat, Macrobond, Bank BNP Paribas

Until last year the effective custom duty levied by the US on goods from the EU amounted only to approximately 1.2%. The Union charged a similar import tariff on products shipped from the US. In April US President Donald Trump threatened that the duty rate may be raised up to 20%. Later, those threats were exacerbated further (custom duty of 30-50%). Ultimately, on 27 July the EU and US reached a political agreement establishing a single, all-inclusive US tariff rate of 15% for most EU goods. In turn the EU agreed to eliminate all remaining tariffs levied on US industrial goods.

The 15% rate will comprise car and car parts, which under general US regulations are now subjected to a 25% tariff rate. The EU also ensured that the 15% tariff rate will also apply to pharmaceuticals regardless of any future actions taken by the US. In case of steel products, a higher 50% rate will be charged, though both sides agreed to cooperate and are willing to set up tariff rate quotas (likely reducing the rate up to a given quantity). The US will also provide special treatment for several strategic products, such as aircraft and aircraft parts), making them subject to MFN (most favoured nation) tariffs only. The EU and US will keep working to add more products to the list of such exemptions.

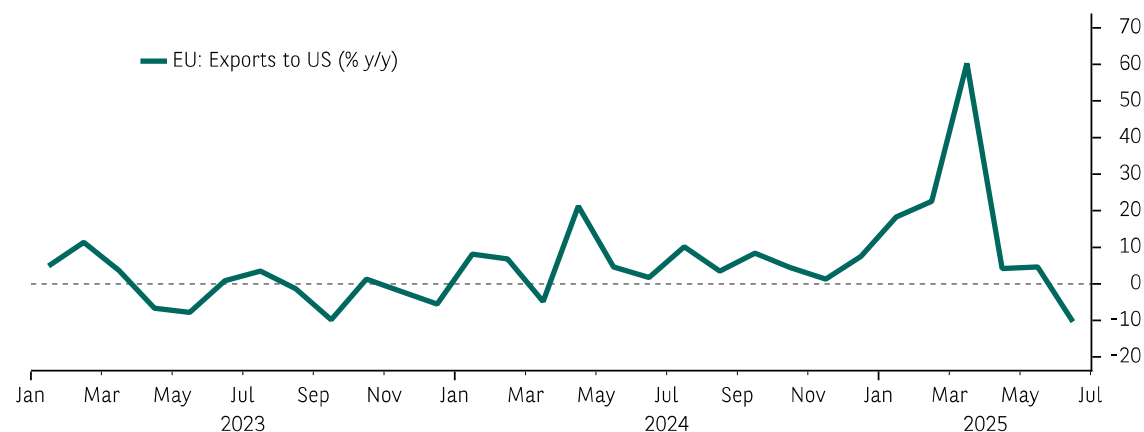
## EU'S VULNERABILITY TO WEAKER US DEMAND – INDUSTRIAL BREAKDOWN

Year: 2024	European Union		
Classification of product (CPA)	Exports to US		
	Value (EUR bn)	Share in GDP (%)	Estimated share in the sector's net turnover (%)
<b>TOTAL</b>	<b>532,6</b>	<b>3,0%</b>	-
<b>Manufactured goods</b>	<b>520,7</b>	<b>2,9%</b>	-
Food products	17,9	0,1%	1,2%
Beverages	9,9	0,1%	5,1%
Tobacco products	0,1	0,0%	0,3%
Textiles	2,5	0,0%	3,0%
Wearing apparel	5,0	0,0%	7,0%
Leather and related products	6,3	0,0%	9,9%
Wood	2,8	0,0%	1,7%
Paper and paper products	4,0	0,0%	1,6%
Printing and recording services	0,0	0,0%	0,0%
Coke and refined petroleum products	11,4	0,1%	2,5%
Chemicals and chemical products	40,6	0,2%	5,9%
Basic pharmaceutical products	127,0	0,7%	26,8%
Rubber and plastic products	9,6	0,1%	2,5%
Other non-metallic mineral products	5,9	0,0%	2,1%
Basic metals	14,7	0,1%	3,3%
Fabricated metal products	12,6	0,1%	1,9%
Computer, electronic and optical products	36,3	0,2%	11,1%
Electrical equipment	27,0	0,2%	5,5%
Machinery and equipment n.e.c.	73,0	0,4%	7,8%
Motor vehicles, trailers and semi-trailers	53,9	0,3%	4,1%
Other transport equipment	32,9	0,2%	11,1%
Furniture	3,6	0,0%	3,3%
Other manufactured goods	23,7	0,1%	14,7%

The pharmaceutical industry is the most exposed sector to the negative impact of barriers introduced in the trade with the US. In that case, exports of goods across the Atlantic is responsible for up to 1/4 of the generated revenues. Producers of other manufactured goods (NACE code: 32), electronics and other transport equipment, for which sales to the United States account for over 10% of revenues, are also strongly dependent on American demand.

While in case of producers of motor vehicles, chemicals and machinery and equipment the share of sales to US is smaller (4-8%), given their weight in the EU economy, a negative hit to trade in those industries would have a more visible effect on GDP statistics.

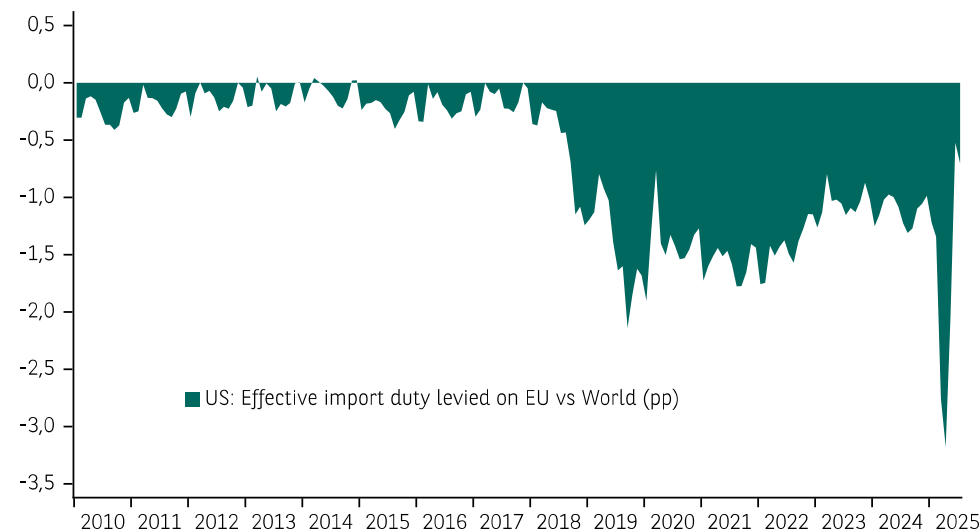
In the first half of the year EU exports to US have been performing quite well, especially in early 2025 as the uncertainty around the ultimate level of tariffs inclined importers to front-load purchases. However more recent numbers paint a more downbeat picture with exports value in June falling at a double-digit rate in year-on-year terms.



Source: Eurostat, Bank BNP Paribas

## THE IMPACT OF US TARIFFS ON EU ECONOMY DEPENDS ON...

### ... the American consumer and trade deals signed with other US trading partners



Source: BEA, Census Bureau, USITC, Macrobond, Bank BNP Paribas

In the months ahead we believe exports to US may stay under pressure as American buyers may have to a certain extent (pre-emptively) covered their demand already in H1 2025. Ultimately, however, the impact of newly levied US custom duties on both the cross-Atlantic trade and the European economy will largely depend on the US consumers sensitivity to higher tariff-induced prices. More recent data on private consumption may suggest that the purchasing activity of American households may be already somewhat faltering. So far, the pass-through from tariffs is most noticeable in the prices of household's furnishings and supplies as well as audiovisual equipment, for which the purchasing costs increased by some 3 - 5% in the previous months.

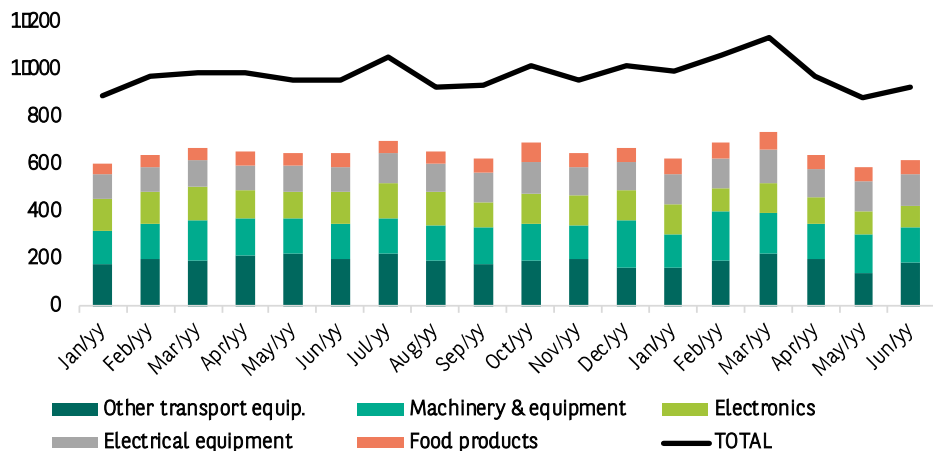
EU's vulnerability will also be a function of the terms-of-trade US offers to other major economies. So far, the UK sealed a somewhat better deal with the US (a 10% universal tariff rate and some tariff-free quotas), while Japan and South Korea negotiated similar agreements as the EU (the EU may be somewhat favoured if the 15% tariff for Japan and South Korea will be stacked-up on top of the MFN tariff rates). Meanwhile other Asian (China, Vietnam, Indonesia) economies seem to be in a worse position than Europe, with India (so far) being the starkest example (tariff rate reaching as much as 50%).

# POLAND IS NOT VERT RELIANT ON US DEMAND...



... though through European value chains the sensitivity increases

Exports to US (EUR mn)



Poland's trade exposure to US



Source: Eurostat, OECD, Macrobond, Bank BNP Paribas

Polish direct export dependence on the US is not particularly high. Last year, the value of exports of goods across the Atlantic amounted to about EUR 11.5 billion, which accounted for 3.3% of total foreign sales (1.4% of Poland's GDP). This placed the United States in 8th place when it comes to the most important foreign recipients of domestic exports. Shipment of goods to the US is concentrated in 5 sectors (other transport equipment, machinery and equipment, electronics, electrical equipment, and foodstuffs), which account for about 65% of Poland's exports to the United States.

The role of the US in the domestic economy is growing if entire production chains are taken into account. Some goods exported from Poland to other countries eventually end up in the United States. The 'value chain effect' increases the 'weight' of the US in the Polish economy twice. The effect of production chains is significant in the case of the automotive sector, where the US share in direct exports is only about 1%, but including the sector's links with the US market, e.g. through the German automotive industry, lifts that share to about 5%.



# Polish exports – is European demand recovering?

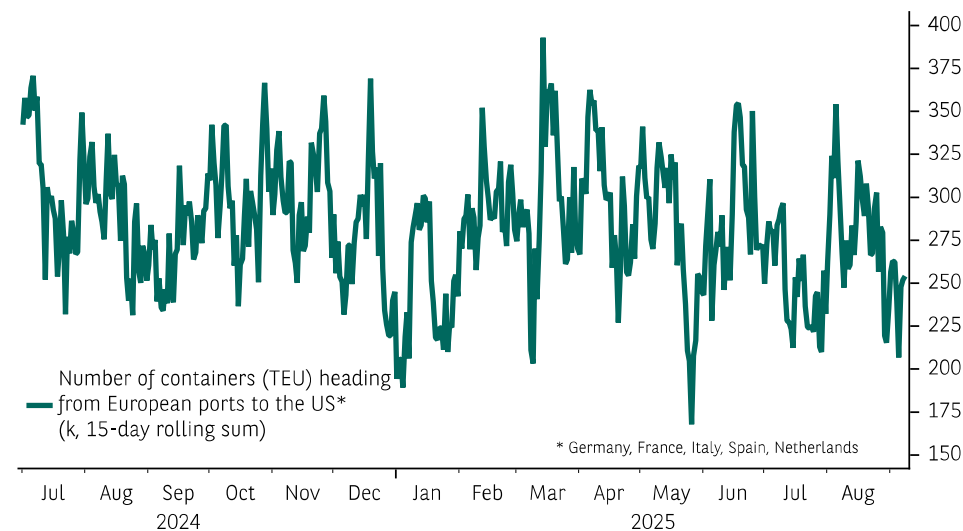
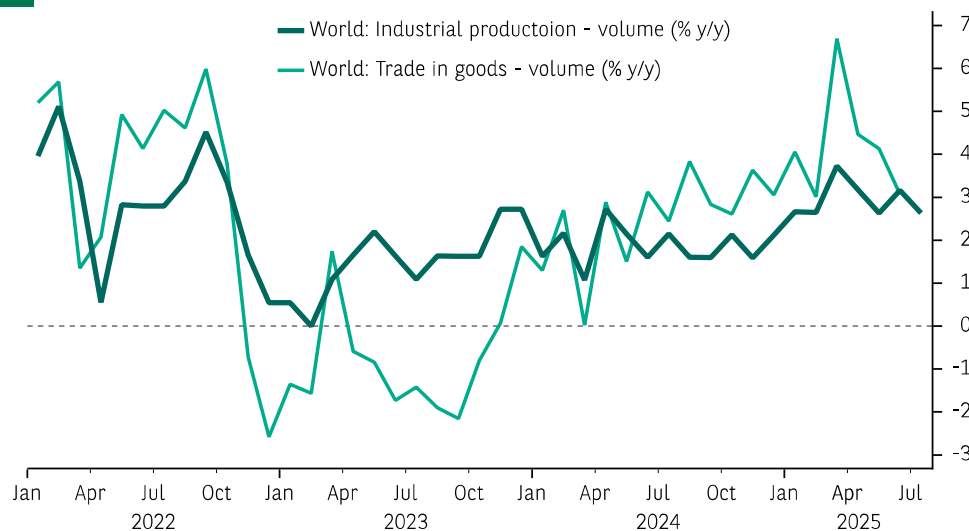


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## ACTIVITY IN GLOBAL TRADE...

### ... rebounded on tariff fears



Source: CPB, Bloomberg, Macrobond, Bank BNP Paribas

Since the beginning of the year, activity in global trade has clearly increased, which translated into a better backdrop for industrial sectors. In our opinion, the fear of the introduction of restrictive tariffs by the US provided a boost to global trade. This resulted in front-running of purchases by American buyers. Higher demand reported by customers from the United States spread around the world through production chains - leading to an increase in production volumes.

However, the latest data raise some doubts about the durability of this demand. In maritime transport, a certain decrease in freight can already be seen. This applies to both Asian and European markets. We believe that lower shipments of goods to the US may be the result of a certain saturation of demand from American importers in the first half of 2025. Given that the tariff-related price hike will hit US consumers in the coming months, we believe that global exports may lose momentum going forward.

## DOMESTIC EXPORTS PROPPED UP CHIEFLY BY

### ... extra-EU demand and smaller EU economies



### Poland - Foreign trade Exports (EUR bn)

Exports destination	Value of exports during January - October 2024 r.	(% y/y)						
		-6	-4	-2	0	2	4	6
TOTAL	179,4							
Germany	48,5							
Other EU countries	41,5							
Rest of the world	39,7							
Czechia	11,1							
France	11,0							
Italy	8,1							
Netherlands	8,1							
USA	6,0							
Spain	5,4							

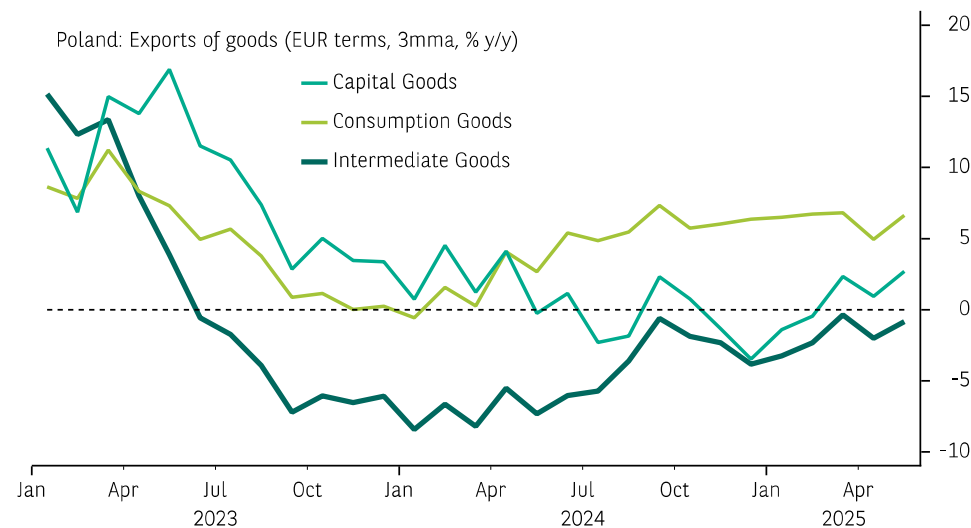
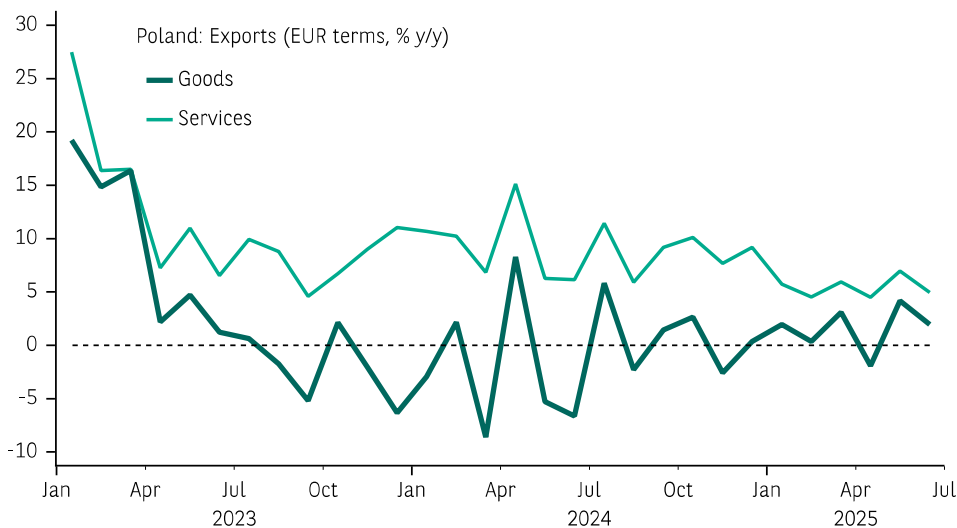
Source: GUS, Macrobond, Bank BNP Paribas

Like other markets, Poland also saw a clear increase in overseas exports at the beginning of the year. Sales to the United States in the first quarter grew at a rate of more than 10% y/y. Since April, however, a marked decline in demand from this destination has been observed, and in May-June, the value of goods shipped across the Atlantic decreased in year-on-year terms.

Overall, in the first half of the year, exports of goods in Poland increased by over 2.5% y/y. Apart from the US, sales to other non-EU countries also grew rapidly (over 4% y/y) Meanwhile, intra-EU trade, which accounts for about 70% of domestic exports, looked less impressive. Among the largest EU economies, demand was solid only in Spain. Exports to Germany increased by only about 1% y/y, while sales to Italy and France fell in the first 6 months of the year.

# POLISH EXPORTS OF GOODS RISING AGAIN, BUT SCALE OF RECOVERY BY SECTORS IS UNEVEN

## Robust sales of consumption goods, while exports of intermediate inputs struggles



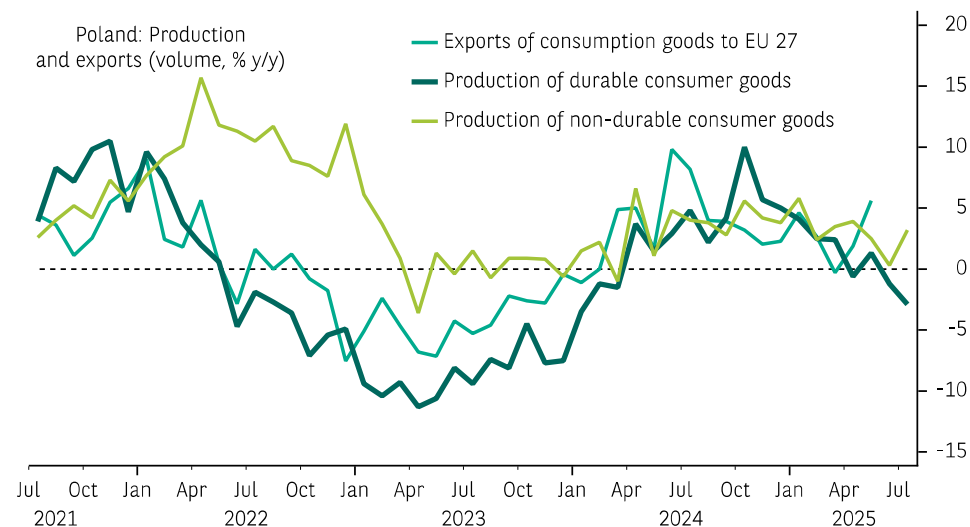
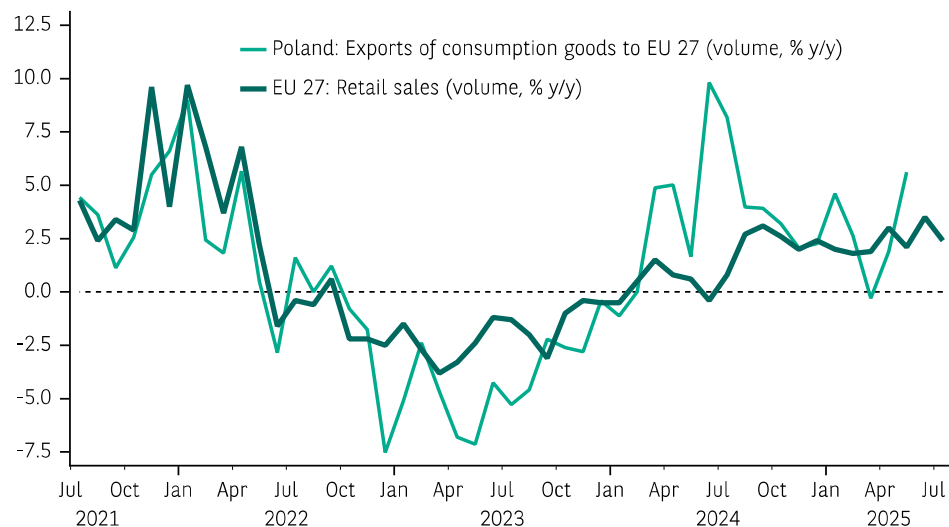
Source: Eurostat, NBP, Macrobond, Bank BNP Paribas

Poland's proceeds from exports of goods have been basically stagnating since mid-2023 (while the value of services exports kept on growing by 5-10% y/y). It seems, however, that the value of goods' exports has finally taken the corner, with annual growth picking up towards 2% in the first half of the year.

Obviously, compared to the post-pandemic period such exports growth rate is still very weak, moreover its dynamics is uneven across both the various destinations as well as products. On the latter metric, Poland's exports of consumption goods (which accounts for more than 35% of total exports) are doing the best already since mid-2024, exports of capital goods (15% of the total) are visibly picking up, while foreign sales of intermediate goods (slightly less than 50% of total exports) are still contracting.

## STRONGER EU CONSUMER DEMAND BOOSTING POLISH EXPORTS...

... but production of consumer goods in Poland is slowing - especially in the durable goods segment



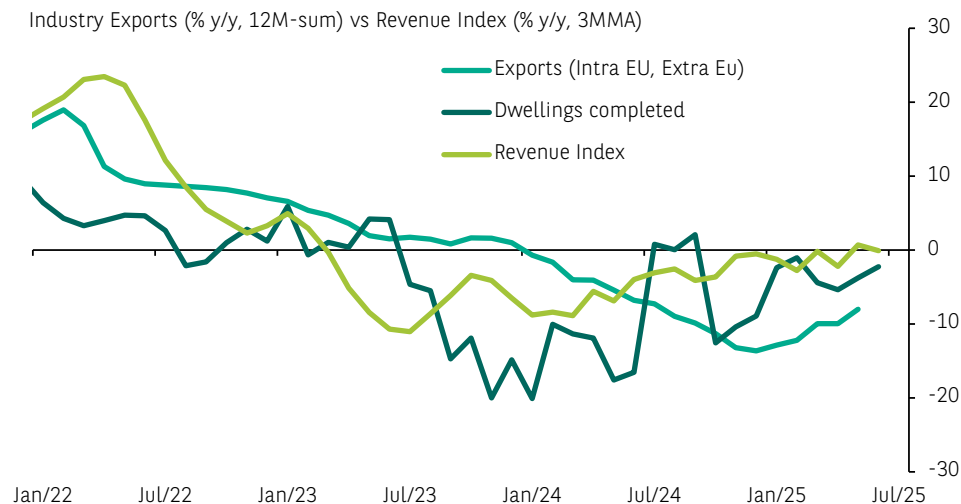
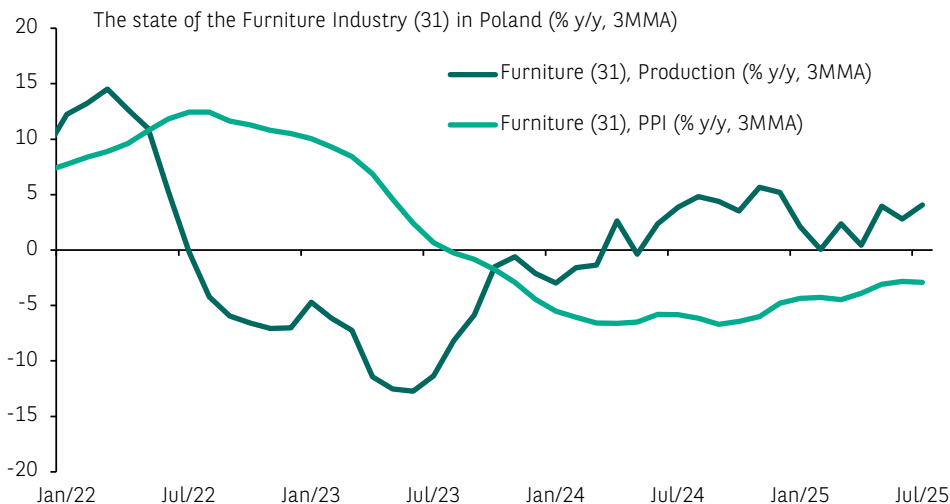
Source: GUS, Eurostat, Macrobond, Bank BNP Paribas

Similarly, as in value, also in volume terms, Poland's exports of consumption goods (both to the EU as well as other destinations) have been rising at a healthy pace since mid-2024. Their bounce last year was preceding the pick-up in European consumer demand and up till Q2 2025 those exports were growing very robustly.

It seems though, that the pass-through from strong exports performance into manufacturing output in this segment has not been large, especially lately. Over the past few months production of durable consumer goods (like consumer electronics, household appliances, furniture, etc.) in Poland has been trending down and of non-durable consumer goods stagnating - though across the various industries the pace of output growth has been diverging, with food production doing best, manufacturing of furniture rebounding lately and production of electric equipment still falling.

# FURNITURE PRODUCTION (NACE 31): FINANCIAL RESULTS ARE GRADUALLY IMPROVING

## Business indicators confirm improved outlook



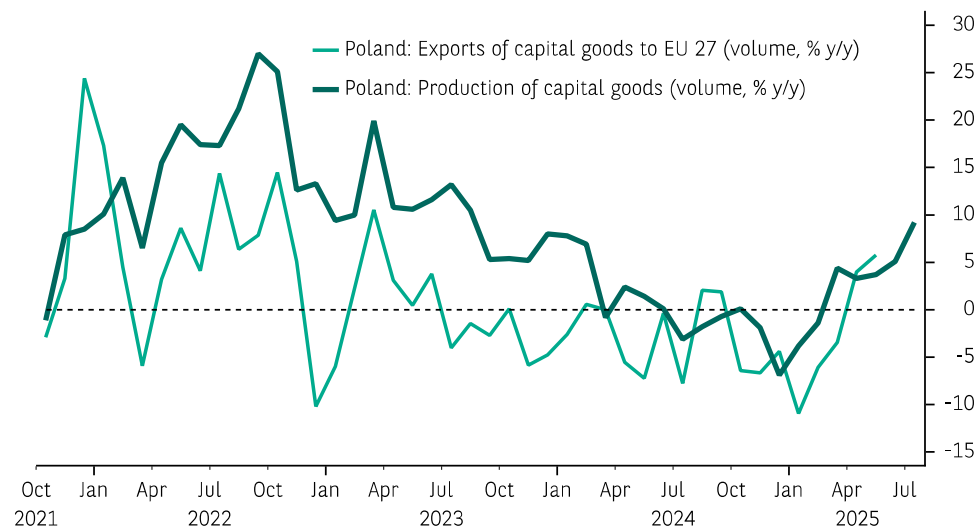
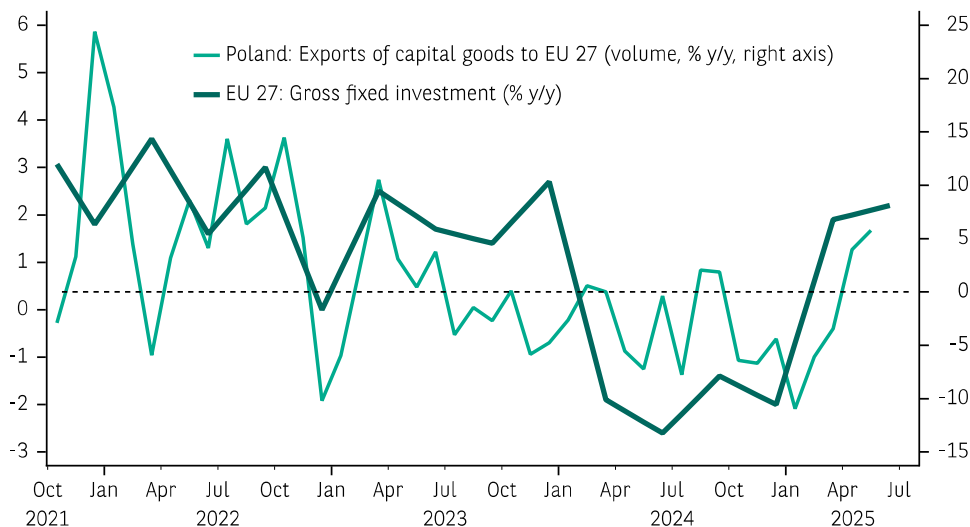
Source: GUS, Eurostat, Bank BNP Paribas

The furniture industry (NACE 31) has still not returned to strong production levels seen in the post-pandemic period (2021-22). Nevertheless, the situation is clearly better than a year ago. Despite the drop in prices, first signs of better revenues are appearing. Although this year only in 3 out of 7 months revenue dynamics was positive, it should be stressed that previously data showed a positive year-on-year change in February 2023.

The situation in exports – both to EU countries and outside the Union – remains challenging. However, it seems that the first signs of a rebound in foreign sales can be seen, which is associated with a recovery in European consumer spending on durable consumer goods (+2.4% in Q4 2024 and +2.9% y/y in Q1 2025). This should support exports in the furniture production business, for which the EU generates 91% of its foreign trade revenues. An equally important risk for domestic exporters will be the behaviour of Chinese producers, who are already making inroads into the EU market.

## PICK UP IN EUROPEAN INVESTMENT IS GOOD NEWS FOR PRODUCERS AND EXPORTERS IN POLAND

### Stronger capex in Europe (including Poland) provides for swift acceleration in production and exports of capital goods in Poland



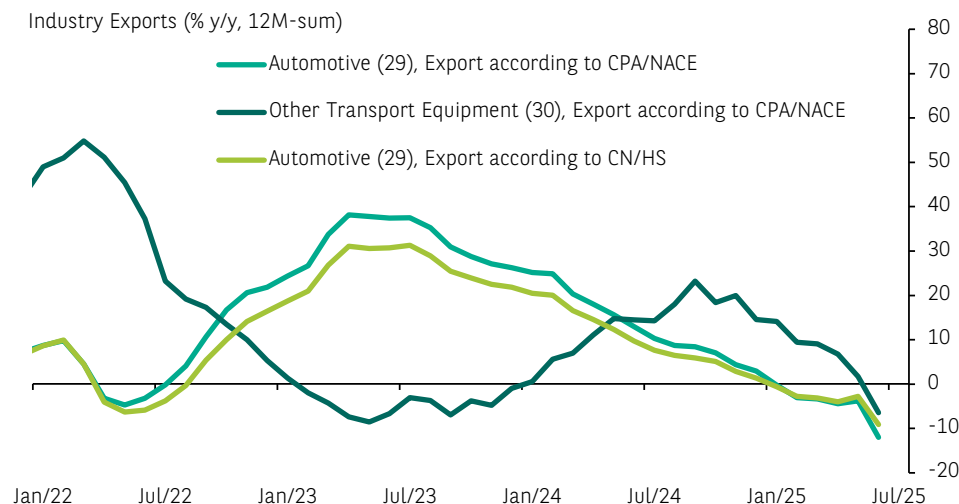
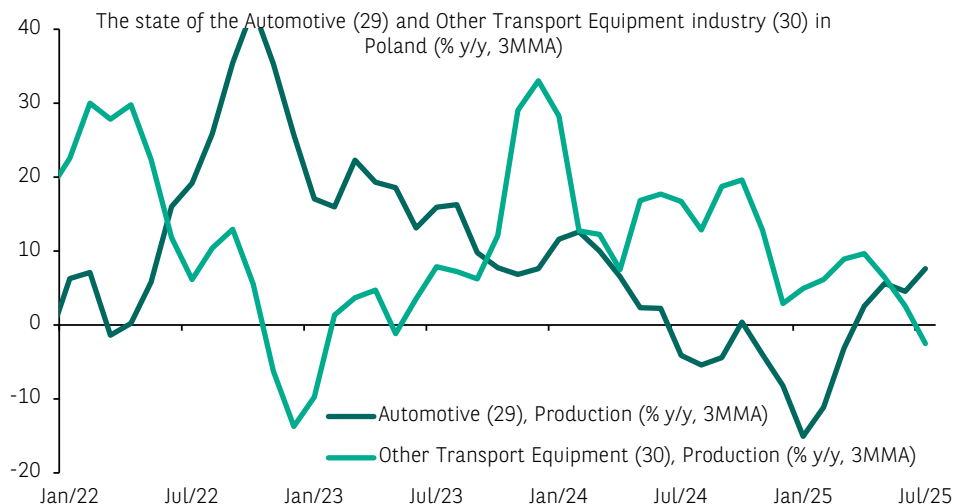
Source: GUS, Eurostat, Macrobond, Bank BNP Paribas

Meanwhile, the pick-up in European investment activity has been supporting a swift rebound in Polish exports of capital goods to EU's 27 countries this year (note that automotive exports and production are part of the capital goods segment). Higher spending on defence, including extension of production capacities, as well as Germany's large infrastructure investment programme, bode well for capital goods demand in Europe over the coming years.

This, in our view, will support Polish exports of machinery and equipment, as well as metal products in the medium- and long-run as well. Data on production of capital goods chime well with this view, as they kept on accelerating swiftly over the past few months (also boosted by growing investment demand in Poland). Importantly, essentially all manufacturing industries producing capital goods in Poland have been posting robust output growth numbers in January-July 2025.

## AUTOMOTIVE AND OTHER TRANSPORT EQUIPMENT (NACE 29 & 30): TRANSPORT INDUSTRIES...

### ... await a rebound in EU demand



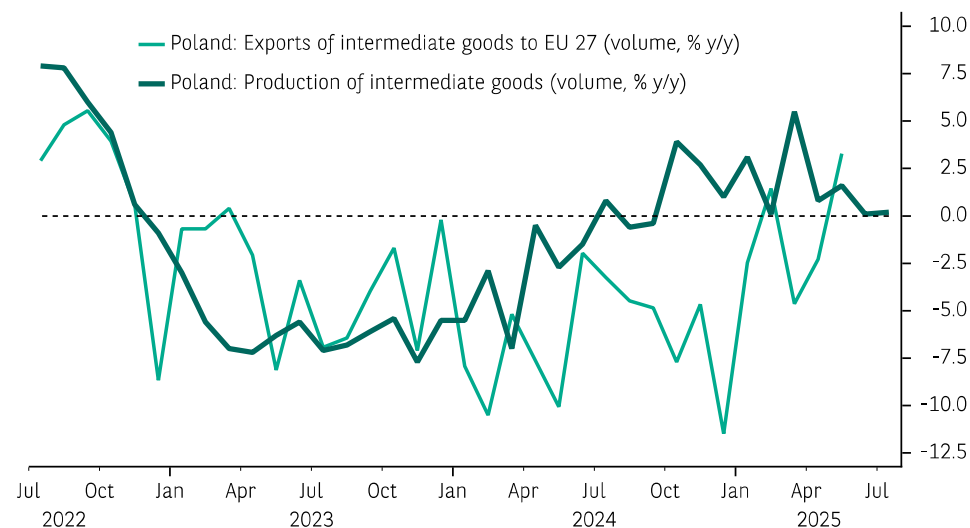
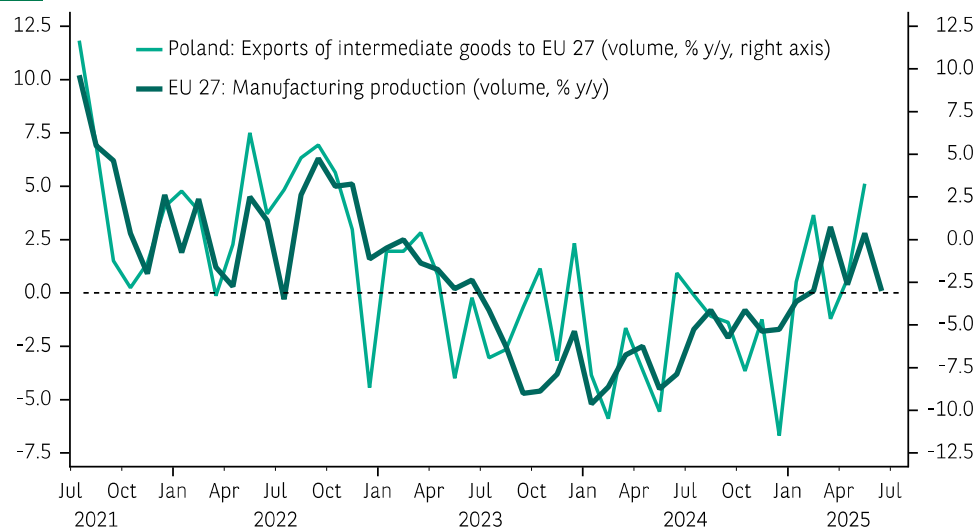
Source: GUS, Eurostat, Bank BNP Paribas

In the case of the automotive industry (NACE 29), as well as transport equipment (NACE 30), exports (both CPA/NACE and HS) decreased significantly, both to EU countries and to other markets. Although there was some rebound in the first quarter of 2025 - which should be linked to the build-up of inventories before the introduction of US tariffs - due to the limited exposure to the US market, the scale of this impulse did not affect the overall trade in the two industries. Nevertheless, we believe that the situation will be improving in the months to come.

New vehicle registrations are increasing in the EU, especially in large markets, which should support the growth of production in the car industry. In addition, the development of the secondary market of passenger cars is important for the domestic industry, both in Poland and in other EU countries, due to the high number of domestic entities producing parts and components. In the case of the production of other transport equipment (NACE 30), the support will be provided by armaments contracts (special purpose vehicles), as well as the absorption of EU funds (production of locomotives and carts as well as modernization of existing rolling stock by railway companies).

## EUROPE'S WEAKNESS IN MANUFACTURING REDUCES DEMAND FOR POLISH EXPORTS...

... of intermediate goods, whose production dynamics has been stalling lately



Source: GUS, Eurostat, Macrobond, Bank BNP Paribas

In comparison to consumption and capital goods exports, Polish foreign sales of intermediate goods has been disappointing this year, both overall as well as to EU 27 countries. The weak performance of exports and (recently) production of intermediate goods highlights can be clearly linked to the ongoing weakness in European industry, highlighting at the same time the close ties of the Polish manufacturing sector with European producers.

Since foreign sales of intermediate goods to the EU accounts for more than 35% of Polish total exports of goods, their soft performance is a major drag to Poland's overall goods exports dynamics. Thus, without a clear improvement in industrial activity in Europe, Poland's producers and exporters will remain under pressure.



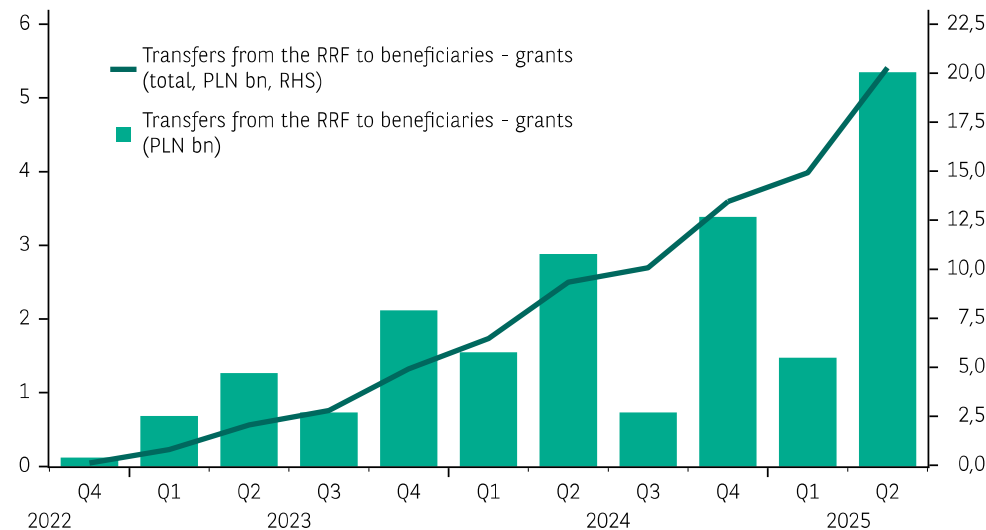
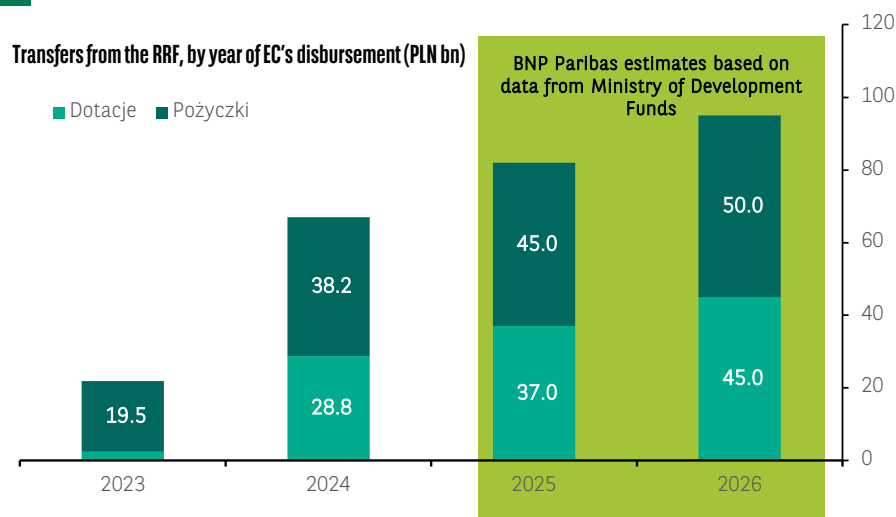
# RRF & consumer spending – Engines of growth this year



BNP PARIBAS

## THE INFLOW OF FUNDS FROM RECOVERY AND RESILIENCE FACILITY...

... is finally picking up in form of both grants and loans... though full disbursement of available money remains a challenge



Source: Ministry of Development Funds and Regional Policy, Ministry of Finance, NBP, Macrobond, Bank BNP Paribas

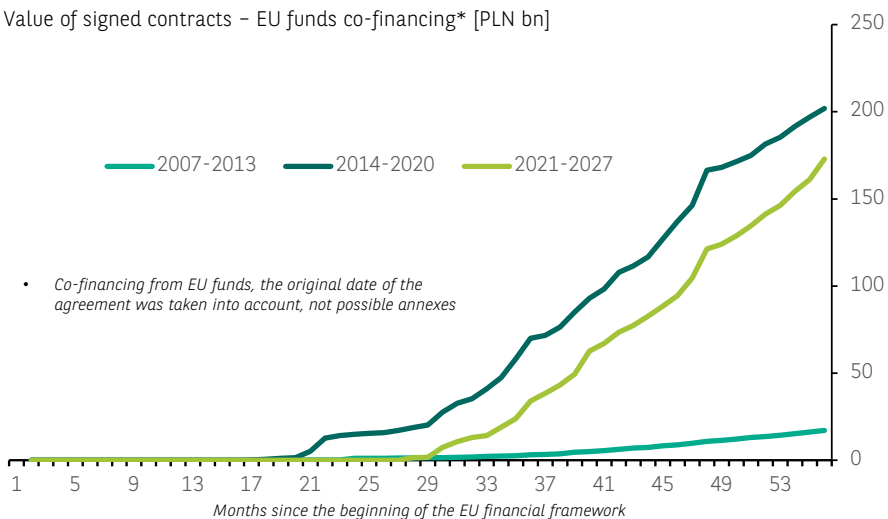
We assume that financing of investment projects from European funds will accelerate this year. During 2023–2024, Poland received PLN 31.2 billion in subsidies and PLN 57.7 billion in loans as part of the EU Recovery and Resilience Facility. In 2024 PLN 13.5 billion in grants was disbursed to beneficiaries, while in the first half of 2025 it was PLN 6.8 billion. In the opinion of the Ministry of Funds and Regional Policy, a noticeable acceleration in the transfer of funds to recipients should be seen in H2 2025. Over PLN 80 billion of grants remain to be distributed still until the end of 2026. The situation in the (so far) lightly used preferential loans is also improving. This is due to, among others, large contracts signed with energy companies (including PSE). This year, it was almost PLN 20 billion, which bodes well for actual payments later this year.

In the autumn, Poland should receive another tranche of RRF-related support, and by the end of the year apply to the European Commission for further payments. In total, up to PLN 140 billion may come to Polish by the end of 2026, although the tight schedule (the funds must be obtained by the end of 2026) means that this amount may ultimately be lower.

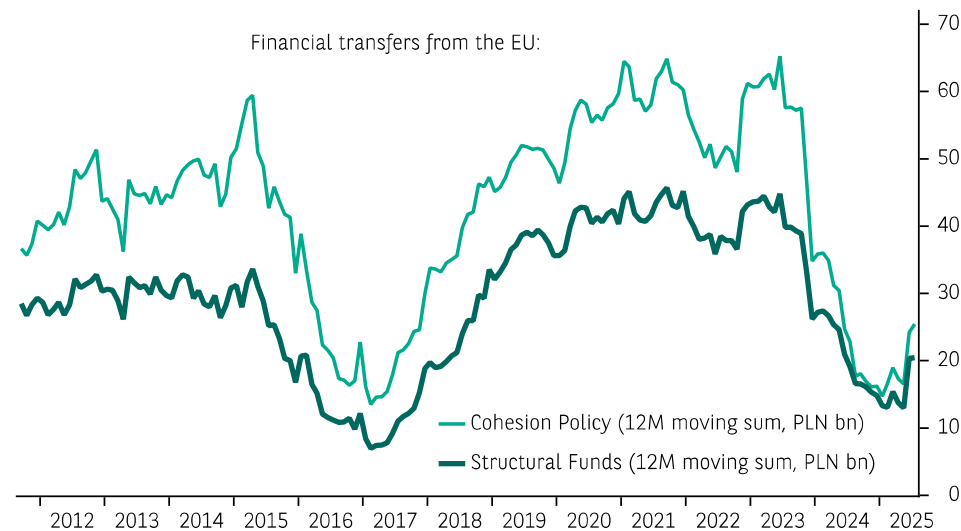
## THE 2021-2027 EU MULTIANNUAL FINANCIAL FRAMEWORK...

... is gathering pace, and next quarters should bring acceleration in execution

Value of signed contracts – EU funds co-financing\* [PLN bn]



Financial transfers from the EU:



Source: Ministry of Development Funds and Regional Policy, Ministry of Finance, Bank BNP Paribas

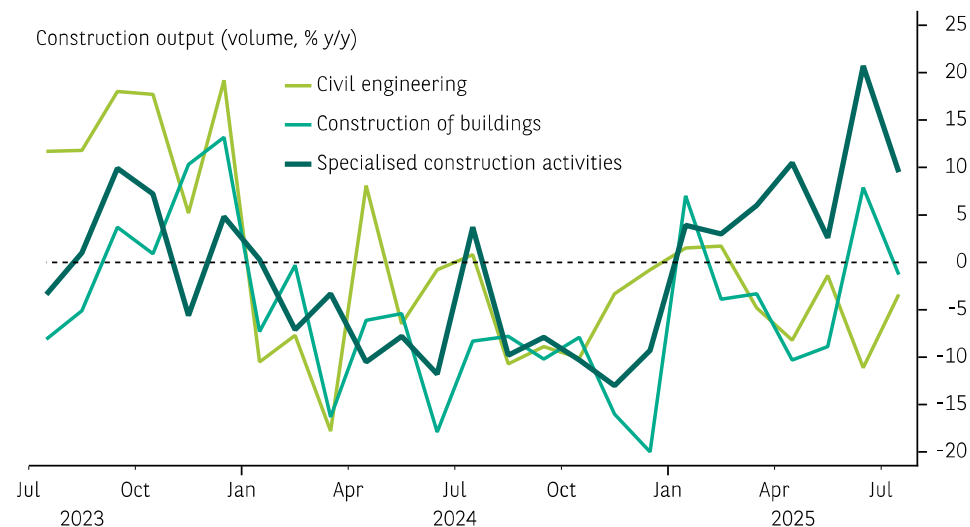
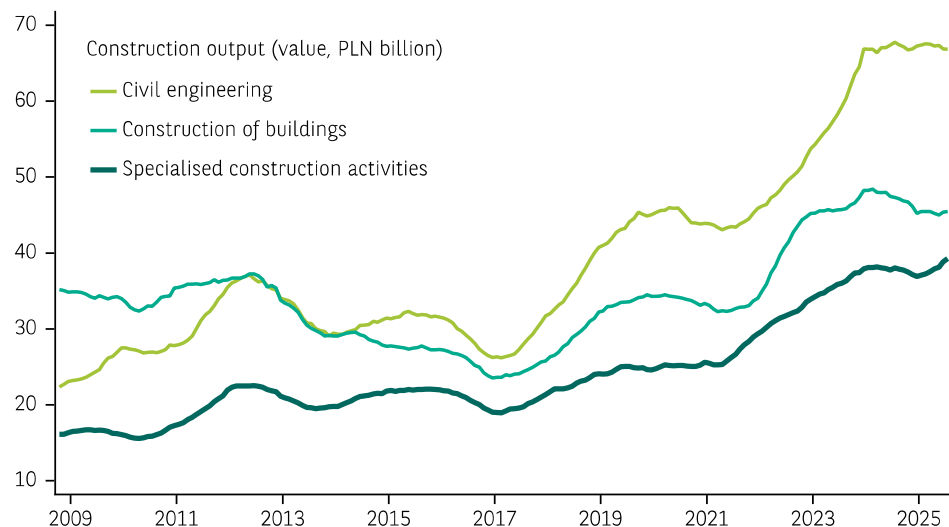
Data from the Ministry of Funds and Regional Policy confirm an acceleration in the implementation of projects financed from the regular EU multi-annual budget for 2021-27. In August 2025, the value of signed contracts increased to PLN 236.5 billion, including the EU funds component amounting to PLN 172.8 billion (53.9% of the total allocation for Poland). Poland, thus, has already passed the trough in actual transfers of funds from the EU, related to the transition between financial agendas.

Therefore, we believe that, as was the case in 2017-18, when financial projects from the previous multiannual budget for 2014-2020 were launched, in the coming quarters we will see a significant recovery in terms of investments financed under EU's cohesion policy.



## UNEQUAL RECOVERY IN CONSTRUCTION (NACE 41-43)

### Civil engineering has so far performed worse than the rest of the sector



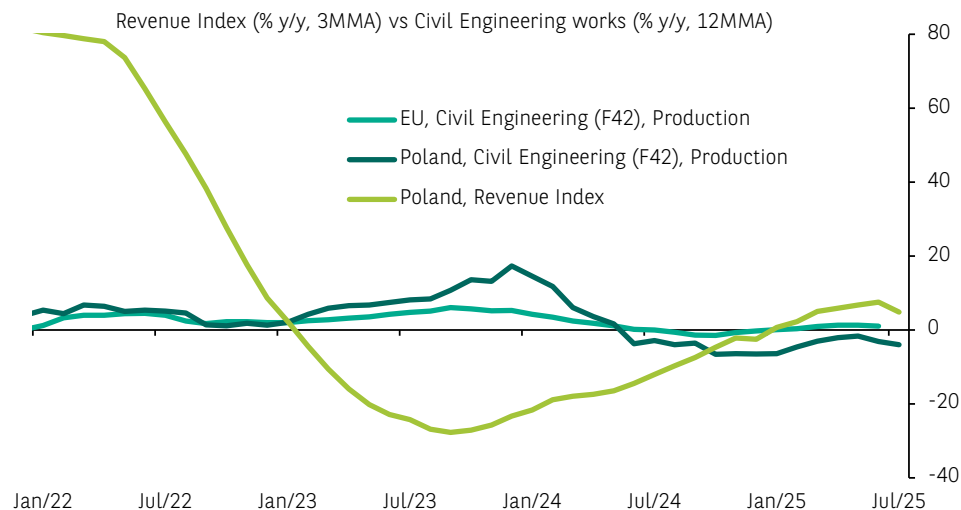
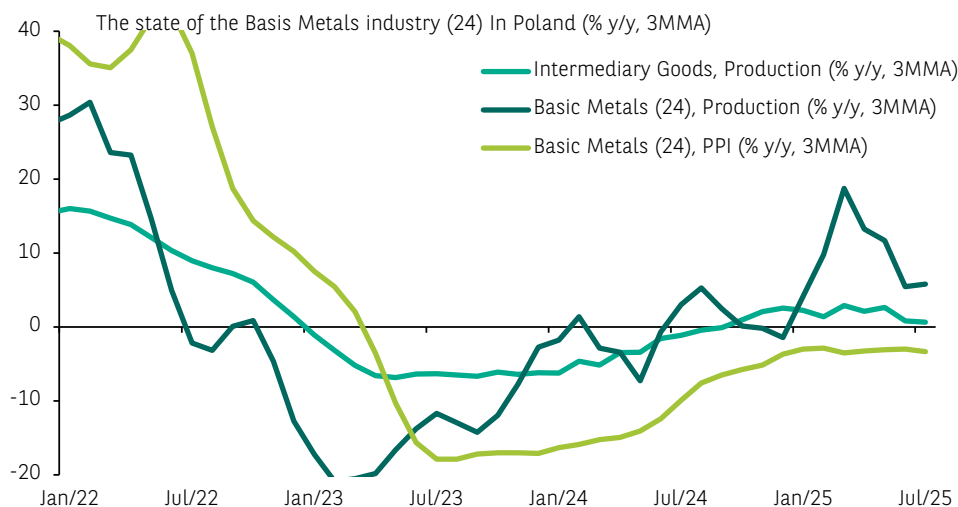
Source: GUS, Eurostat, NBP, Macrobond, Bank BNP Paribas

Construction companies should benefit from the increased expenditure of EU funds. As of 2025, the value of construction output in Poland oscillates around PLN 150 billion per year. However, both sales and volume dynamics in the three main segments of the construction industry have been very uneven recently. While a significant decline in production was recorded in all segments last year, this year the activity of specialised construction is growing at a double-digit pace. It also seems that building construction has recently been bouncing back (or at least coming out of recession), but production in the civil engineering segment continues to decline. We believe that the better results of specialised construction this year are largely supported by the inflow of funds under the RRF, thanks to which, among others, energy transition, like photo-voltaic projects, is financed.

Increase in the inflow of regular funds since the beginning of this year improves the outlook for civil engineering in the coming quarters.

## METAL PRODUCTION (NACE 24): THE INDUSTRY SHOULD BENEFIT FROM EU FUNDS INFLOW...

### ... and higher military spending



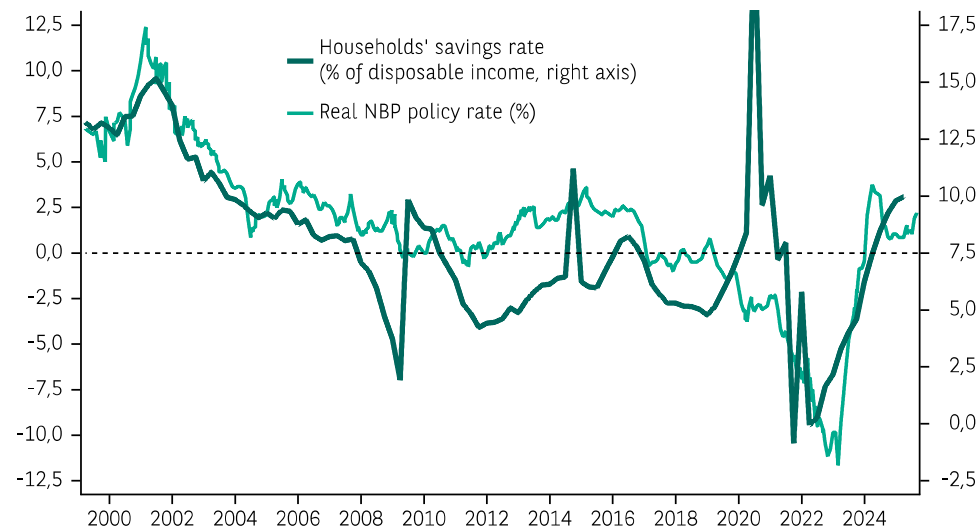
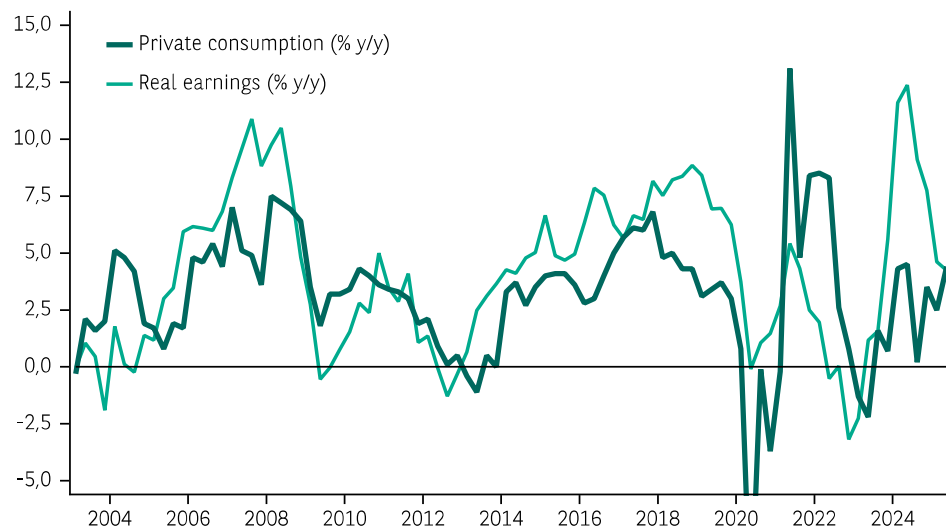
Source: GUS, Eurostat, Bank BNP Paribas

Production of metals is a sector that should benefit from higher construction activity (especially in the infrastructure and specialised segments). Increasing absorption of EU funds under the RRF will be important for projects related to the energy sector infrastructure, while money from the regular budget (MFF) will finance outlays for transport infrastructure. The sector saw a marked decline in production in 2022 and 2023, which can be explained by the expiration of the previous EU financial framework and difficulties in launching new projects by both GDDKiA (road transport) and PKP PLK (railways). The fall in output affected negatively the financial result of companies operating in the metal industry.

So far, 2025 brought a clear improvement in terms of both production and turnover in the metal sector, despite the continued decline in producer prices (mainly driven by falling input costs). The industry will also be supported by the continuation of armament investment programs carried out by PGZ, as well as other domestic and foreign private companies.

## PRIVATE CONSUMPTION GROWING BROADLY IN LINE WITH REAL INCOMES NOW

### Savings rate stabilizes at higher levels thanks to a positive real interest rate



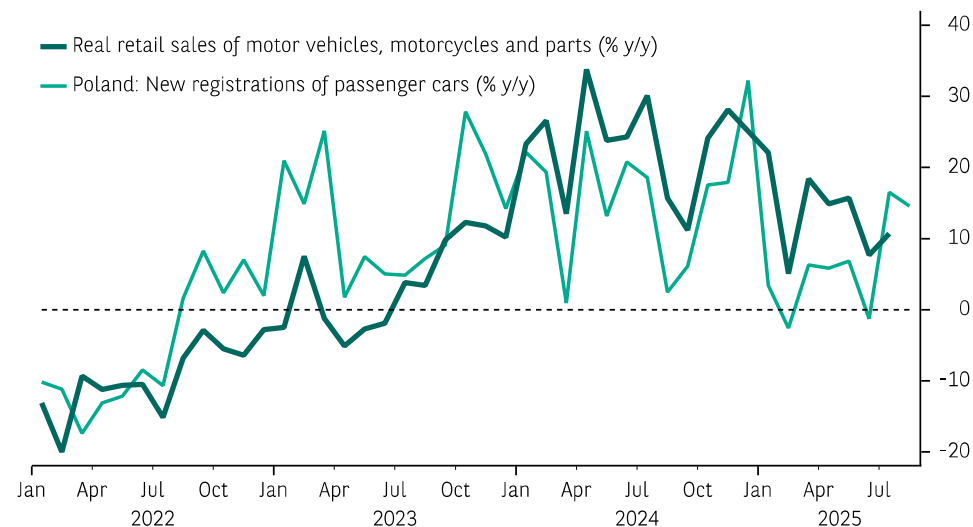
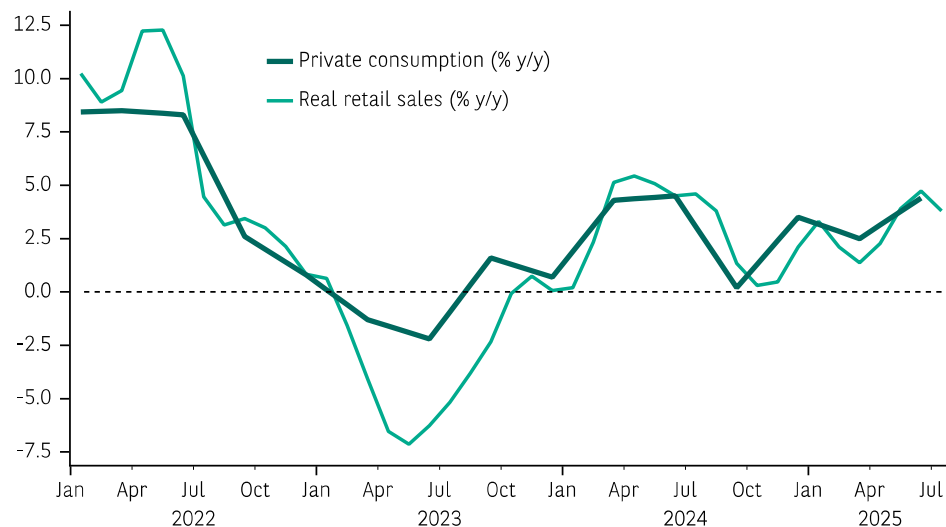
Source: GUS, Eurostat, NBP, Macrobond, Bank BNP Paribas

Household consumption increased by nearly 4.5% y/y in the second quarter of 2025, which was largely in line with the increase in real labour income, i.e. wages and employment. Data on income and consumption suggest that the household saving rate stabilized at around 10% in the first half of the year.

The relatively restrictive stance of the NBP with a persistently positive real interest rate suggests that this level of the savings rate may be maintained in the future, assuming that a clear decline in inflation from the middle of this year will be accompanied by commensurate cuts in interest rates by the central bank. As a result, the growth in real private consumption will be largely a function of real income growth, which we estimate at 3.5-4% y/y this year and next.

## HOUSEHOLDS' SPENDING STRUCTURE STABILIZING...

... with consumer demand for goods and services rising at similar pace



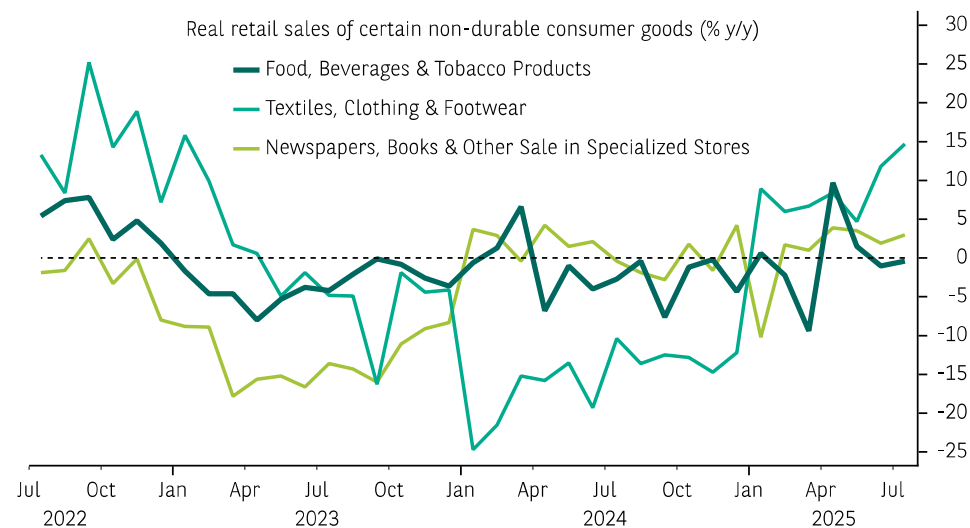
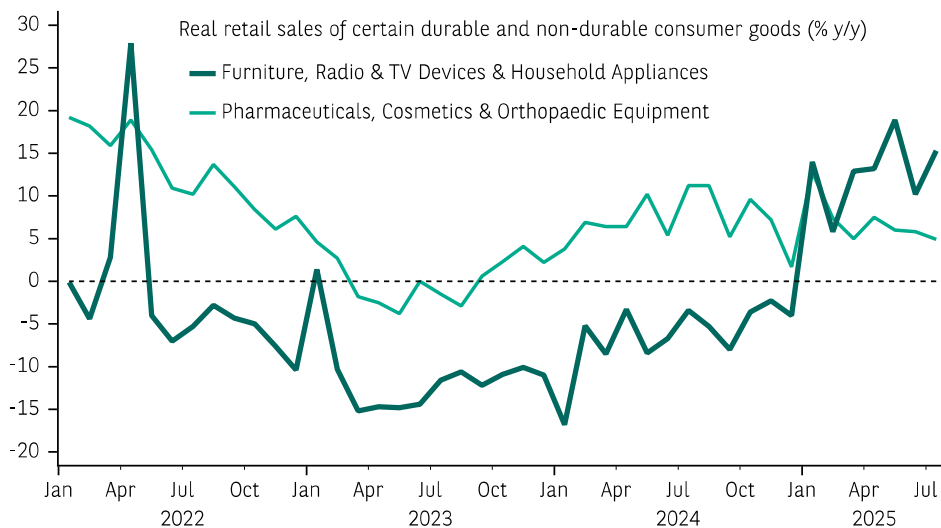
Source: GUS, Macrobond, Bank BNP Paribas

Data on total household consumption and retail sales at constant prices show that consumer demand for both goods and services grew at a similar pace in Q2 2025. This may suggest that the structure of consumption in Poland is stabilizing after several quarters of increased volatility in consumer preferences. There is no doubt that relatively high inflation of service prices (over 6% y/y) with the dynamics of commodity prices not exceeding 2% on an annual basis may, on one hand, weaken demand for services, and at the same time stimulate demand for goods, and for durable consumer goods, in particular.

A good example are retail sales of cars. Even though it has been growing rapidly since mid-2023, it continued to increase at a double-digit rate in the first half of 2025. The sales data basically coincide with the statistics of new car registrations in Poland.

## REBOUND IN DEMAND FOR CONSUMER DURABLES IS GOOD NEWS...

... while sales of various non-durable consumer goods follow different trajectories



Source: GUS, Macrobond, Bank BNP Paribas

Since the beginning of 2025, retail sales at constant prices of furniture, household appliances and household appliances have been growing at a double-digit rate, after nearly three years of decline. An improvement in demand for consumer durables is good news, as it usually means a sustained recovery in overall consumption. The beneficiaries are not only shops, but also the domestic manufacturing industry, importers, as well as banks, whose volume of consumer loans is currently growing at a fairly strong pace of approx. 6.5% y/y.

In case of various non-durable consumer goods, real sales dynamics were uneven this year. Significant base effects accelerated the annual sales dynamics of textiles, clothing and footwear, and the relatively cool summer could further have boosted their sales at the beginning of the third quarter of this year.



An aerial view of a steam train crossing a large, multi-arched stone viaduct over a lush green valley. The train is emitting white steam. The landscape is rolling green hills under a cloudy sky.

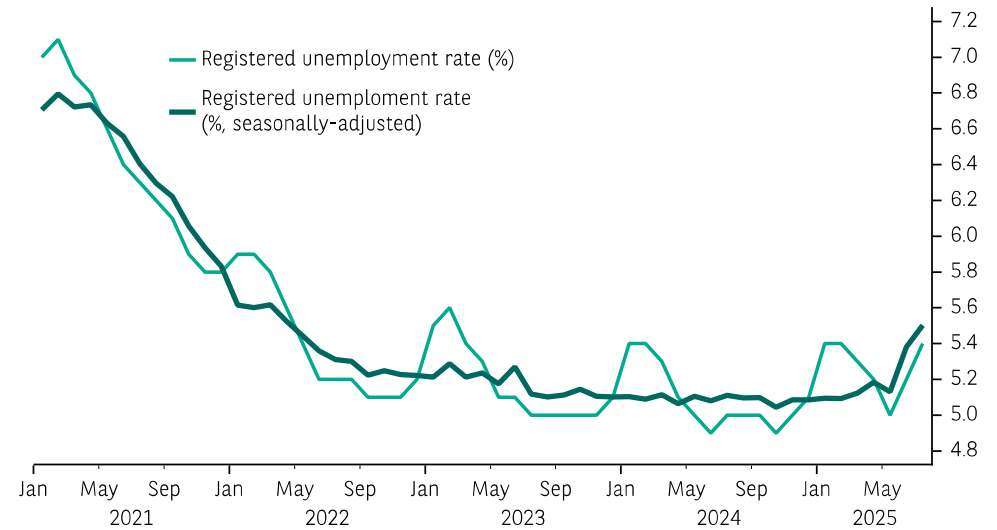
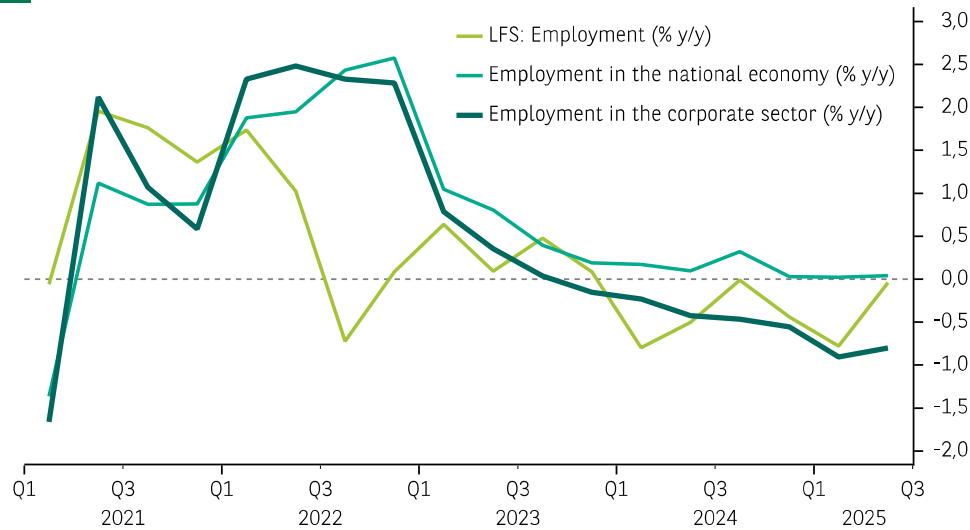
**Fall in employment – weak demand,  
high costs, automation,  
demographics?**



**BNP PARIBAS**

## EMPLOYMENT SOMEWHAT DOWN...

### ... while unemployment rate edged up



Source: GUS, Eurostat, Macrobond, Bank BNP Paribas

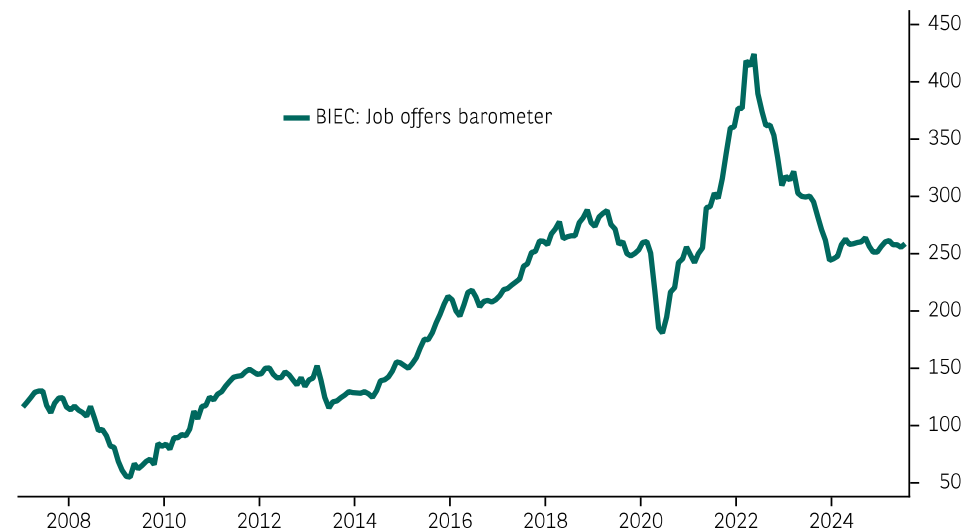
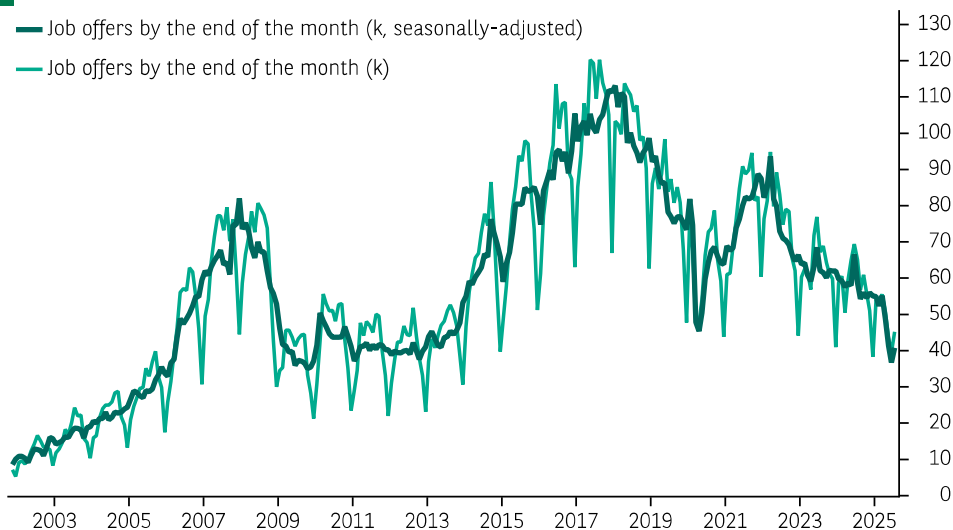
Over the past few months, a certain cooling of the domestic labour market can be observed. It is visible primarily in slightly weaker employment data. Looking at various measures of the number of employees, we estimate that the decrease in the number of FTEs applies mainly to larger enterprises (over 9 employees). It also seems that jobs may have been reduced in lower-paid and less permanent positions (i.e. civil contracts). Meanwhile, employment in the public sector has increased quite significantly.

Initially, a slight decline in employment at the level of the entire economy was accompanied by a stabilization of the unemployment rate, which suggested that a lower number of employed may be the result of demographic factors (more people leaving their jobs than new employees entering the market). However, the recent increase in the registered unemployment rate by 0.4pp to 5.4% between May and July has put a big question mark on this hypothesis.



## WE TAKE THE MOVE IN UNEMPLOYMENT RATE...

### ... with some reservations



Source: GUS, BIEC, Macrobond, Bank BNP Paribas

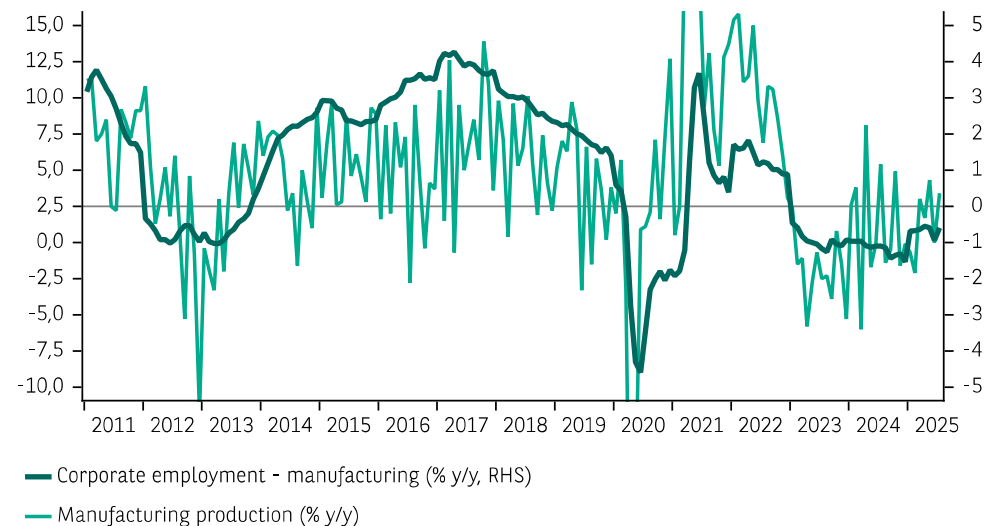
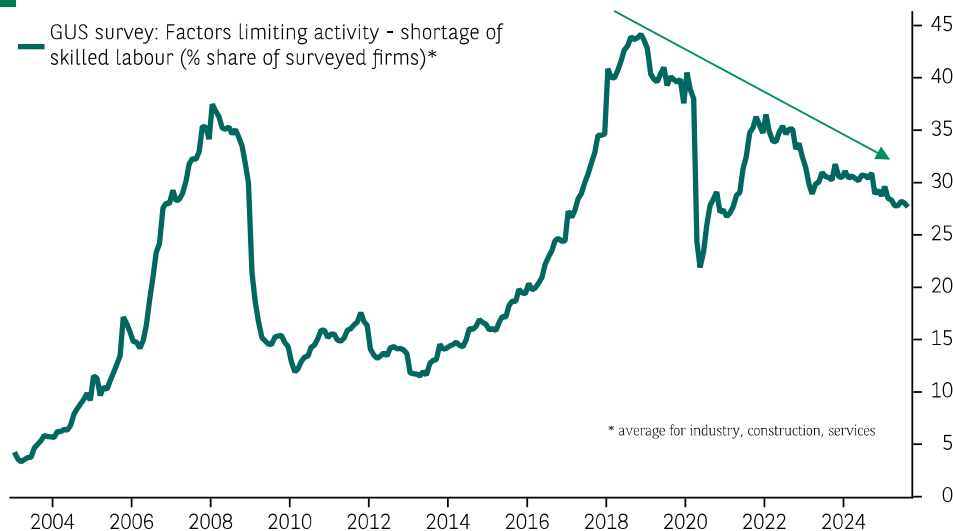
However, we treat the upward move in the registered unemployment rate with some reservations. Certain administrative changes that came into force on 1 June this year (i.e. the obligation to visit the labour office every 30 days for the unemployed was abolished) could have influenced the statistics. Nevertheless, looking at the number of job offers submitted to labour offices, this year there was no seasonal increase during the summer, and it seems that this has been a factor that has significantly contributed to the increase in the unemployment rate in recent months (a smaller number of people leaving unemployment rolls because of taking up seasonal work).

Although the lower number of seasonal job offers is evidence of a deterioration in the labour market, we believe that the scale of this weakening is still relatively limited. The increase in the unemployment rate is not accompanied by a significant increase in the number of newly registered unemployed, which would suggest an increase in layoffs in the economy. In addition, a broader measure of vacancies in the economy (job barometer) does not suggest such a significant collapse in terms of demand for workers.

## SOFT ECONOMIC PERFORMANCE...

### ...weighs on job demand in manufacturing

GUS survey: Factors limiting activity - shortage of skilled labour (% share of surveyed firms)\*



Source: GUS, Eurostat, Macrobond, Bank BNP Paribas

The fact that the decline in employment is to a greater extent related to a certain recess in labour demand, and not necessarily to demographic factors, is also indicated by surveys. Although the percentage of companies reporting a shortage of workers is at a high level in historical terms, its level has recently been significantly lower than in 2018-2019 or 2022.

Manufacturing is the key sector in which the demand for workers has decreased quite significantly. Since the peak in mid-2022, the number of employees in the manufacturing businesses has fallen by about 70 thousand people, i.e. nearly 3%. The decline in the number of employees was accompanied by sluggishness in terms of activity. The production volume is currently only marginally higher than three years ago.

## MANUFACTURING SECTOR'S JOB MARKET – INDUSTRY BREAKDOWN

### Poland: Job market - manufacturing

Industry	Corporate employment in July 2025	Change in employment in the last 2 years (%)					Change in production in the last 2 years (%)					Average wage in July 2025	Change in average wage (% y/y)												
		-20	-15	-10	-5	0	5	10	-30	-20	-10		0	10	20	0	2	4	6	8	10	12			
30. Other transport equipment	57000																								
21. Pharmaceuticals	28000																								
17. Paper & Paper products	65000																								
10. Food products	388000																								
20. chemicals	82000																								
12. Tobacco products	8000																								
25. finished metal goods	290000																								
22. Rubber & plastic products	213000																								
23. Other non-metallic mineral products	119000																								
29. Motor vehicles	197000																								
26. Computers & electronics	58000																								
28. Machinery & equipment	121000																								
11. Beverages	21000																								
18. Printing & reproduction	36000																								
31. furniture	142000																								
24. Metals	60000																								
13. Textiles	39000																								
16. Wood & cork	88000																								
27. Electrical equipment	112000																								
14. Wearing apparel	39000																								

Source: GUS, Macrobond, Bank BNP Paribas

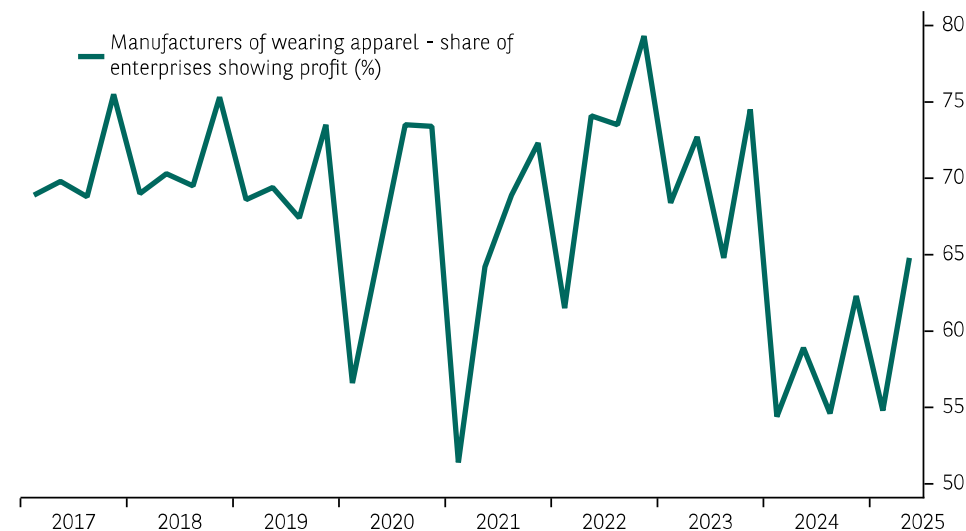
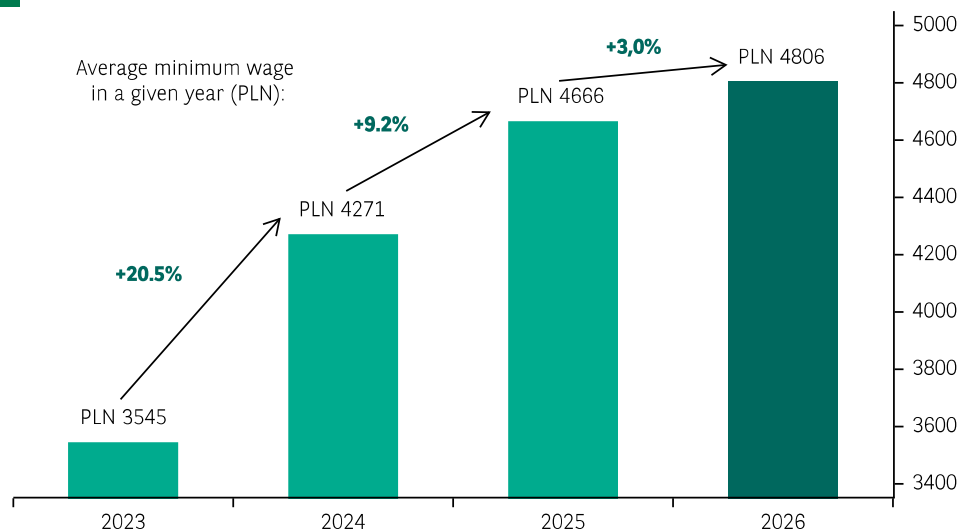
However, the situation in manufacturing differs greatly between industries. For example, among manufacturers of other transport equipment, where demand for goods has been very solid in recent quarters, employment has also clearly increased by about 7.5% in the last 2 years.

Falls in employment in manufacturing sectors is also not always associated solely with a downturn. While in the case of, for example, manufacturers of electrical equipment, it seems that layoffs have been primarily a consequence of the collapse in demand for the industry's products, when it comes to manufacturers of computers or metals, we believe that the reduction in employment may be rather the result of significant capital expenditures incurred by these industries during 2022-2024.

We believe that the progressive automation, aimed at increasing production potential on the one hand, and increasing the share of capital in profits on the other, is a factor that may limit demand for workers in manufacturing industries going forward.

## BRISK INCREASE IN LABOUR COSTS...

### ... also weighs on worker's demand



Source: GUS, Macrobond, Bank BNP Paribas

We believe that employment is also adversely affected by a very rapid increase in labour costs over recent years, which has been significantly stimulated by significant increases in the minimum wage. This impact may be particularly strongly felt in industries with relatively low average salaries, as well as in smaller companies (micro-enterprises). For example, in the clothing industry, where the average salary in July 2025 was only PLN 6103, among entities employing more than 9 people, the percentage of profitable enterprises fell to about 60% last year from 70-75% in previous years.

The increase in the minimum wage proposed by the government next year by only 3% to PLN 4,806 – after years of significant increases – should be beneficial from the perspective of companies and their financial position (if the scale of the hike is not increased during talks with labour organizations).

An aerial photograph of a steam train crossing a large, multi-arched stone viaduct over a lush green valley. The train is emitting a large plume of white steam. The landscape is rolling green hills under a cloudy sky.

**Inflation – is consumer price growth persistently back at NBP target?**

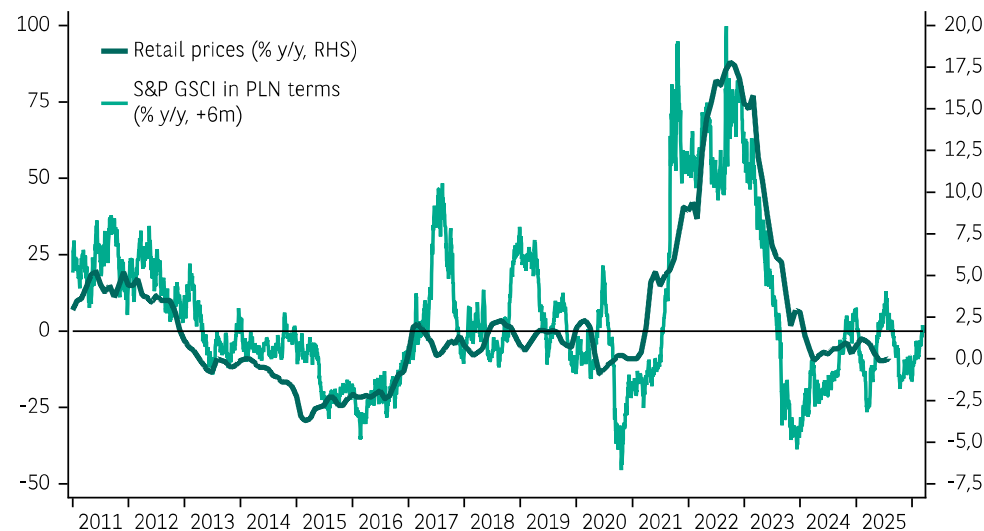
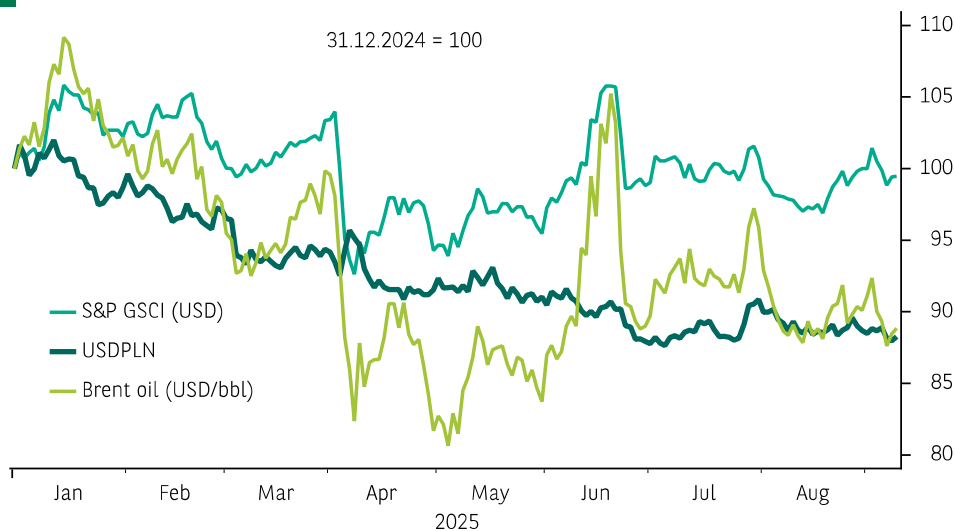


**BNP PARIBAS**

# COMMODITY PRICES AND STRONGER ZLOTY...



## ... support disinflation



Source: GUS, S&P Macrobond, Bank BNP Paribas

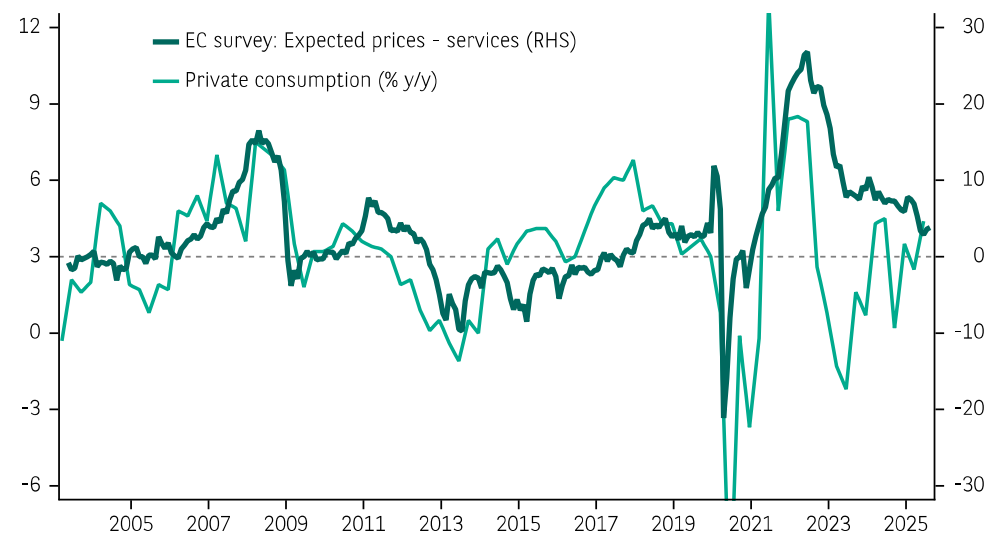
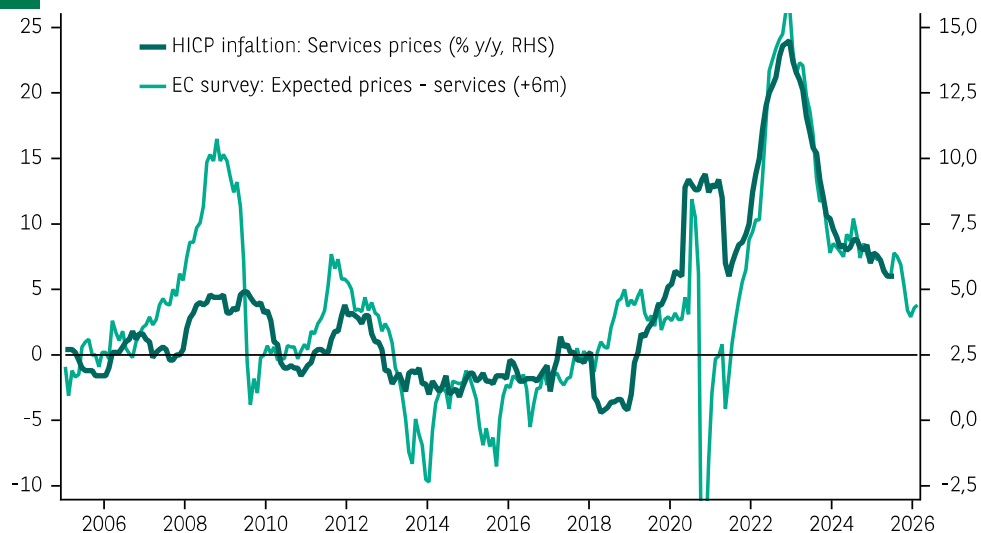
Commodity prices, despite some fluctuations in previous months, are currently at levels similar to those recorded at the beginning of the year. Since January, crude oil quotations has fallen significantly by about 10%. Although the cost of a barrel of Brent crude oil approached USD 80 shortly after the Israeli attack on Iran in June, it is currently hovering around USD 66-67. The USDPLN exchange rate has also decreased by about 10% since the beginning of the year.

In this light, we estimate that inflationary pressures stemming from import prices will remain benign. As a result, we expect low upward pressure on goods prices. Currently, the prices of retail trade products are only slightly higher than a year ago.



## WHILE PRICE GROWTH IN CASE OF GOODS IS LOW...

### ... services price inflation is pretty sticky



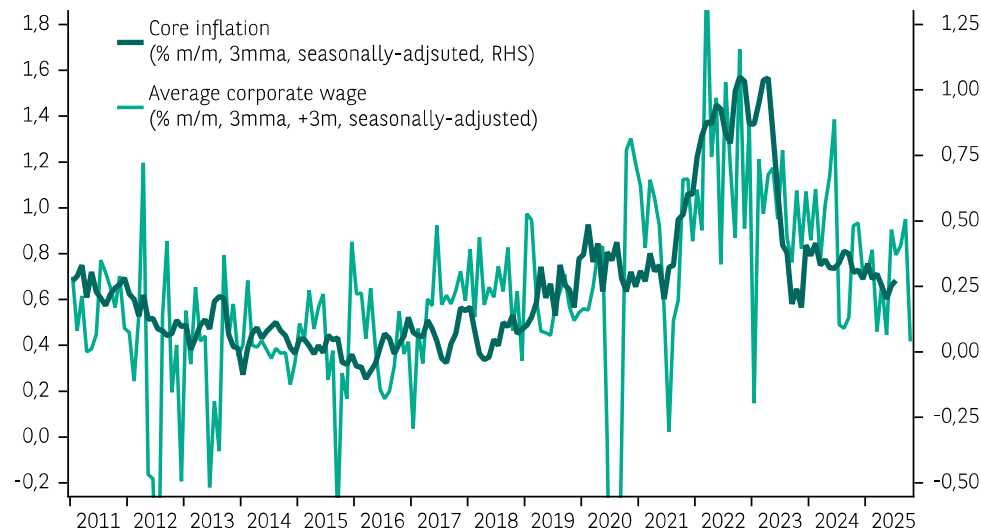
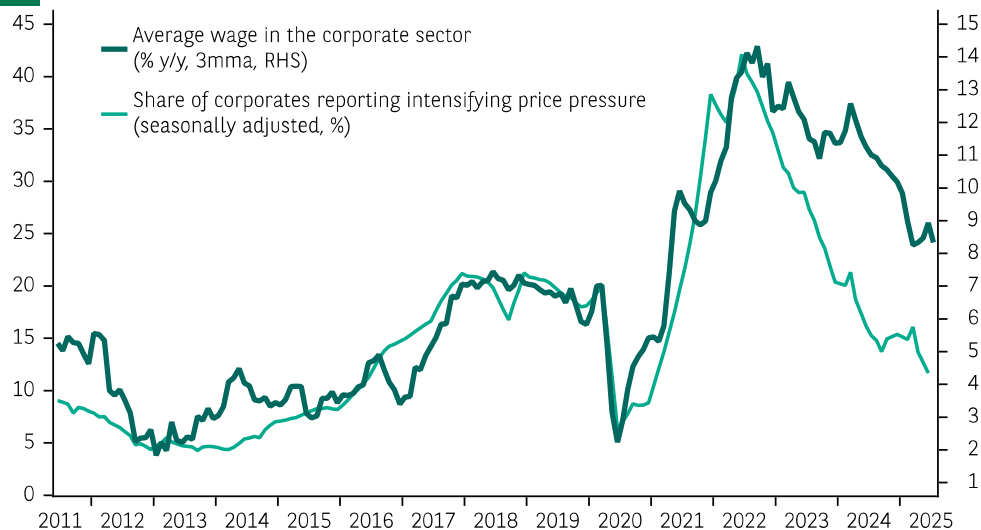
Source: GUS, Eurostat, European Commission, Macrobond, Bank BNP Paribas

The situation is different in the case of the services sector, where price growth is stickier. In recent months, price dynamics in this segment of the market has only slightly decreased, which seems to have been underpinned by solid demand. However, surveys suggest that in the coming months, the pressure on price hikes should weaken, and the rate of price growth should fall below 5% y/y.

A risk factor for these favourable prospects is high household consumption. If consumer spending started to grow sustainably at a rate of more than 4% per year (our forecast assumes weaker growth), expectations of a decline services price inflation might not materialise or could materialise at a slower pace. It is worth emphasizing here that in addition to the strength of consumer demand in this context, its structure (purchases of goods vs. services) would also be important.

# SMALLER WAGE HIKES...

## ... should also lead to slower services price inflations



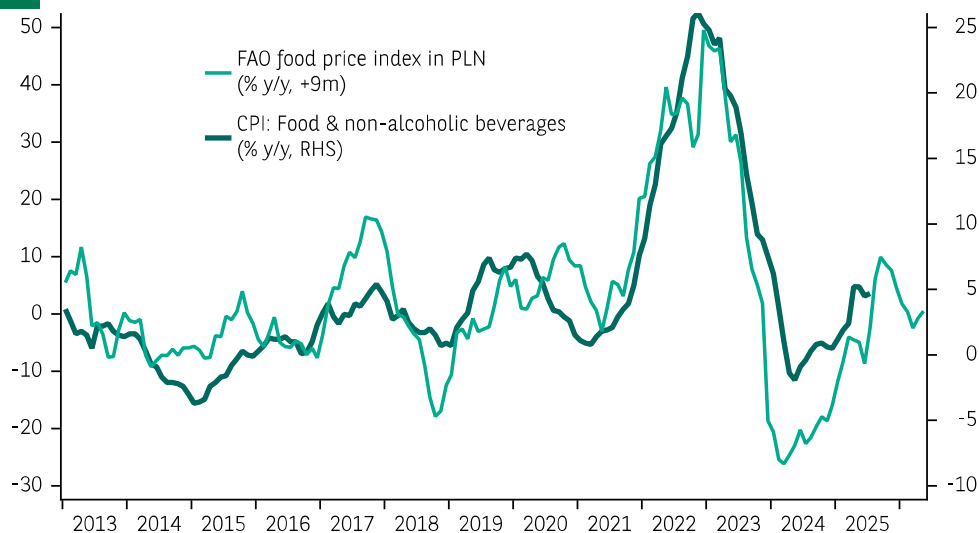
Source: NBP, GUS, Macrobond, Bank BNP Paribas

The decline in the services price inflation should be supported by a lower rate of wage growth. Faced with some cooling in the labour market and (probably) a lower increase in the minimum wage next year, we forecast that the average wage in the national economy will increase by 7% in 2026 against an increase of 8.5% this year.

Considering lower wage pressure, a favourable external environment and the fact that, in our opinion, the growth rate of household consumption will not be excessively fast, we expect core inflation (excluding energy, fuel and food prices) to move towards levels consistent with the National Bank of Poland's inflation target of 2.5% in the coming months.

## FOOD PRICES INFLATION...

...fairly stable



Poland - Food prices (CPI index)

Category	July 2025 (% y/y)	year-on-year change (%)										
		-3	0	3	6	9	12	15	18	21	24	27
Eggs	19,6	[Bar chart showing value 19.6]										
Butter	13,8	[Bar chart showing value 13.8]										
Sugar, jam, honey, confectionery	12,8	[Bar chart showing value 12.8]										
Fruits	12,2	[Bar chart showing value 12.2]										
Cheese & curd	4,7	[Bar chart showing value 4.7]										
Milk	3,5	[Bar chart showing value 3.5]										
Bread	3,2	[Bar chart showing value 3.2]										
Meat	3,1	[Bar chart showing value 3.1]										
Vegetable fats	2,8	[Bar chart showing value 2.8]										
Rice	1,6	[Bar chart showing value 1.6]										
Fish & seafood	1,5	[Bar chart showing value 1.5]										
Pasta products	0,3	[Bar chart showing value 0.3]										
Vegetables	-0,3	[Bar chart showing value -0.3]										
Flour	-1,6	[Bar chart showing value -1.6]										

Source: FAO, GUS, Macrobond, Bank BNP Paribas

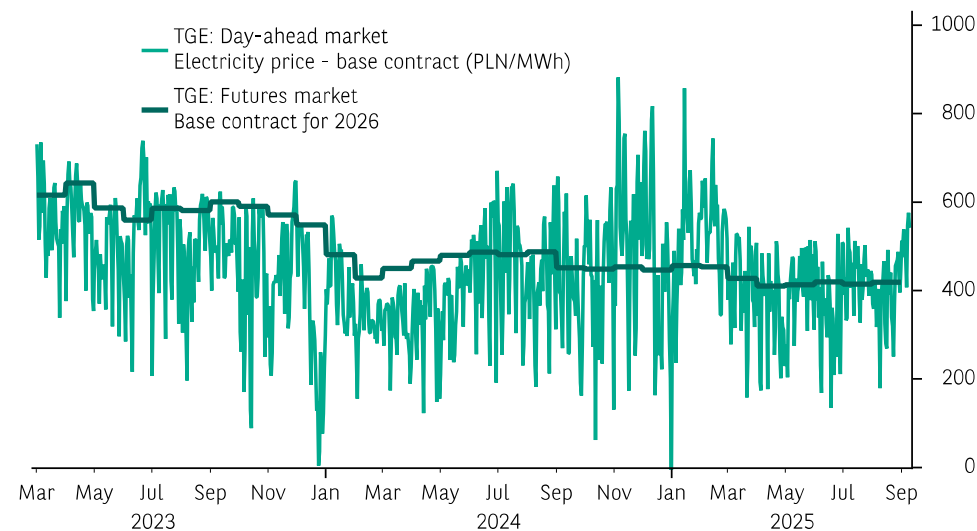
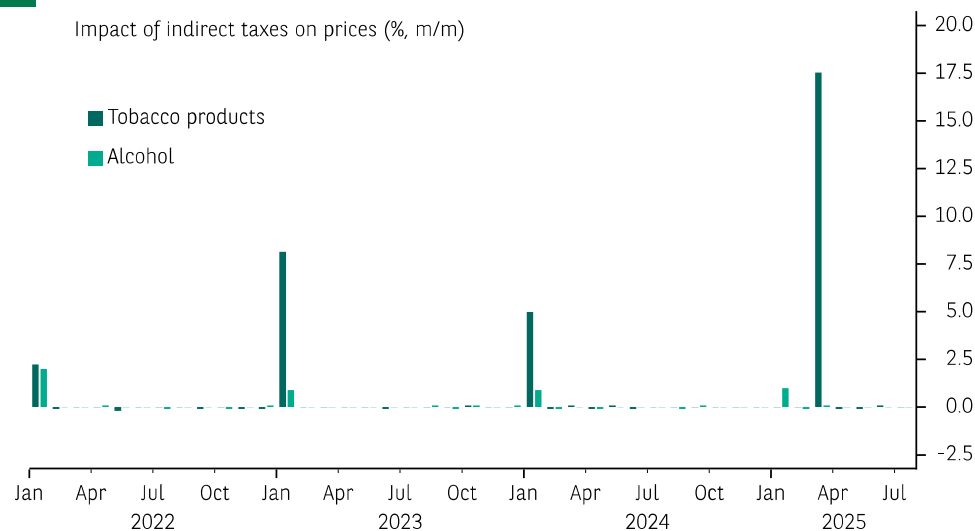
Over the past year, the growth rate of food prices has accelerated, but it has remained quite stable for several months around 5% y/y. Despite a certain increase in the prices of agricultural commodities on the global market, we estimate that its scale (also taking into account a stronger exchange rate of the zloty) should not result in an increase in pressure on price growth locally.

Weather conditions are a risk factor for prices. While vegetable prices in July fell by 0.3% y/y, in the case of fruit their prices were 12.2% higher than a year ago. This year's harvest will therefore determine the direction of food price dynamics in the coming months. Currently, we assume that the growth rate of food prices will stay in the 4-6% y/y range, until the end of next year.

## TAX AND ADMINISTRATIVE DECISIONS...

### ... are a risk factor to inflation path

Impact of indirect taxes on prices (% , m/m)



Source: TGE, Eurostat, Macrobond, Bank BNP Paribas

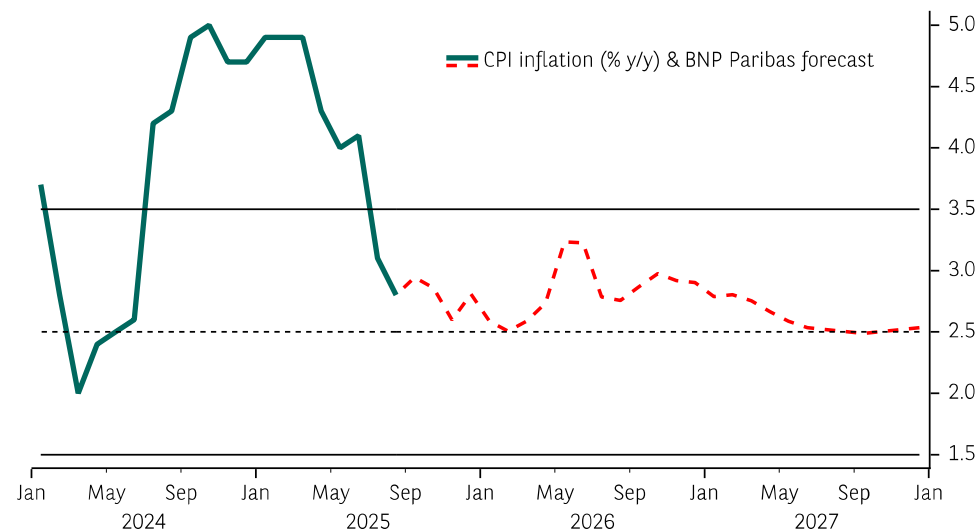
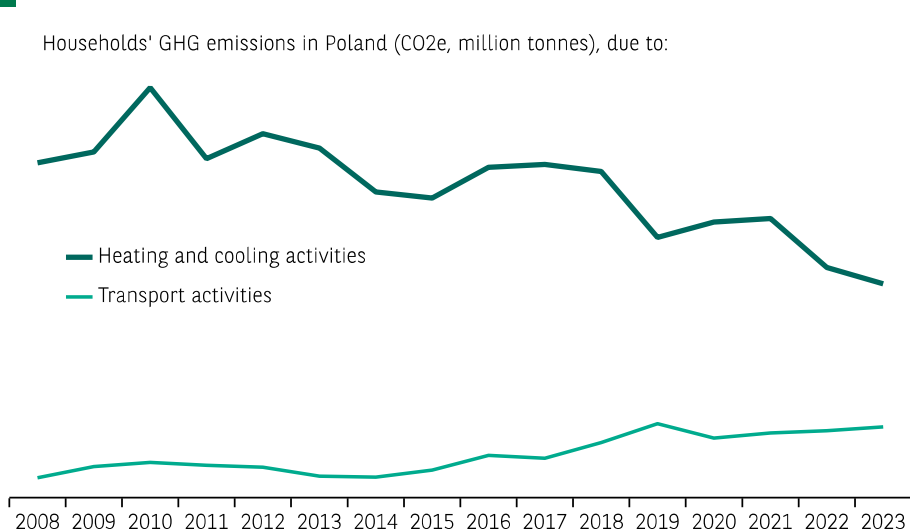
Tax and administrative decisions are an area of uncertainty for inflation forecasts. In the draft Budget Act for 2026, the government assumed a larger increase in excise duty on alcohol products than originally planned. We assume that this change would raise CPI inflation by about 0.1-0.2pp at the beginning of next year. However, the approval of the increase by President Karol Nawrocki is not a foregone conclusion.

Tariffs for the purchase of electricity and natural gas by households are also unknown. While we expect that they will not change by the end of this year (we assume that the freezing of electricity prices will be extended), at the beginning of next year there will be an update of both the rates charged for the purchase of electricity as well as the distribution of electricity and natural gas. In the baseline scenario, we assume that electricity purchase prices will remain unchanged, while supply fees will increase slightly.

## INFLATION: BNP PARIBAS FORECAST

### Consumer price growth within the NBP inflation target range until 2027

Households' GHG emissions in Poland (CO<sub>2</sub>e, million tonnes), due to:



Source: Eurostat, GUS, Macrobond, Bank BNP Paribas

The launch of the EU ETS2 system and the inclusion of new sectors, i.e. road transport and buildings, in the carbon trading system is a risk factor for the growth rate of consumer prices after 2026. Like the National Bank of Poland, we do not take into account the effects of the entry into force of the EU ETS2 system in the baseline scenario.

We forecast that inflation will average 3.7% this year and 2.8% next year. Over the entire horizon of our forecast, i.e. until the end of 2027, we expect consumer price growth to remain within NBP inflation target range.

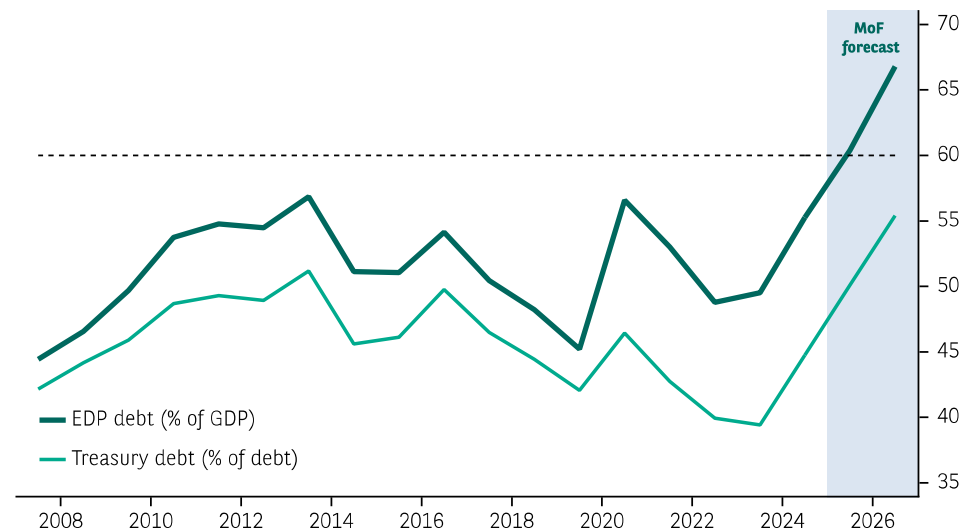
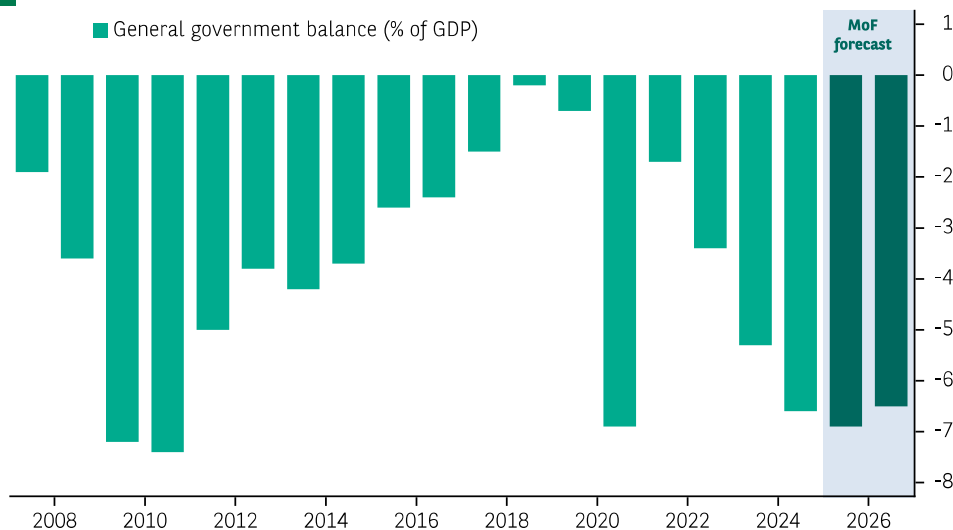
# Fiscal standing – structural take



BNP PARIBAS

## GENERAL GOVERNMENT DEFICIT...

... will amount to 7% of GDP this year



Source: Eurostat, Ministry of Finance, Macrobond, Bank BNP Paribas

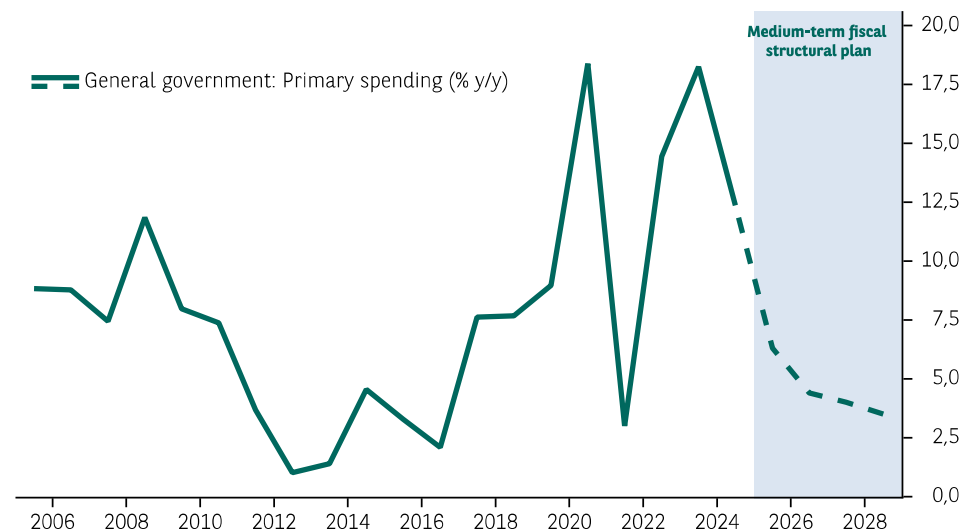
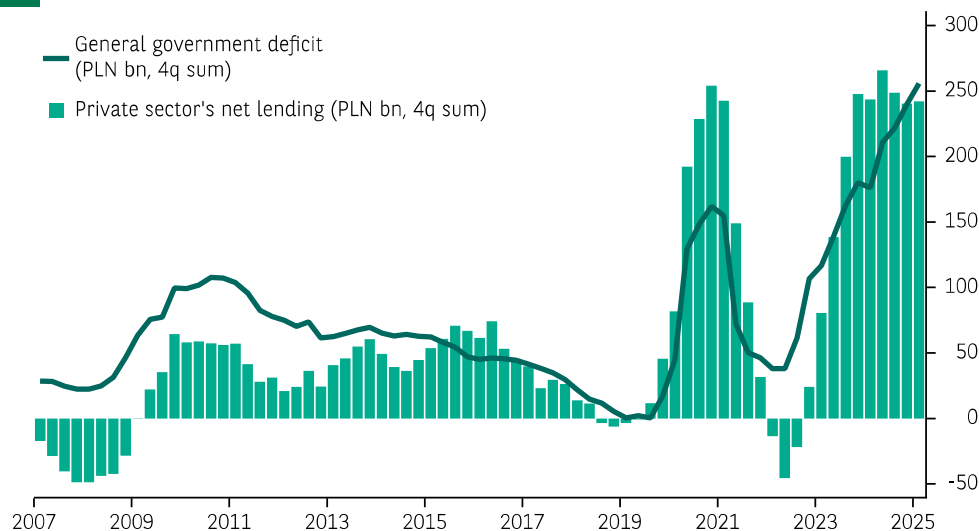
According to the forecasts of the Ministry of Finance, the deficit of the general government is expected to amount to 6.9% of GDP this year and 6.5% of GDP next year. As a result, public debt in relation to GDP (calculated according to the EU methodology) will clearly exceed 60% in the coming quarters. However, public debt calculated according to the national definition will remain significantly lower and below the constitutional debt limit (60% of GDP).

Although there are no rigid levels of budget or debt at which intervention and correction of the state of public finances is absolutely required, there are three types of restrictions that affect how loose the state's financial policy can get. These are 1) macroeconomic constraints, 2) institutional constraints, and 3) financial constraints.



## FISCAL POLICY: MACROECONOMIC...

### ...and institutional constraints



Source: Eurostat, GUS, Ministry of Finance, Macrobond, Bank BNP Paribas

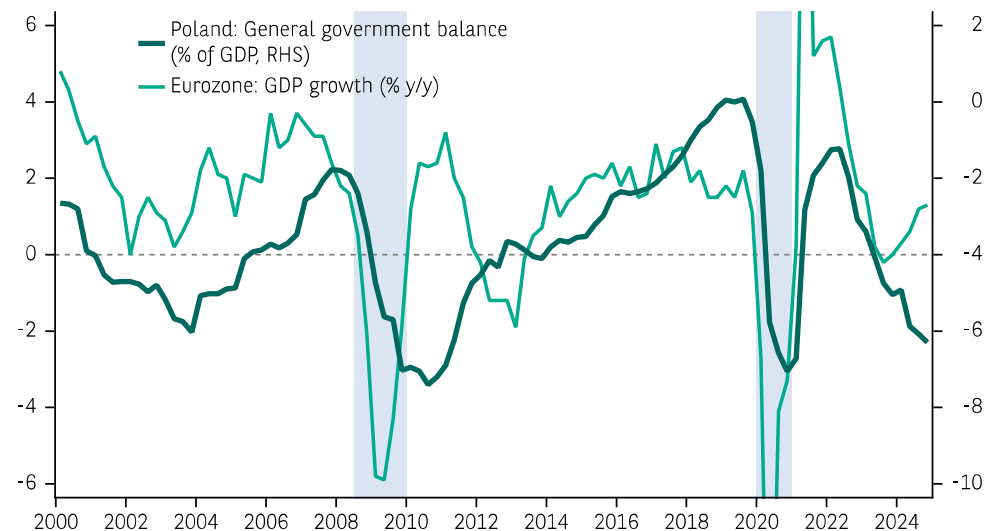
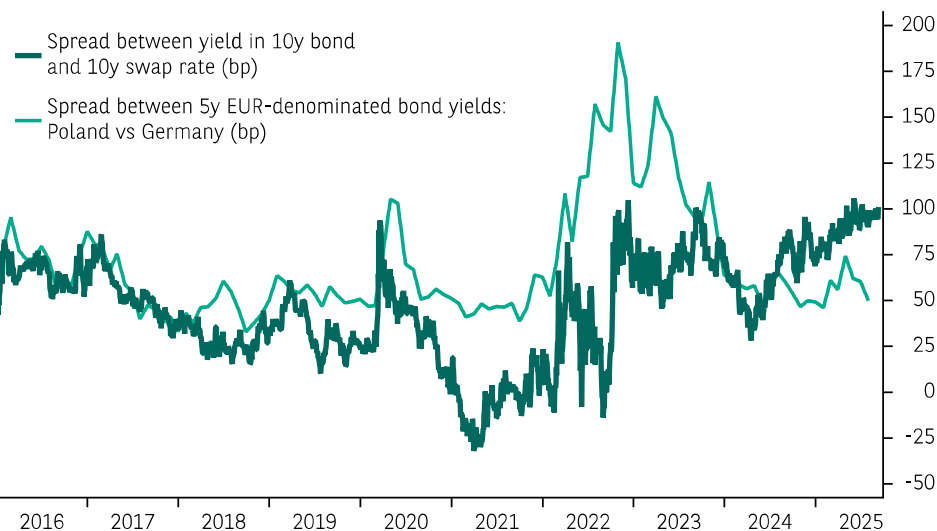
In case of macroeconomic constraints, it is important whether loose fiscal policy leads to other imbalances in the economy, such as a deficit in foreign trade, inflation, or crowding out of private investment. In our opinion, such a situation does not currently take place in Poland, thanks to significant savings of the private sector allowing for internal (and not foreign) financing of the public finance sector deficits.

As far as institutional constraints are concerned, they are expressed, for example, by national and EU fiscal rules or credit ratings. Last year, Poland was placed under the EU's excessive deficit procedure and, as part of the medium-term budgetary and structural plan, committed itself to reduce expenditure growth, which should bring the general government deficit to 3% of GDP by 2028. However, the "national escape clause" related to defence spending will prolong this process.



## FISCAL PREMIUM...

### ... reflecting the state of public finances



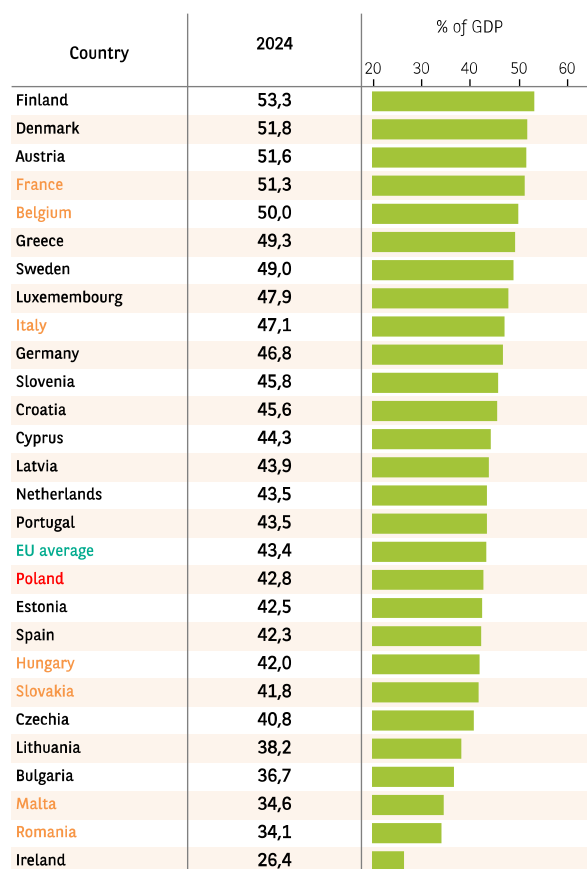
Source: Bloomberg, Eurostat, GUS, Ministry of Finance, Macrobond, Bank BNP Paribas

Financial constraints are related to the costs of growing indebtedness of the state. We estimate that currently the fiscal premium included in the yields on PLN-denominated Treasury bonds is relatively high and amounts to about 1pp. In the case of debt denominated in EUR, there was no increase in yields, e.g. in relation to Germany, which suggests that Poland still enjoys high credibility among foreign investors.

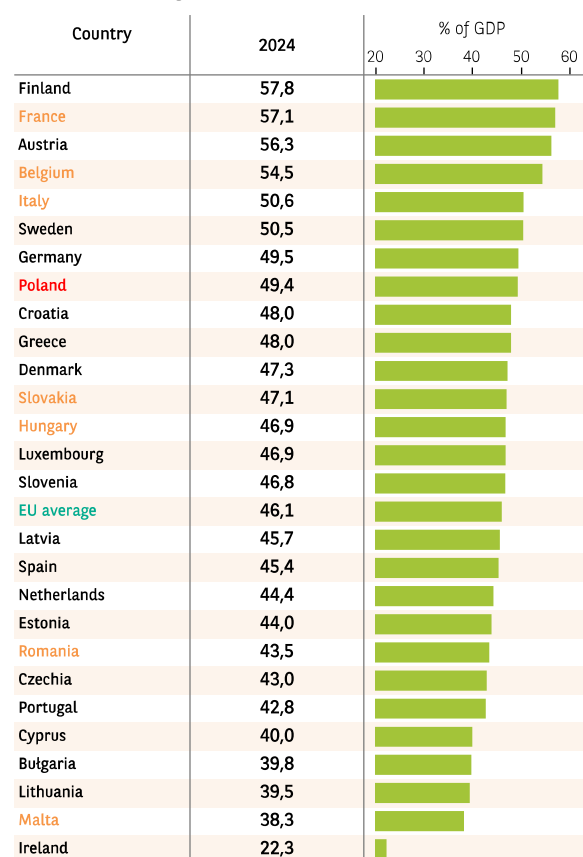
While we believe that the current deficit of the general government sector does not weigh heavily on the domestic economy, the nearly 7% gap in the public sector budget, which is expected this year, must increase the vigilance of the government. The fact that with an economy developing at a pace close to its potential, Poland records a budget deficit in relation to GDP similar in amount, as at the time of strong external shocks, such as a pandemic or a global financial crisis, requires special attention. In the event of a weakening economic situation, the space for the government to increase spending, which would be so necessary at the time, would be very limited.

## EU MEMBERS: REVENUES AND EXPENDITURES OF GENERAL GOVERNMENT

### EU: General government revenues (% of GDP)



### EU: General government expenditures (% of GDP)



Among European Union countries, Poland had the second highest general government deficit (6.6% of GDP) last year (after Romania).

This was the result of both relatively low revenues (in terms of the amount of revenues of the public finance sector, 17th place out of 27 EU countries) and high expenditures (8th place).

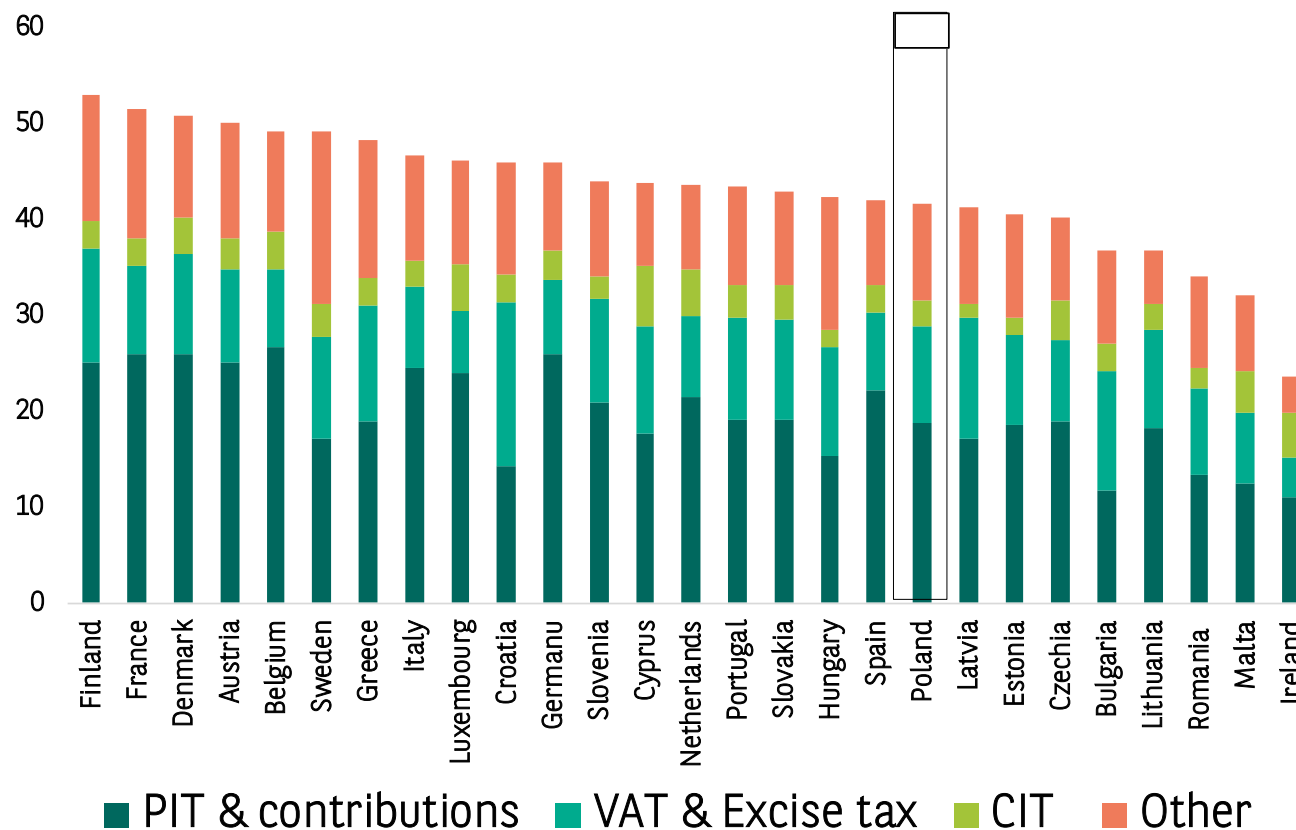
Although from the perspective of the government the easiest way to reduce the budget gap may be to count on an acceleration of economic growth (which would increase state revenues by expanding the tax base), reducing the imbalance in public finances will most likely require some tightening of fiscal policy.

The form of consolidation of public finances will depend on the decision on the structure of the national budget in the years to come.

Source: Eurostat, GUS, Ministry of Finance, Macrobond, Bank BNP Paribas; \*) in orange countries subjected to Excessive Deficit Procedure

## EU MEMBERS: STRUCTURE OF GENERAL GOVERNMENT'S REVENUES

### General government revenues in 2023 (% of GDP)



Source: Eurostat, GUS, Macrobond, Bank BNP Paribas

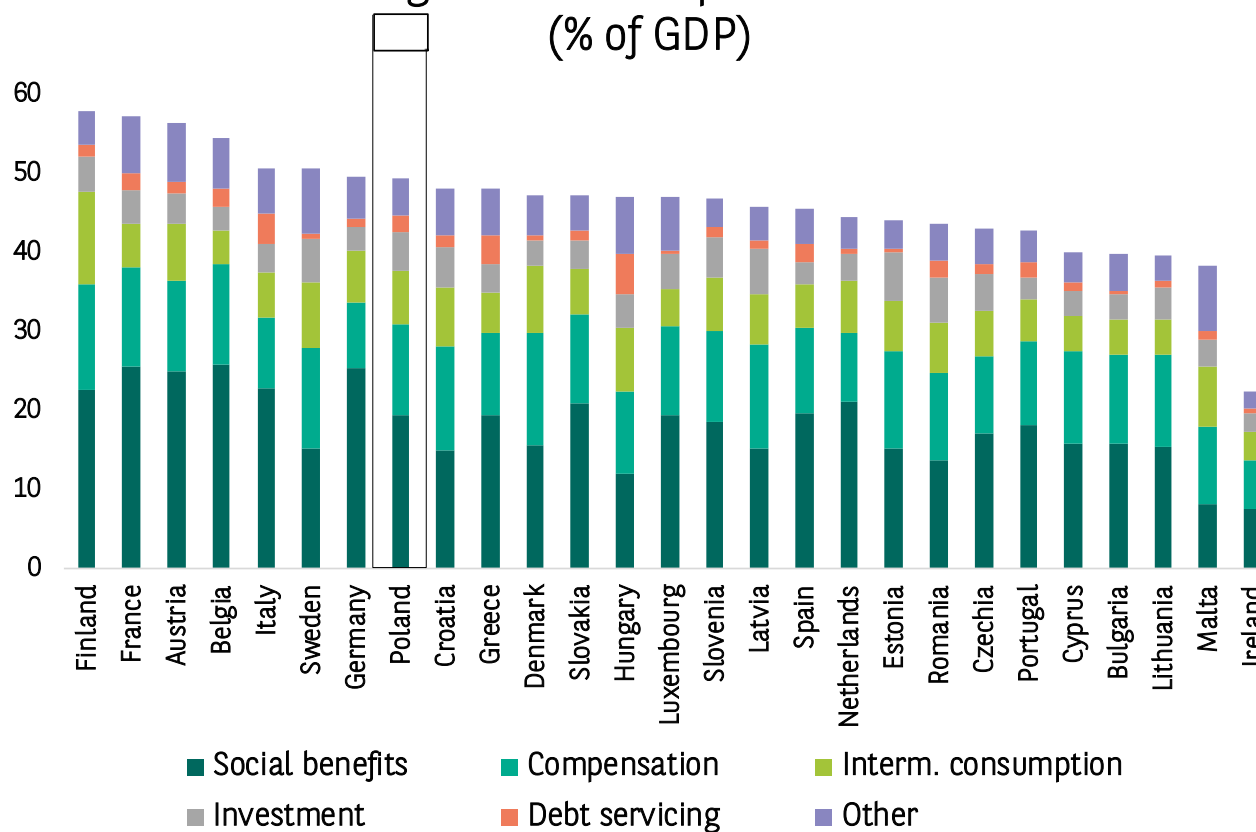
Compared to other EU countries, Poland has a fairly unusual structure of fiscal revenues. In the case of most EU countries, one source of income with a relatively high weight can be distinguished, e.g. income taxes and contributions in Germany or CIT in Cyprus.

Meanwhile, in 2023, revenues from any of the main sources did not place Poland in the top ten (among EU countries) in terms of the amount of proceeds in relation to GDP.

However, it seems that the structure of budget revenues is tilting towards indirect taxes, as indicated by the restoration of the 5% VAT rate on foodstuffs in 2024 and a significant increase in excise duty on tobacco products and alcohol this year and (probably) next year.

## EU MEMBERS: STRUCTURE OF GENERAL GOVERNMENT'S EXPENDITURES

General government expenditures in 2023  
(% of GDP)



In case of general government expenditures in all its main categories, in 2023 Poland ranked in the top half of the Member States in terms of their amount in relation to GDP.

Poland saw relatively high investment (7th place among EU countries) and debt servicing costs (7th place). When it comes to social benefits and salaries, expenditures incurred in these areas in 2023 ranked Poland 11th.

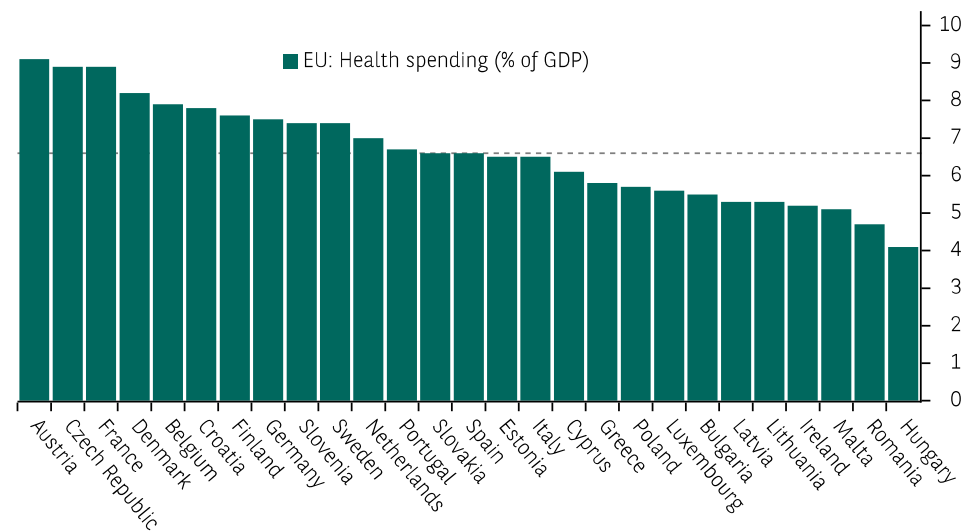
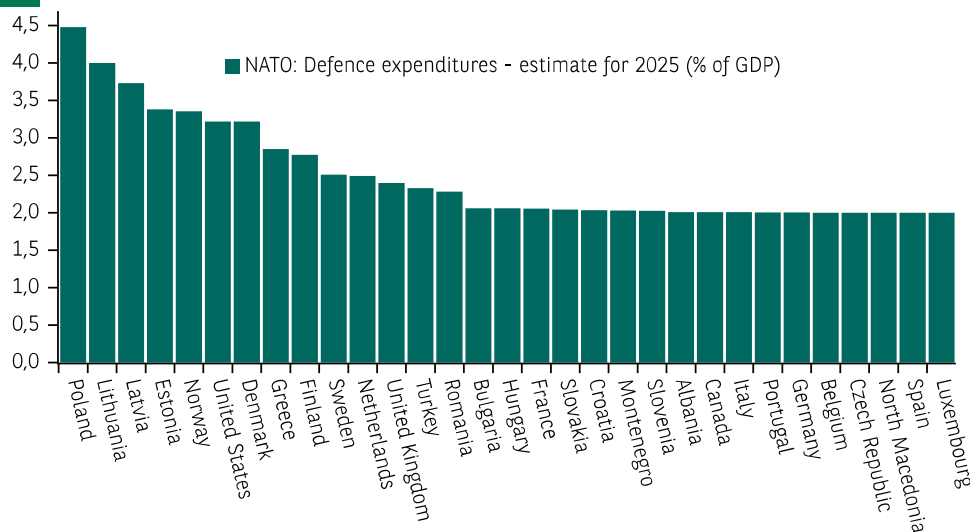
Looking at the structure of expenditures, it is difficult to clearly indicate the source of savings. A certain solution is to slow down the growth of public sector salaries and social benefits, which should lead to a reduction in the deficit in the long term.

A common way to reduce the budget gap is also to suspend investment projects...

Source: Eurostat, GUS, Macrobond, Bank BNP Paribas

## MILITARY AND HEALTH...

### ... are key areas of spe



Source: NATO, Eurostat, Macrobond, Bank BNP Paribas

From Poland's point of view, in the current situation, capital expenditure cuts seem difficult to implement, however. Poland is still an important beneficiary of EU funds, and the use of these funds requires co-financing of projects. Moreover, in the face of the ongoing war in Ukraine, Poland has significantly increased its defence spending, which, according to NATO estimates, will be the largest in the Alliance this year and will amount to 4.5% of GDP.

Although the level of public expenditure is relatively high, there are still areas that are clearly underfunded. Expenditure on health care in 2023 amounted to just 5.7% of GDP (compared to the EU average of 6.6%). As a result, it seems that public finances may require not only rebalancing, but perhaps also a reorientation in terms of the structure of expenditures incurred.



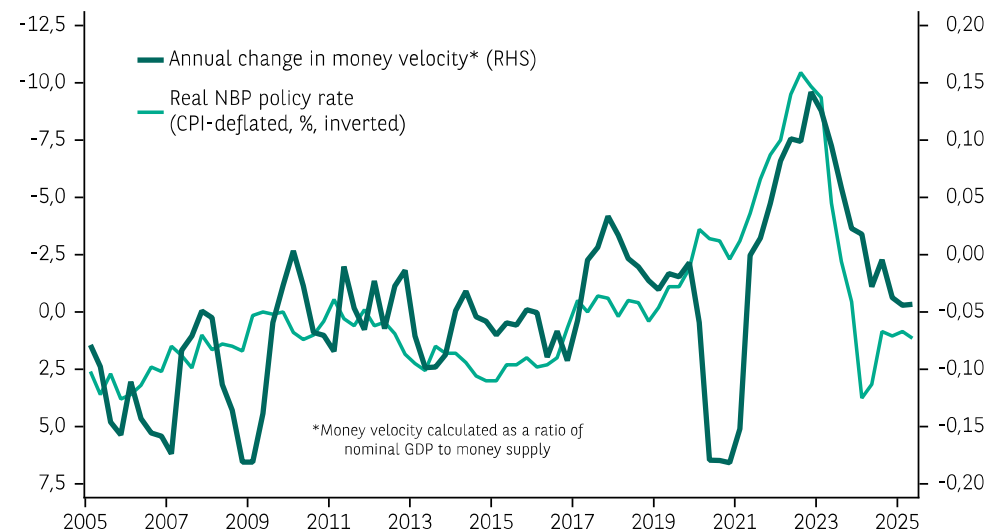
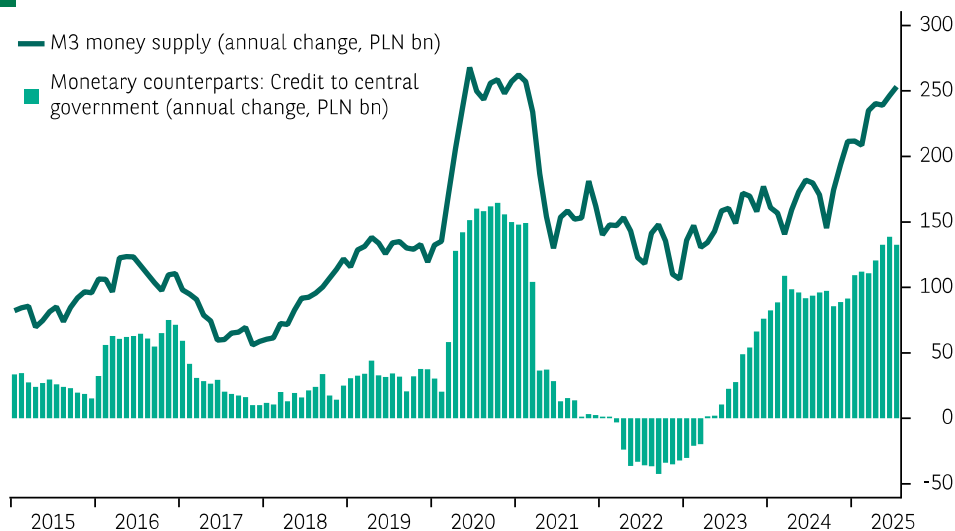
# Optimal policy mix – interest rates vs budget spending



BNP PARIBAS

## WILL THE LOOSE BUDGET POLICY...

### ...affect monetary policy?



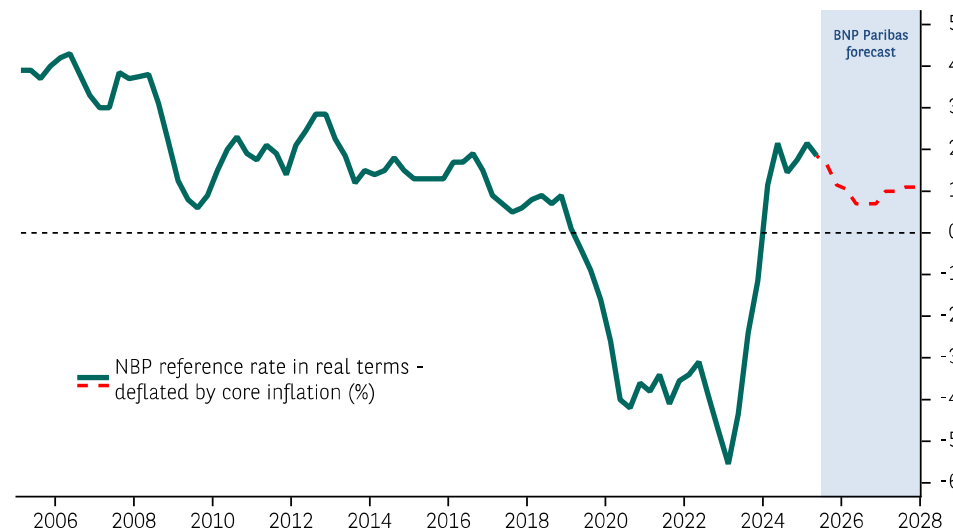
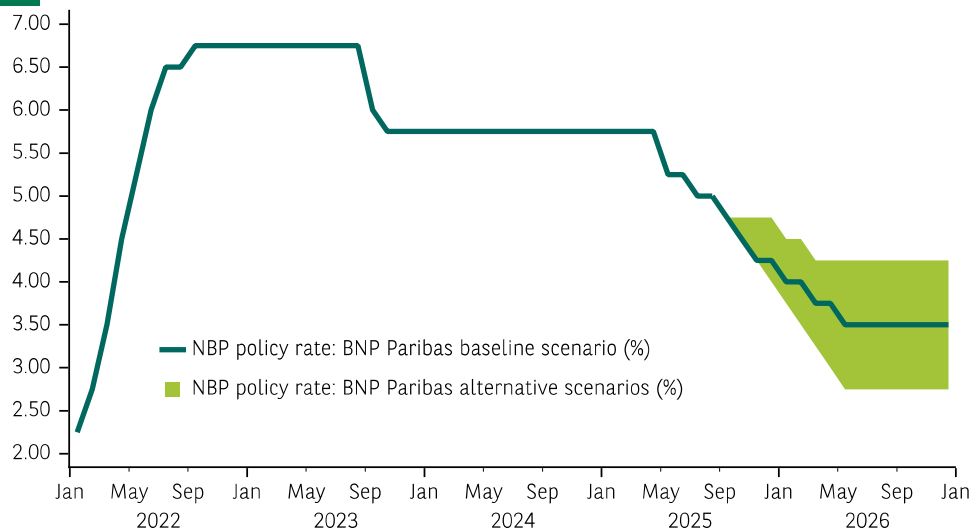
Source: NBP, Macrobond, Bank BNP Paribas

Fiscal policy can also be an important factor influencing monetary policy. The purchase of treasury bonds by the banking sector is currently the main factor in money creation in the economy. The statements of the NBP Governor Adam Glapiński, as well as other MPC members, suggest that the loose fiscal policy increasing the amount of money in circulation raises concerns about the imbalances in the economy and the intensification of inflationary pressures.

Therefore, we believe that fiscal policy may be a factor limiting the scale of monetary policy easing in Poland. We believe that in the conditions of rapid growth in money supply, the Council will opt for keeping interest rates above zero in real terms. This should limit the rate of circulation (spending) of money and thus reduce the likelihood of the inflationary spiral rewinding.

# MONETARY POLICY COUNCIL...

## ... will deliver more interest rate cuts



Source: NBP, Macrobond, Bank BNP Paribas

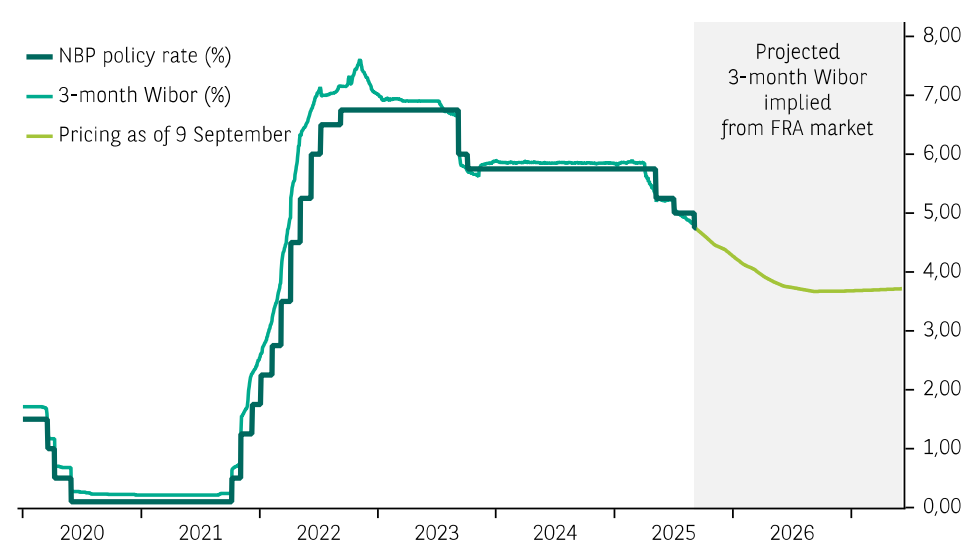
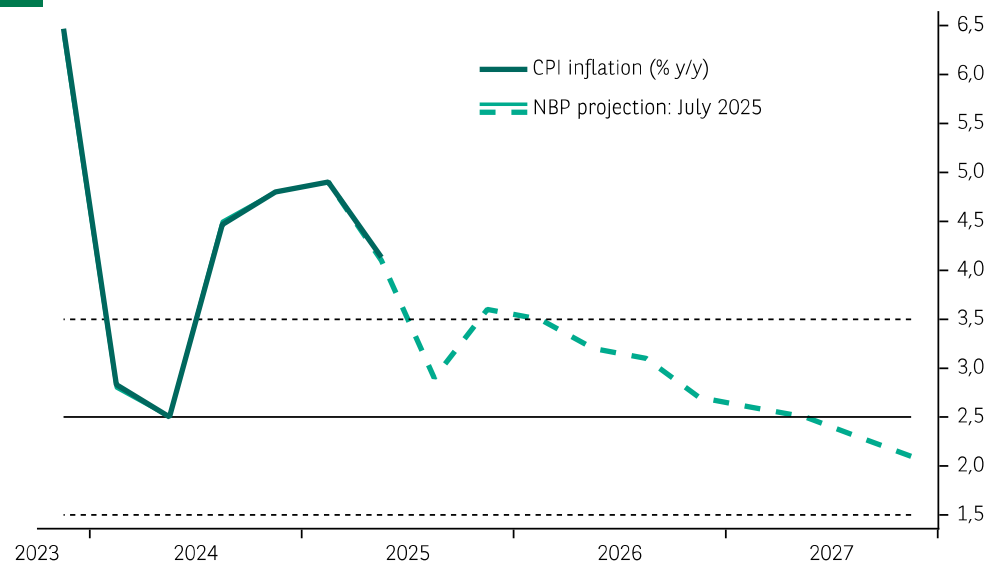
We maintain our long-standing forecast of a decline in the NBP reference rate to 3.50% in mid-2026. During the conference after the September MPC meeting, it was clear from the statement of governor Glapiński that the members of the Council want to further reduce interest rates. The scale of easing will be a function of the current economic backdrop, the situation on the labour market, as well as fiscal measures. The steps taken by the MPC will also be influenced by administrative decisions, e.g. regarding the level of electricity rates charged to households. In our opinion, until the end of the year we will see one or two more interest rate cuts, 25bps each.

Considering our current forecasts, we believe that the macroeconomic environment will allow for the continuation of the downward adjustment of interest rates in the coming months, even if it does not take the form of a measured cycle. We expect that in real terms, the members of the Council will maintain positive interest rates. Thus, in total we still see space for 125pb in cuts.



## NBP PROJECTIONS...

### ... support further policy easing



Source: NBP, Bloomberg, Macrobond, Bank BNP Paribas

We believe that the inflation projection presented in July by NBP analysts strengthens expectations of further interest rate cuts in the coming months. According to the central bank's estimates, consumer price growth is expected to average 3.9% this year, 3.1% next and 2.4% in 2027. At the same time, from July this year until the end of the projection, CPI inflation is expected to be in the 2.5% +/-1pp band of deviations from the inflation target set by the central bank (we believe that the increase in price growth expected in the fourth quarter of this year will not materialise due to the freezing of electricity prices for households).

The market pricing is broadly consistent with our predictions. The market currently estimates that by the middle of next year, interest rates in Poland will be cut by additional 100-125bp from the .current level.

An aerial photograph of a steam train crossing a large, multi-arched stone viaduct over a lush green valley. The train is emitting a large plume of white steam. The landscape is rolling and green, with some trees and a small building visible in the distance. The sky is blue with some clouds.

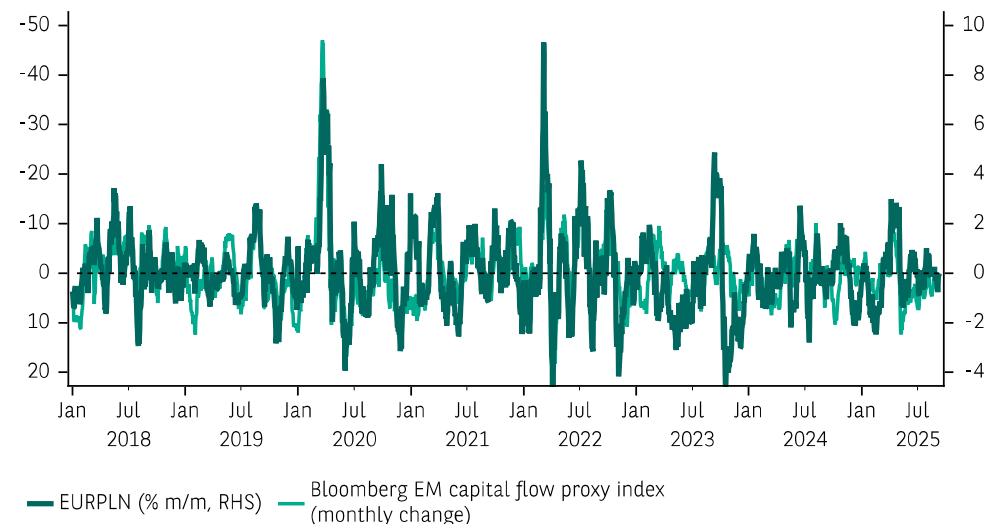
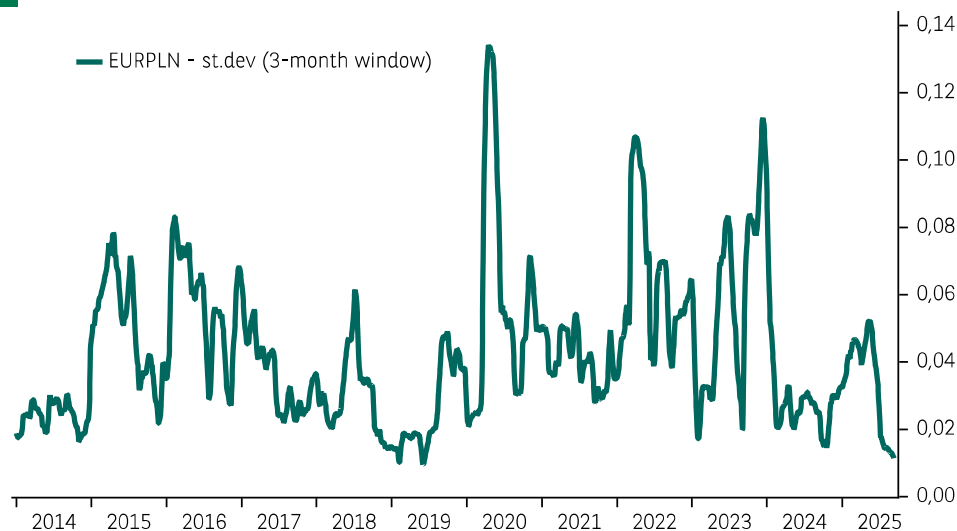
**PLN: Uncannily stable –  
temporary state or new normal?**



**BNP PARIBAS**

## PLN: COMPRESSED VOLATILITY...

### ... in recent weeks



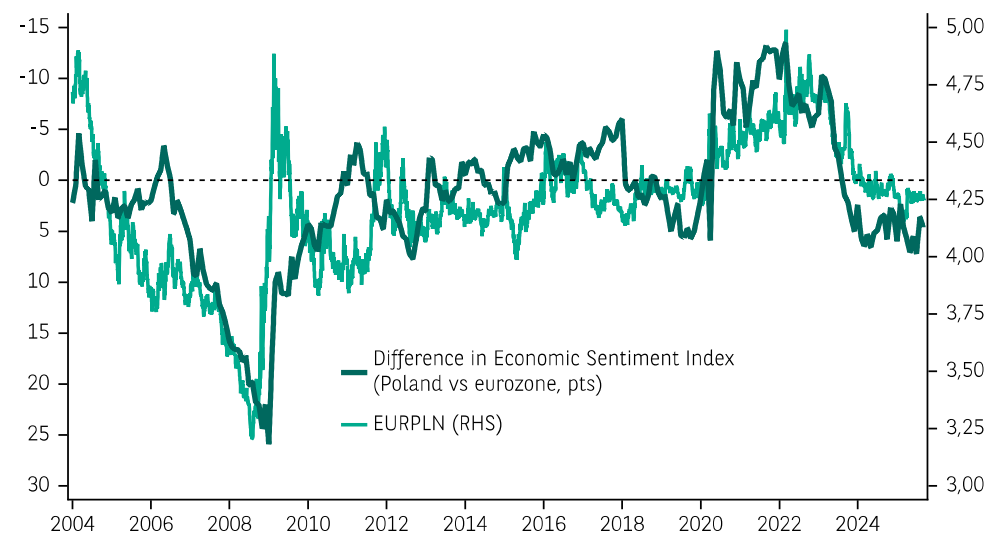
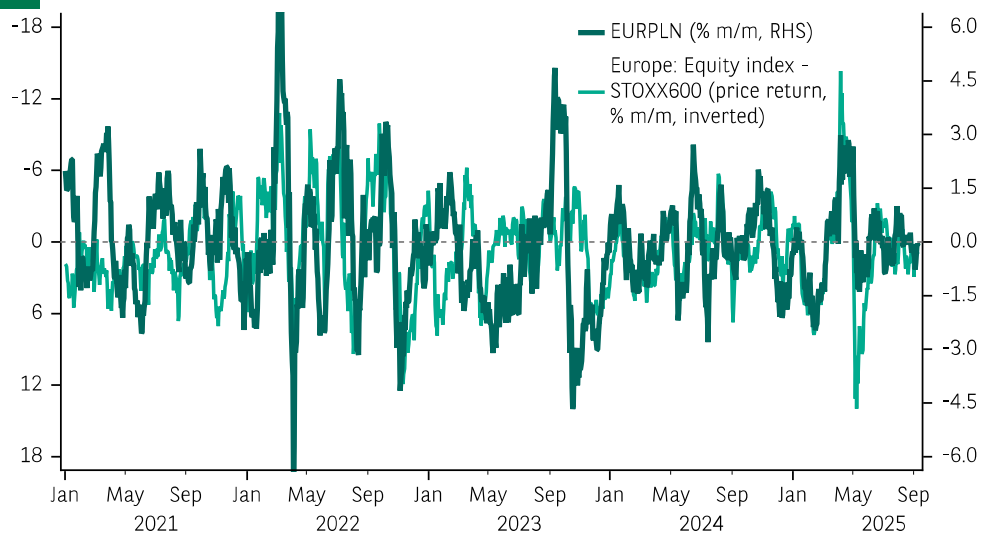
Source: Bloomberg, Macrobond, Bank BNP Paribas

In recent weeks, the EURPLN exchange rate has shown very low volatility (last recorded in 2019), which was facilitated, among others, by a decrease in uncertainty about the US-EU trade conditions. We believe that larger fluctuations in the zloty's quotations are possible with a change in global risk appetite.

For several months, investors' views and the resultant flow of capital on Emerging Markets has not changed significantly. An abrupt move in sentiment could therefore trigger more volatility in the FX market.

## PLN: GEOPOLITICAL FACTORS...

### ... and growth outlook important for the zloty



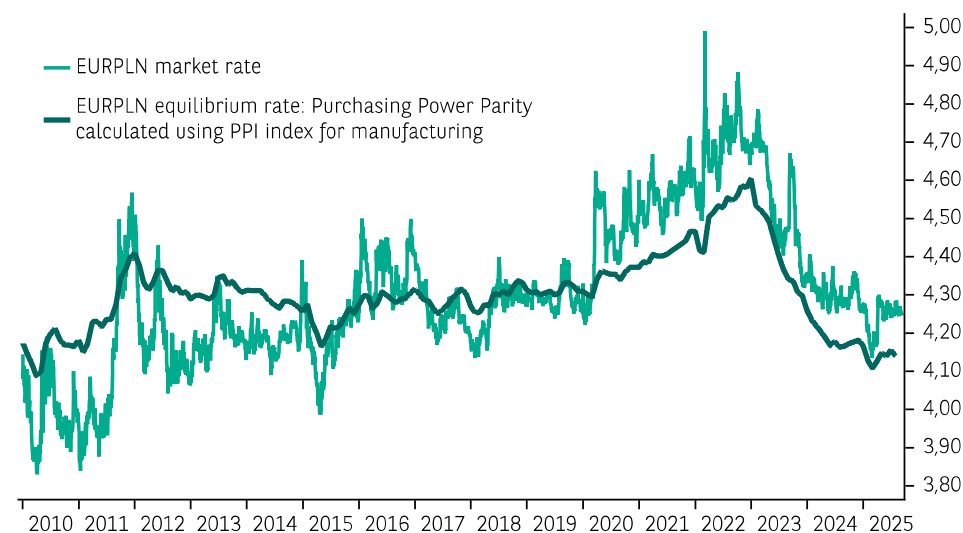
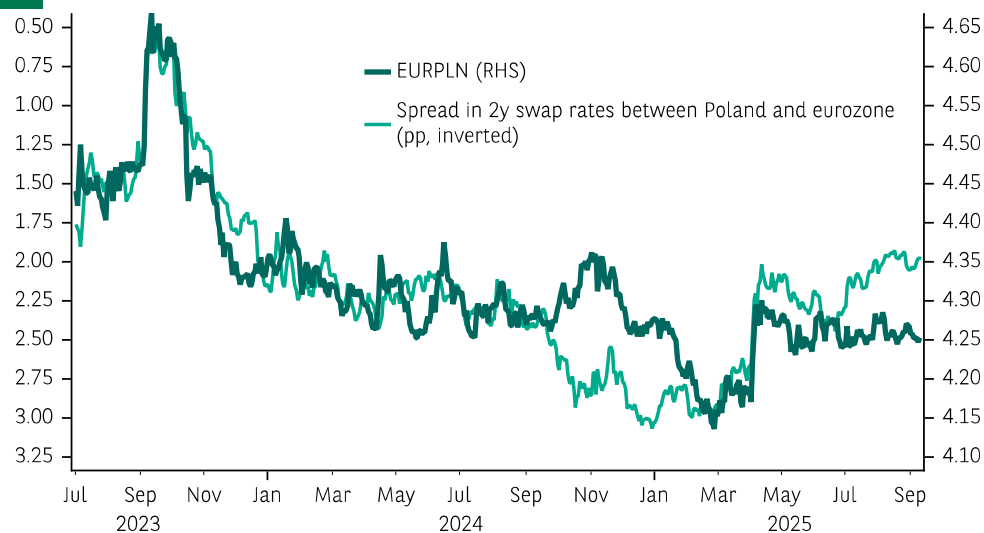
Source: Bloomberg, European Commission Macrobond, Bank BNP Paribas

We believe that in the case of Poland, geopolitics is a factor that can change the outlook for the national currency. The chance of a ceasefire in Ukraine would have a positive effect on the PLN, while a decrease in the likelihood of a truce could result in less support for the zloty.

Fast economic growth compared to Western Europe remains the element supporting the appreciation of the zloty in the baseline scenario, as we assume that in the next 6 quarters the EURPLN exchange rate will oscillate around the 4.25 handle.

## PLN: INTEREST RATES...

### ... to have limited impact on FX



Source: Bloomberg, Eurostat, Macrobond, Bank BNP Paribas

We believe that further interest rate cuts should not have a significant impact on the zloty exchange rate since it seems that the market is already pricing in the MPC's next moves quite well.

The EURPLN equilibrium exchange rate, based on relative producer prices in manufacturing, has been quite stable in recent months, remaining around the 4.15 level.

## Disclaimer

The report was prepared by:

Michał Dybuła, Marcin Kujawski, Tomasz Tyc  
(Economic Research department at BNP Paribas Bank Polska)

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