Monthly market report

Economic and Sector Research

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BNP PARIBAS

The bank for a changing world

MAIN THEMES IN SEPTEMBER

LSEG STARMINE AWARD FOR REUTERS POLLS 2024 Winner
Best Forecaster Economic Indicators for Poland

Global economic situation

Financial markets: In September, the sentiment on financial markets was greatly influenced by the Federal Reserve's interest rate cut. The easing of monetary policy in the US strongly supported the stock market there, and the S&P 500 index set new historical records. The Fed's move also contributed to the increase in gold prices, which rose by about 10% this month. Geopolitics also had an impact on the price of bullion, including violations of NATO airspace by Russian flying vehicles and statements by US President Donald Trump, which were more confrontational towards Russia. Stock exchanges in Europe performed worse, which is most likely due to the unimpressive economic situation on the continent. The EURUSD exchange rate has risen slightly in recent weeks and was hovering around 1.17 by the end of September.

Economic activity: In September global macroeconomic data were a mixed bag. In the euro area, composite the PMI index rose marginally to 51.2 points, but the economic situation in European industry weakened again. The manufacturing PMI fell below the 50-point mark (49.5) in September, after exceeding this threshold in August for the first time since June 2022. In the US, PMI indicators remained well above the 50-point level, suggesting a limited (so far) impact of the imposed tariffs. On the other hand, data from the labour market indicate a progressive cooling of the US economy. In August, non-farm payrolls increased by only 22 thousand jobs, and the unemployment rate rose to 4.3%.

Inflation: Energy commodity prices rose slightly in September, which we believe was mainly influenced by geopolitical factors. President Trump's calls to entirely stop buying Russian fuels and Ukrainian attacks on the oil processing infrastructure in Russia have resulted in an increase in oil quotations. At the same time, however, OPEC+ countries have decided to increase oil production by 137,000 barrels per day from October, raising concerns about oversupply on the market. In the US, core inflation accelerated slightly, most likely due to tariffs, but the scale of price increases remained limited.

Monetary policy of key central banks

Fed & ECB: At its meeting on September 17, the Federal Reserve, as expected, cut interest rates in the US by 25bp. The worse condition of the labour market was the main argument in favour of adjusting interest rates down. The market expects interest rates in the United States to fall by another 100bp by the middle of next year. The Governing Council of the European Central Bank left interest rates unchanged in September.

Polish economy snapshot

Economic activity: The August data on economic activity turned out fairly unexciting. Construction and assembly production disappointed, falling by nearly 7% y/y. However, we assume that construction works will kick off in the coming months. We estimate that in the third quarter the GDP growth rate will remain around 3.5% y/y.

Inflation: In August, consumer goods and services prices (CPI) in Poland did not change compared to July, while in year-on-year terms they increased by 2.9% y/y. A month ago, fuel prices fell by nearly 2%. Prices of groceries also fell marginally. Core inflation, on the other hand, slipped to 3.2% y/y.

MPC: In September, the Monetary Policy Council (MPC) decided, as expected, to cut the interest rates of the National Bank of Poland (NBP) by 25bp, bringing the reference rate down to 4.75%. MPC members are cautious and make the issue of further downward adjustment of interest rates dependent on the data published in the coming weeks and months. In our opinion, this year we will see one or two more interest rate cuts of 25bp each.

Exchange rate: The EURPLN exchange rate remained stable in September, and the cross moved in a narrow 4.2450–4.2750. range.

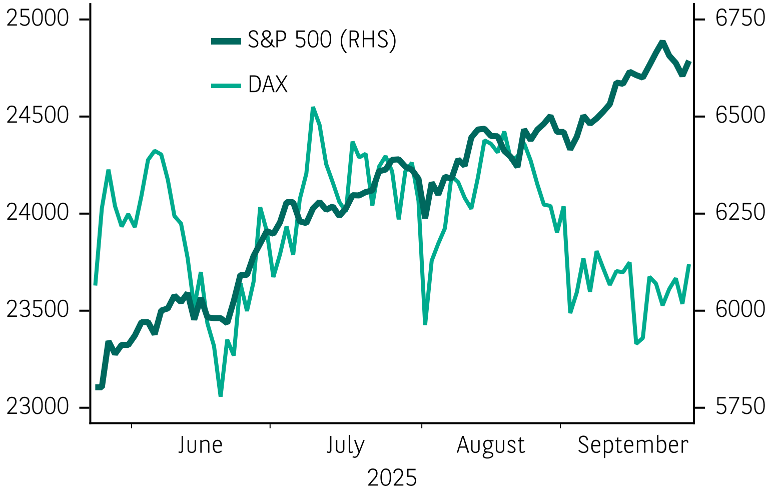
FINANCIAL MARKETS IN SEPTEMBER

	Level		Change m/m
EURPLN	4,27	▲	0,0 %
USDPLN	3,65	▲	0,1 %
CHFPLN	4,57	▲	0,2 %
EURUSD	1,17	▼	-0,1 %
Wibor 3m (%)	4,72	▼	-0,1 pp
Euribor 3m (%)	2,00	▼	-0,1 pp
USD SOFR 3m (%)	4,36	▲	0,0 pp
WIG 20 (pt.)	2 832	▲	1,4 %
S&P 500 (pt.)	6 644	▲	2,2 %
DAX (pt.)	23 739	▼	-0,7 %
Nikkei 225 (pt.)	45 355	▲	6,7 %
PL 10-year bonds	5,53	▼	0,0 pp
DE 10-year bonds	2,74	▲	0,0 pp
US 10-year bonds	4,20	▼	0,0 pp
Brent (USD/bbl)	68,7	▲	1,9 %
Gold (USD/oz)	3 760	▲	9,0 %
Copper (USD/t)	10 205	▲	3,0 %
Rapeseed (EUR/t)	471,0	▲	1,8 %
Wheat (EUR/t)	189,5	▼	-1,0 %

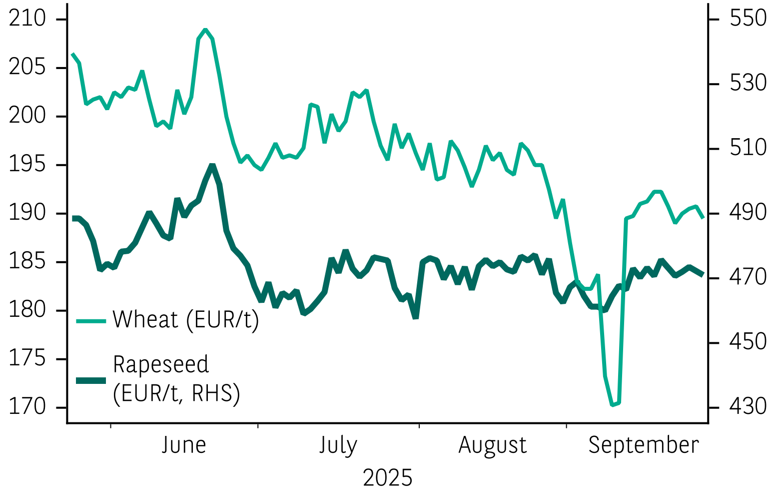
Source: Macrobond

Update: 26-09-2025

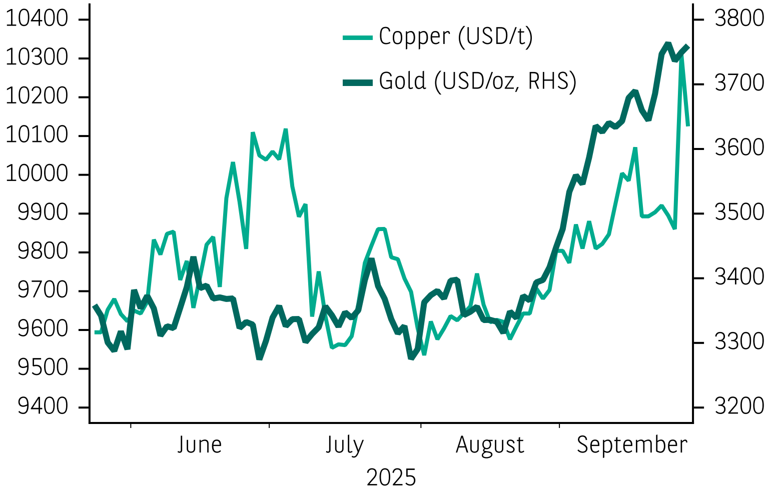
Stock market



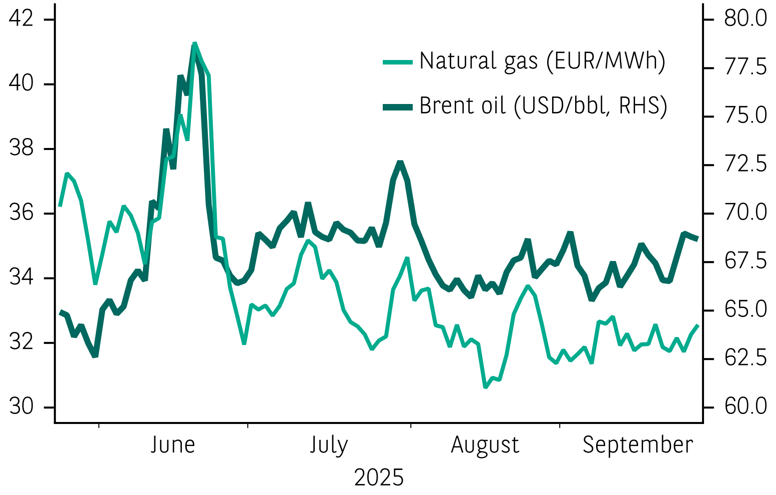
Cereals



Metals



Energy



BNP PARIBAS BANK POLSKA FORECAST

Exchange rates forecast

	Spot (*)	Q4'25	Q1'26	Q2'26	Q3'26	Q4'26
EURPLN	4,27	4,25	4,25	4,25	4,25	4,25
USDPLN	3,65	3,54	3,51	3,51	3,48	3,48
CHFPLN	4,57	4,52	4,52	4,52	4,47	4,47
GBPPLN	4,89	4,89	4,85	4,85	4,84	4,84
EURUSD	1,17	1,20	1,21	1,21	1,22	1,22
EURCHF	0,93	0,94	0,94	0,94	0,95	0,95
GBPUSD	1,34	1,38	1,38	1,38	1,39	1,39
USDCNY	7,13	7,10	7,07	7,05	7,05	7,00
EURCZK	24,30	24,15	24,30	24,30	24,30	24,30
EURHUF	391	400	410	410	410	410

Source: BNP Paribas

** Spot: 26-09-2025*

BNP PARIBAS BANK POLSKA FORECAST

Interest rates forecast

	Spot (*)	Q4'25	Q1'26	Q2'26	Q3'26	Q4'26
Poland:						
NBP policy rate (%)	4,75	4,25	3,75	3,50	3,50	3,50
3-mths rate (%)	4,72	4,20	3,70	3,60	3,60	3,70
2y IRS (%)	4,12	3,90	3,85	3,70	3,75	3,75
5y IRS (%)	4,21	4,00	3,85	3,85	3,90	3,95
10y IRS (%)	4,57	4,35	4,25	4,25	4,30	4,30
10y government bond yield (%)	5,53	5,35	5,20	5,15	5,15	5,10
Eurozone:						
ECB depo (%)	2,00	2,00	2,00	2,00	2,00	2,00
3-mths Euribor* (%)	2,00	2,02	1,98	1,97	1,99	2,04
US:						
Fed funds (%)	4,00-4,25	3,50-3,75	3,25-3,50	3,00-3,25	3,00-3,25	3,00-3,25

Source: BNP Paribas *Spot (*) =* *26-09-2025*

**Euribor pricing derived from the futures market*

Key indicators for Poland*:	2023	2024	2025	2026	2027
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

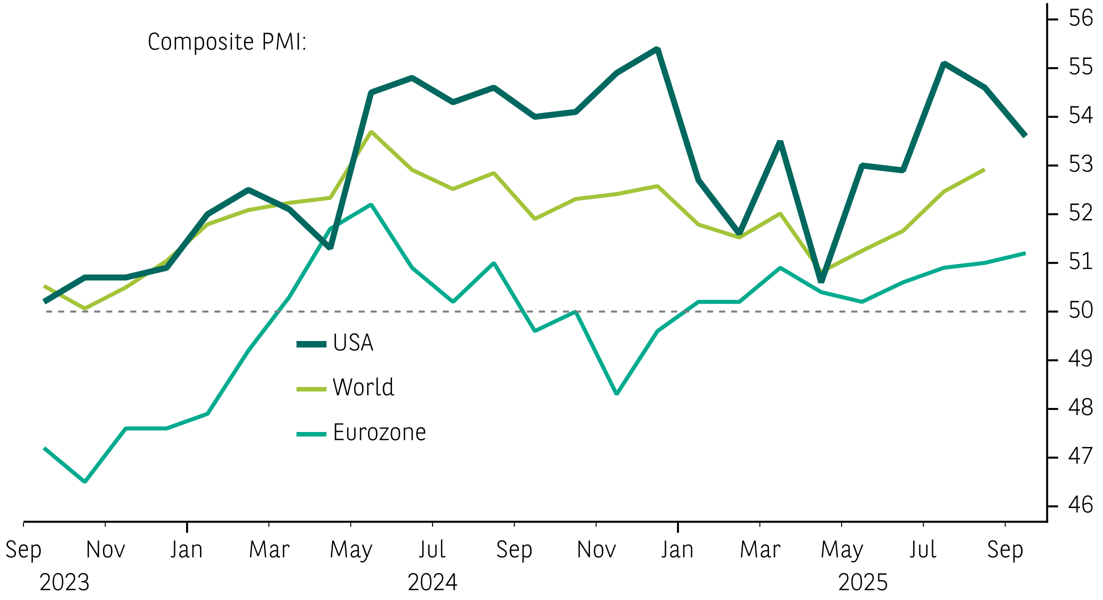
**period average unless stated otherwise; Source: GUS, NBP, Eurostat, Bank BNP Paribas*

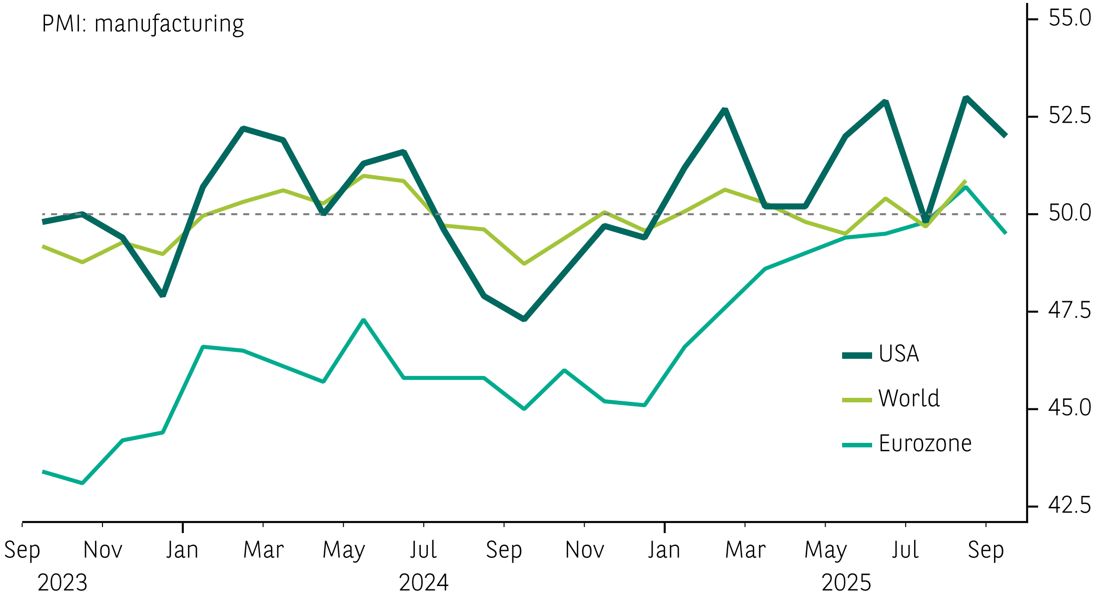
LSEG STARMINE AWARD FOR REUTERS POLLS 2024 Winner
Best Forecaster Economic Indicators for Poland

Global economic situation

GLOBAL ECONOMY: MIXED DATA…

… in September



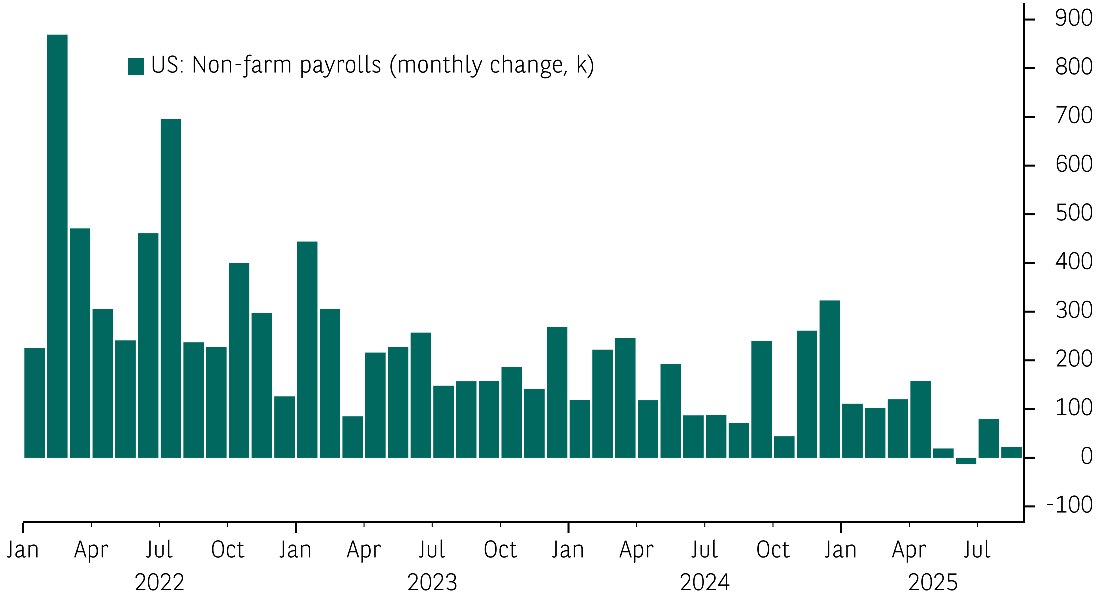


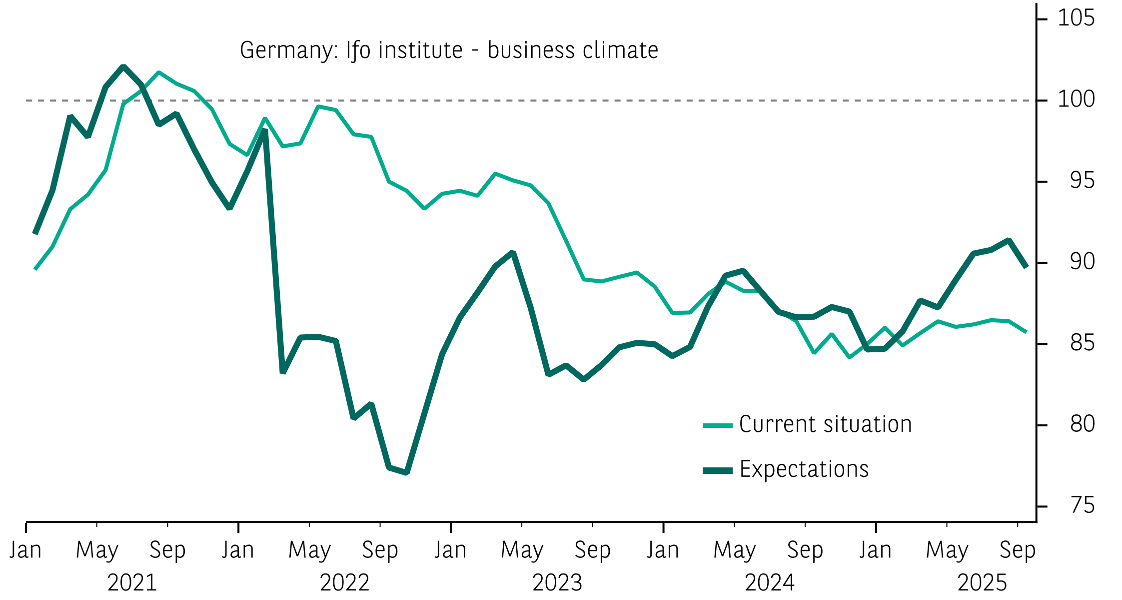
In September, global macroeconomic data were a mixed bag. In the euro area, the composite PMI index rose marginally to 51.2 points, but the economic situation in the European industry weakened again. The manufacturing PMI fell below the 50-point mark (49.5) in September, after exceeding this threshold in August for the first time since June 2022. A weaker performance of industry is mainly the result of lower activity reported in the two main economies of the euro area: Germany (PMI down to 48.5 points from 49.8 points in August) and France (PMI down to 48.1 points from 50.4 points in August)

In the US, PMI indicators remained well above the 50-point level in September, suggesting a (so far) limited impact of the imposed tariffs on economic activity. This is also evidenced by very solid retail sales, which increased by 0.7% m/m in the previous month, confirming that American consumers have not yet felt the impact of more expensive imports of goods in a severe way.

COOLING OF THE JOB MARKET IN THE US…

… while Germany awaits fiscal boost





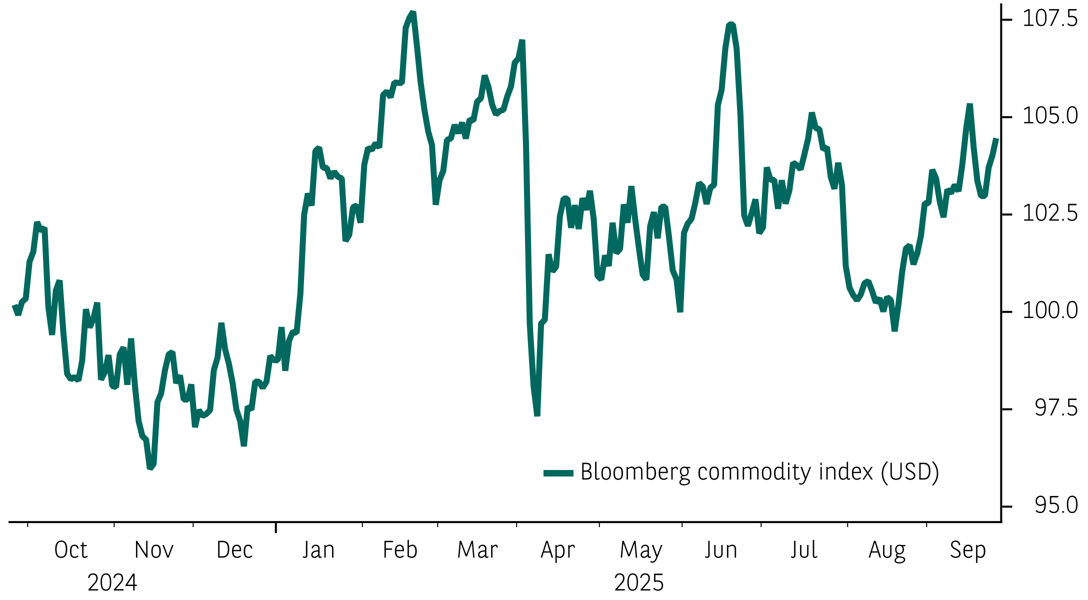
On the other hand, data from the American job market indicate a progressive cooling of the US economy. In August, non-farm payrolls increase by only 22,000 FTEs (in line with the fading trend of labour demand that has been visible in the data for several months), and the unemployment rate rose to 4.3%.

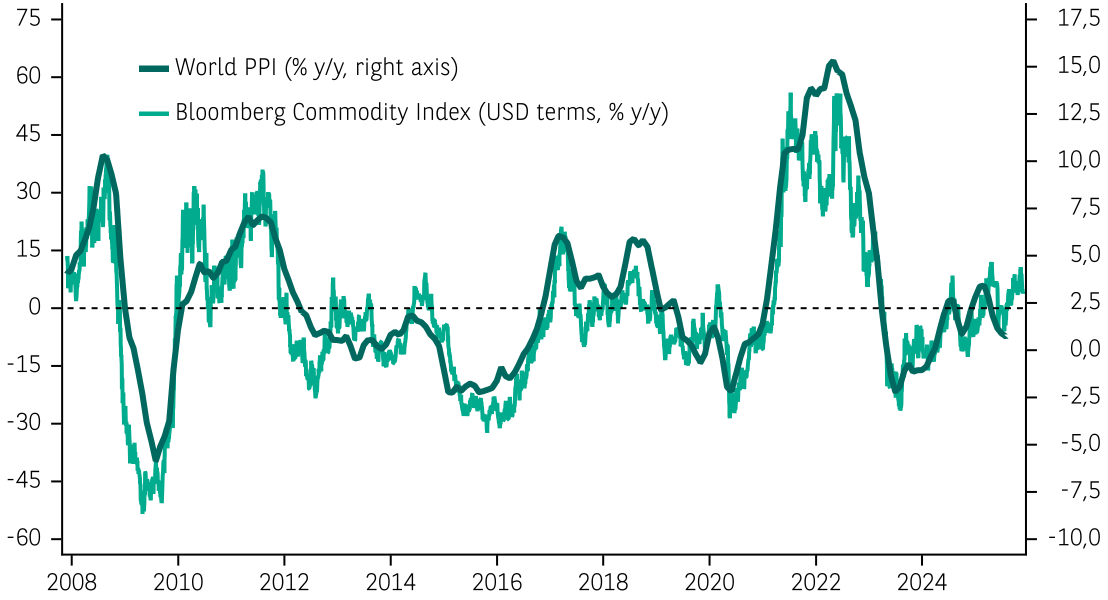
In August, weaker data on economic activity were recorded in China. Retail sales, industrial production, and capital expenditure on durable goods all turned out to be lower than expected. The economic situation in the Chinese economy remains quite weak, as indicated by, for example, the deflation of consumer prices. A month ago, the CPI index in China fell by 0.4% y/y.

In Europe, the economic situation in Germany remains lacklustre. Although business sentiment has revived somewhat following the decisions to increase fiscal spending on infrastructure and defence, in September the expectations metric in the business climate index prepared by the Ifo institute unexpectedly fell. It seems that until actual spending and pumping of money into the German economy is delivered, the economic momentum is likely to remain subdued.

GLOBAL INFLATION: OIL PRICES INCREASE…

… on geopolitical factors



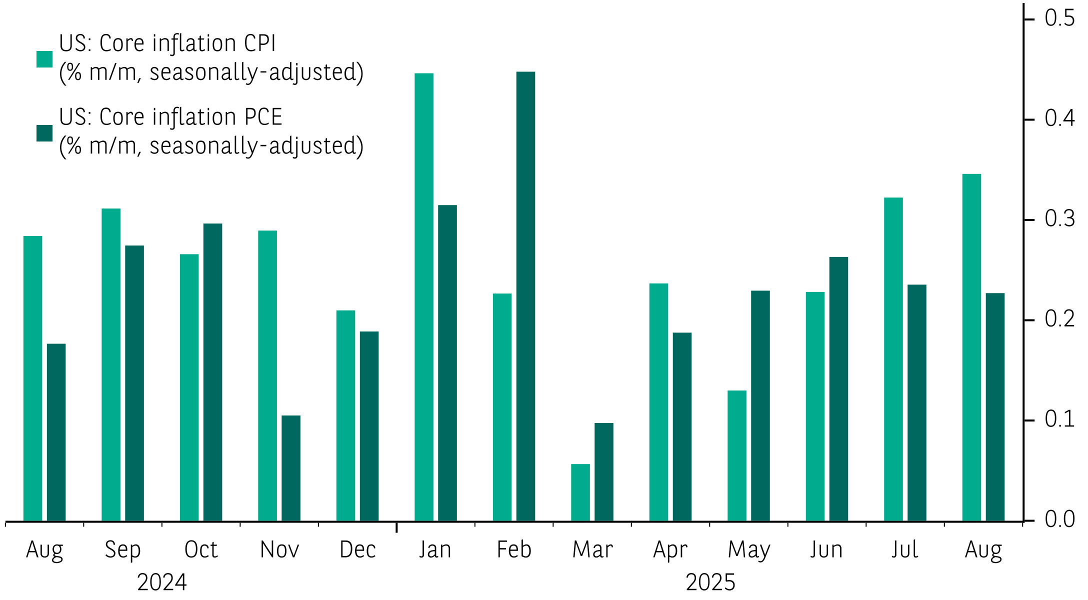


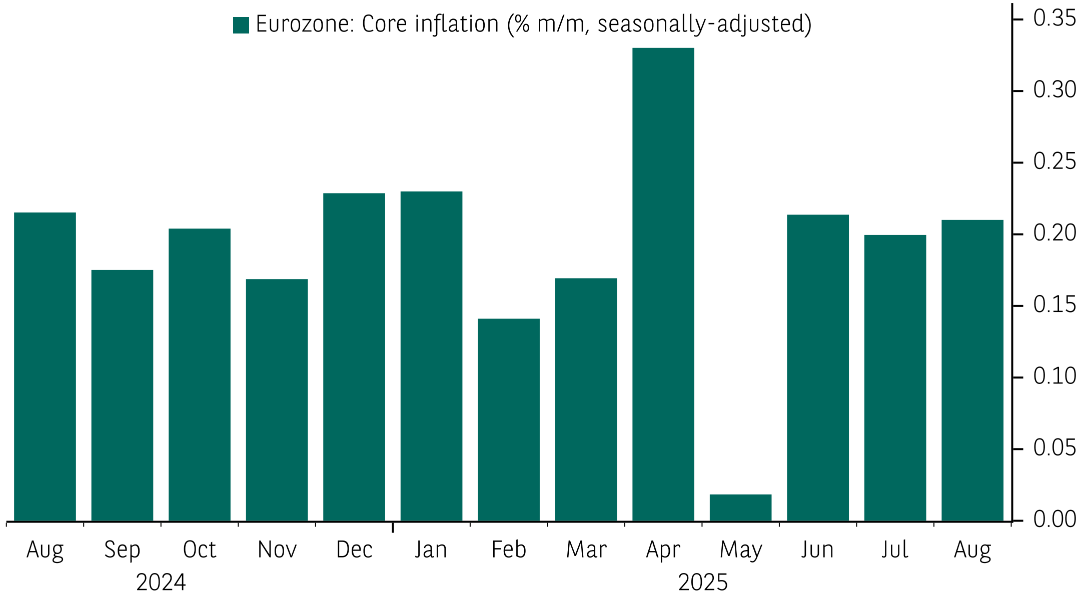
In September, the Bloomberg Commodity index rose, driven by higher gold and energy prices. In case of oil, we believe that geopolitics was the key factor behind the climb. In our opinion, President Trump's calls to entirely stop buying Russian fuels together with Ukrainian attacks on the oil processing infrastructure in Russia have resulted in an increase in oil prices. At the same time, however, OPEC+ countries decided to increase oil production by 137,000 barrels per day from October, increasing the risk of oversupply on the market. Copper prices also rose in September, driven by supply concerns. Natural gas prices in Europe were stable in September (around 32 EUR/MWh).

We assess that the risk of a significant acceleration of global inflation, due to the increase in production costs in the coming months, remains relatively low. Globally, the dynamics of industrial goods prices should oscillate around 2.5% y/y in the near future.

CORE INFLATION: US & EUROZONE

Limited impact of tariffs on prices in the US (for the time being)



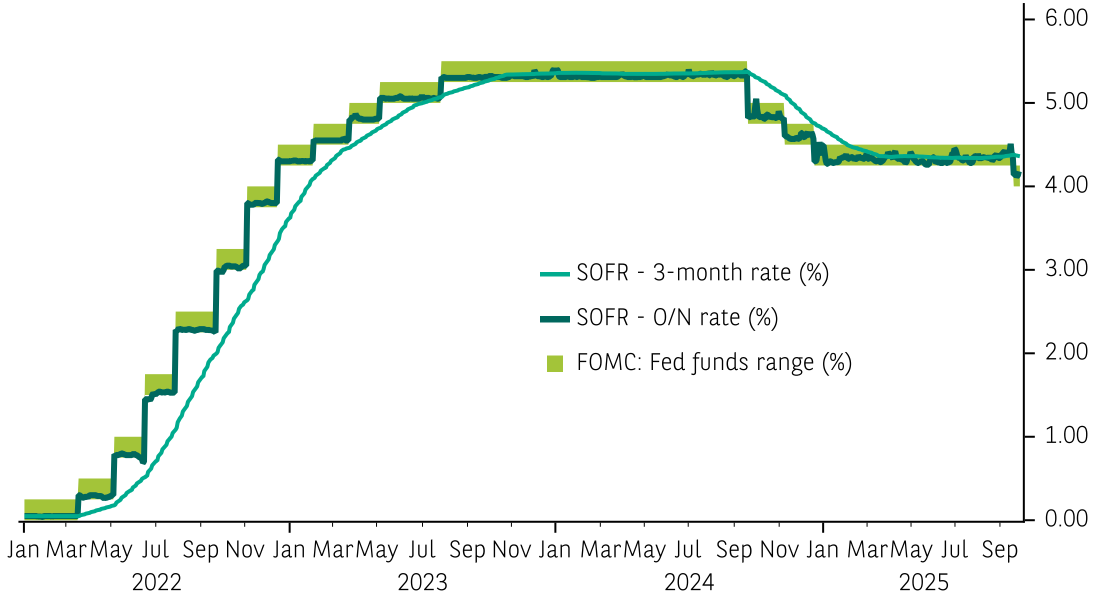


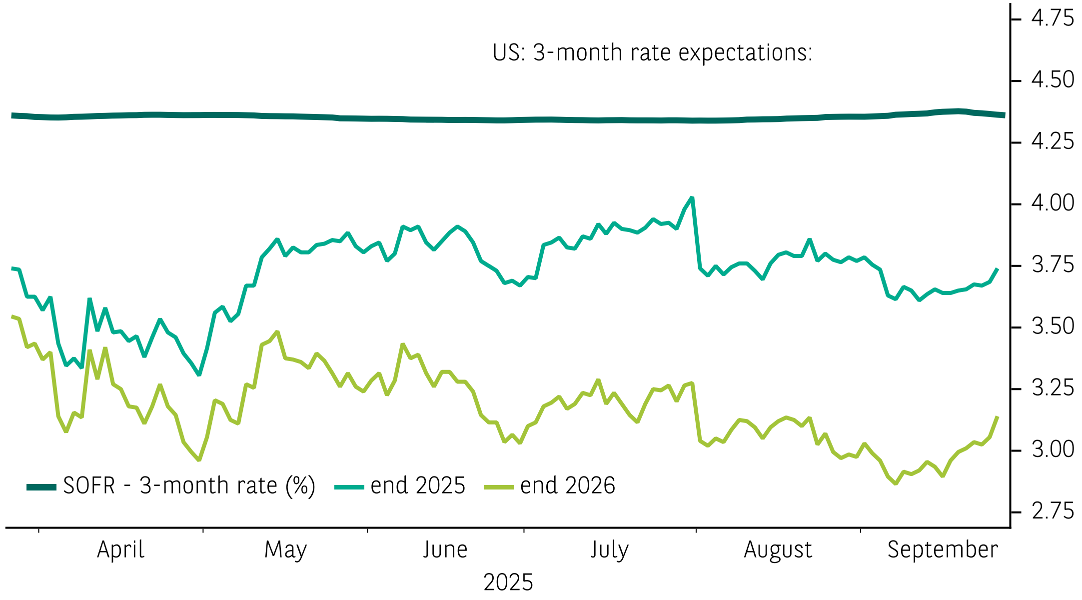
In August, core prices (excluding energy, fuels and food) in the CPI basket in the US increased by 0.3% m/m and 3.1% y/y. The data have been gradually revealing the impact of the tariffs introduced by the United States, but overall price pressure remains limited. The impact of the new custom duties is most noticeable in the prices of household goods and audiovisual equipment.

In the euro area, prices of goods and services included in core inflation increased by 0.2% m/m in August compared to July (on a seasonally-adjusted basis). As a result, core inflation remained at 2.3% y/y. A month ago, prices in the health category fell. Meanwhile, the cost of recreational and sports services has increased. The dynamics of prices of services, which still clearly exceeds the inflation target of the European Central Bank (2%), slowed slightly to 3.1% y/y from 3.2% in July.

FED: EASING CYCLE…

… resumed?



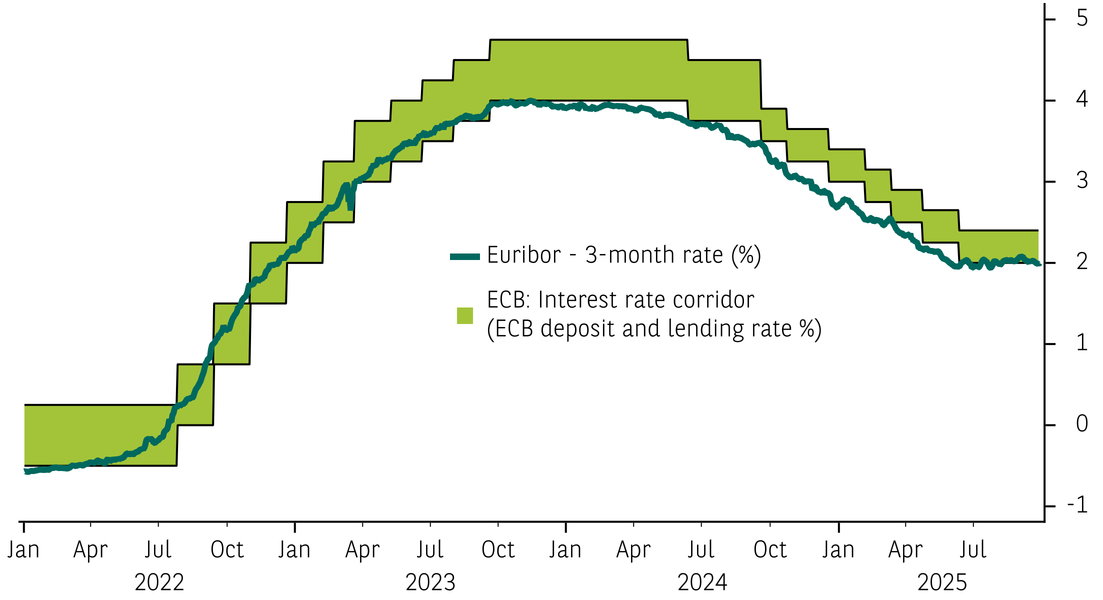


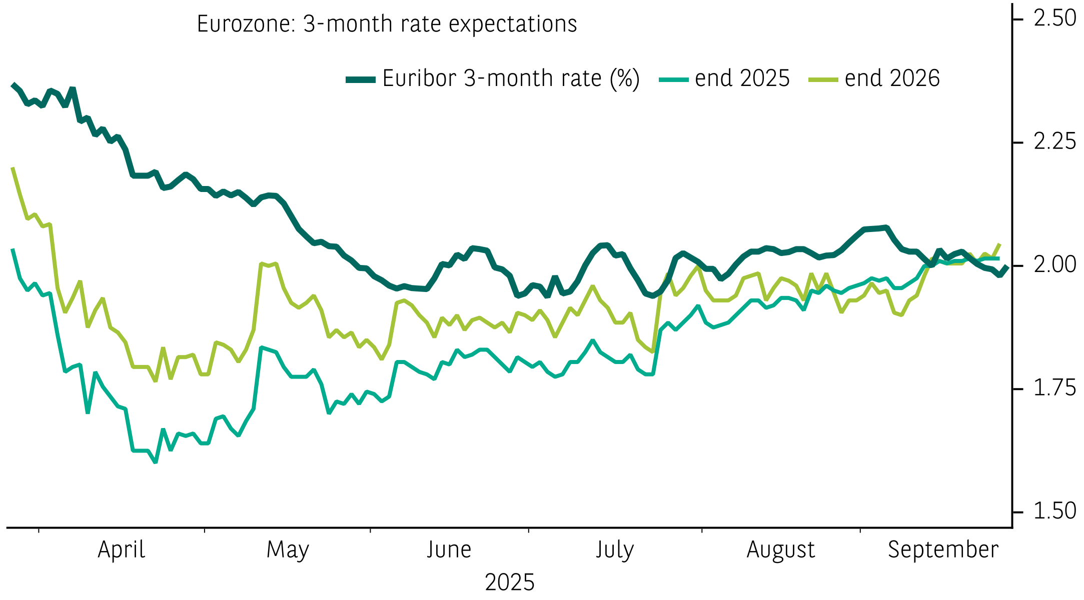
At its last meeting on September 17, the Federal Reserve cut interest rates in the US by 25bp, as expected. The decision to resume monetary policy easing was unanimous, although one of the Fed's governors, Stephen Miran, advocated a deeper 50bp cut in interest rates. The main argument in favour of adjusting interest rates downwards was the worse condition of the labour market. During his speech, Fed Chairman Jerome Powell signalled that the balance of risks in the economy has shifted, suggesting that concerns about the employment are now stronger than fears about a possible entrenchment of inflation at an elevated level.

It therefore seems that monetary policy easing in the United States will continue in the coming months. The market expects interest rates in the US to fall by another 100bp by the middle of next year. Analysts at BNP Paribas Markets 360 share this view, predicting two more interest rate cuts of 25bp each this year in October (29.10) and December (10.12) respectively. Ultimately, the fed funds rate is expected to be in the 3.00-3.25% range at the end of next year compared to 4.00-4.25% currently.

ECB: RATE CUTS…

… are over?



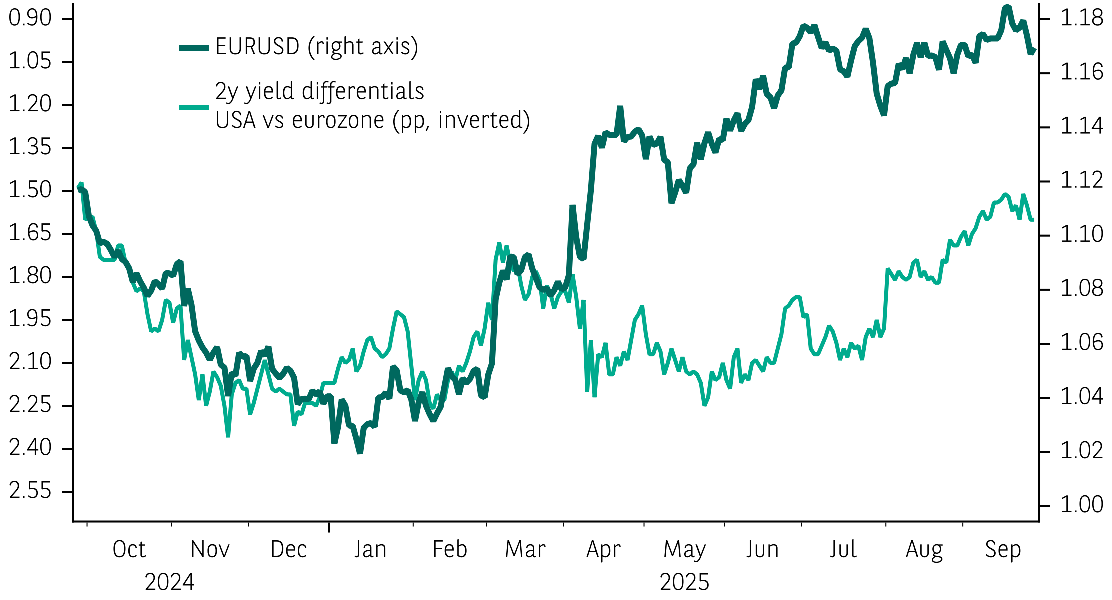


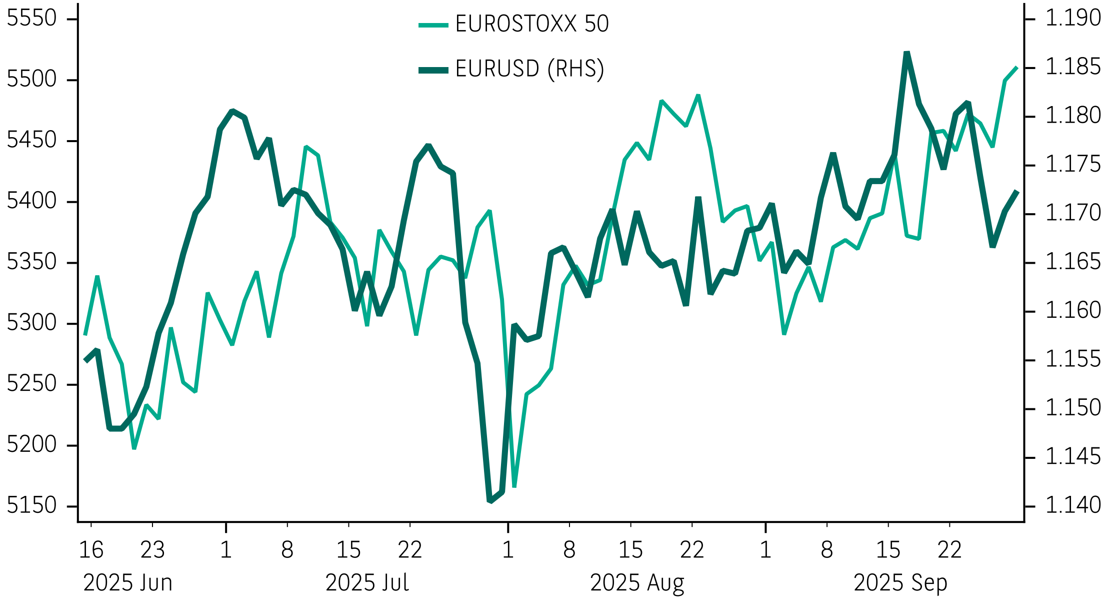
At its meeting on 11th September the Governing Council of the European Central Bank left interest rates unchanged as expected (deposit rate = 2.00%). The decision was made unanimously. ECB President Christine Lagarde said during her conference that the ECB is currently 'in a good place', although she did not confirm that the monetary policy easing cycle has been concluded. Nevertheless, it seems that further interest rate cuts in the euro area are currently unlikely in the next 6-12 months. Although the Bank's analysts had lowered their inflation forecast for 2027 to 1.9% for HICP inflation and 1.8% for core inflation, President Lagarde said that the disinflation process was over, suggesting that for the Council, whether inflation is slightly above or below 2% does not matter much. It therefore seems that a possible resumption of the easing cycle would require the occurrence of some new shocks that would worsen the prospects for economic growth in the euro area.

Analysts at BNP Paribas Markets 360 assume that ECB interest rates will remain unchanged until the end of this year. However, they still see room for a potential slight increase in the cost of money in the eurozone next autumn, which could be prompted by solid GDP growth in the coming quarters thanks to increased fiscal spending in Germany.

EURUSD: DIVERGENCE IN INTEREST RATES

... supports the EUR





In September, the EURUSD exchange rate moved slightly upwards and by the end of the month the cross was trading around 1.17. The strengthening of the European currency was supported by the reduction of interest rates in the US (along with the prospect of further cuts) while the ECB kept the cost of money unchanged. We believe that in the coming months, EURUSD may be influenced by both geopolitical factors (the war in Ukraine, Russia's hybrid actions) and the relative economic situation on both sides of the Atlantic.

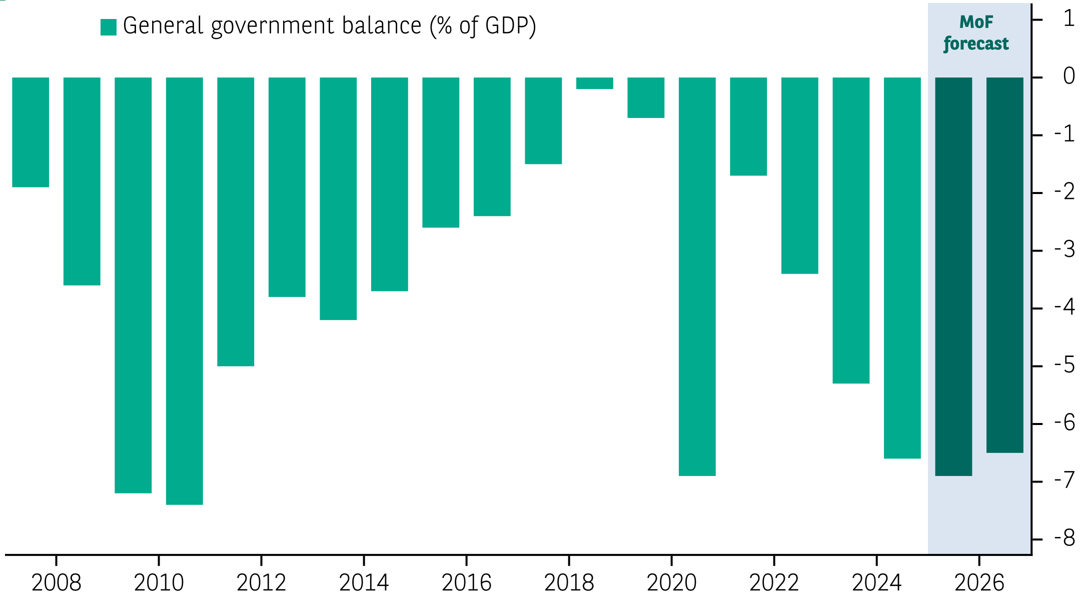
So far, the US economy is still relatively resilient to the negative impact of tariffs, while the economic situation in Western Europe is not too impressive. A decline in economic activity in the US along with a pick-up in the European economy triggered by an increase in fiscal spending could be an argument in favour of a further rise in EURUSD.

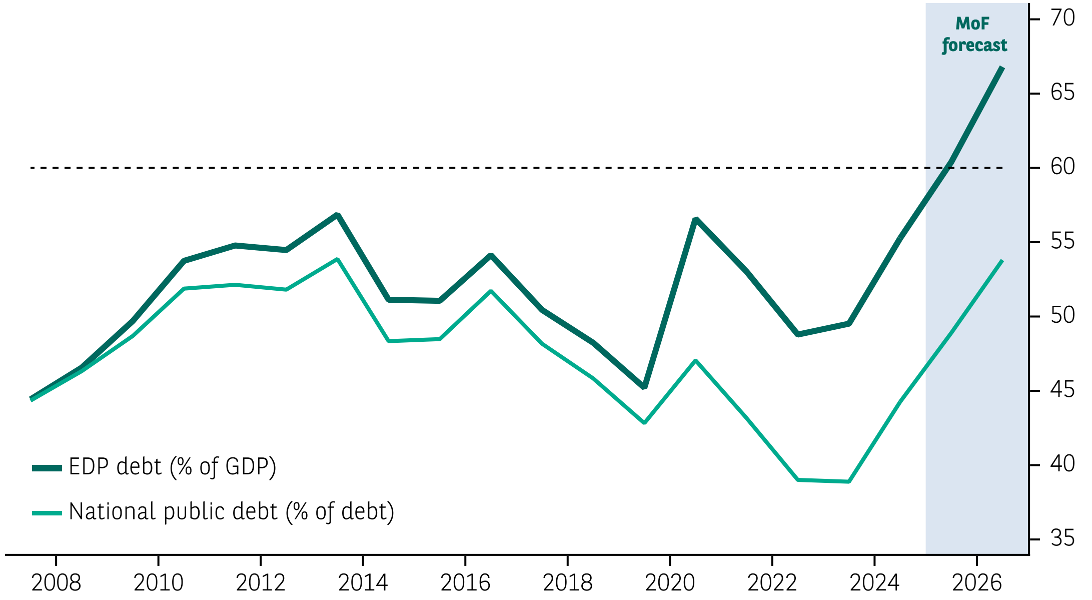
Analysts at BNP Paribas Markets 360 forecast that the EURUSD exchange rate will be at 1.20 by the end of this year and by at the end of next year.

Special theme: Budget bill for 2026 & assessment of public finances

SIGNIFICANT GENERAL GOVERNMENT DEFICIT…

… both this year and next





At the end of August, the Ministry of Finance presented the draft Budget bill for 2026 adopted by the Council of Ministers. It envisages that the state budget deficit will amount to PLN 271.7 billion next year. At the same time, only a slight improvement in the overall state of public finances was assumed. The deficit of the general government sector (the broadest measure of the public sector in accordance with the EU definition), which additionally takes into account the financial situation of local government units and funds managed by Polish Development Bank (BGK), is expected at 6.5% of GDP in 2026, compared to 6.9% of GDP this year and 6.6% of GDP in 2024.

According to the Ministry's estimates, the public debt calculated according to the EU methodology (EDP) is expected to reach PLN 2.35 trillion this year and will exceed 60% of GDP. Next year, the debt of the general government is expected to increase further to 66.8% of GDP. The national public debt, based on the local definition and not considering, for instance, the debt of BGK funds, will also grow significantly in the coming quarters. In 2026, however, it should reach 53.8% of GDP, still clearly below the constitutional debt limit set at 60% of GDP.

REASONABLE MACRO ASSUMPTIONS AND REVENUES FORECASTS

Budget bill for 2026 - key macroeconomic assumptions

Variables	MoF fcast	BNPP assessment of risk
Economic growth (% y/y)	3,5	↔
Nominal GDP (% y/y)	6,6	↔
Private consumption (% y/y)	3,3	↔
Employment in the national economy (% y/y)	0,0	↔
Average wage in the national economy (% y/y)	6,4	↑ ↔
CPI inflation (% y/y)	3,0	↔

State budget's revenues

Category	Budget execution in 2024	Estimated budget execution in 2025		Budget bill for 2026	
	PLN bn	PLN bn	% y/y	PLN bn	% y/y
Revenues	**623,2**	**603,4**	**-3,2%**	**647,2**	**7,3%**
VAT	287,7	325,0	13,0%	341,5	5,1%
Excise tax	90,3	95,0	5,2%	103,2	8,6%
*PIT**	97,6	28,1	-71,2%	32,0	13,9%
CIT	60,2	66,0	9,6%	80,4	21,8%
Non-tax revenues	64,9	63,3	-2,5%	63,6	0,5%
Other sources	22,5	26,0	15,7%	26,5	1,9%

** the sizable fall in PIT revenues in 2025 is due to reform granting local governments the bulk of incomes from the source*

In our opinion, the next year's draft budget is based on reasonable macroeconomic assumptions. The ministry predicts that next year GDP in Poland will increase (in real terms) by 3.5%, and CPI inflation will average 3% per year. These estimates do not differ significantly from our current forecasts. We estimate that the Ministry may slightly underestimate the wage dynamics next year (6.4% increase compared to our forecast of +7%). However, considering only a 3% increase in salaries in the budget sector next year and only a 3% hike in the minimum wage in January 2026, we do not rule out that wage pressure in the domestic economy may turn out to be lower in the coming quarters than we currently anticipate.

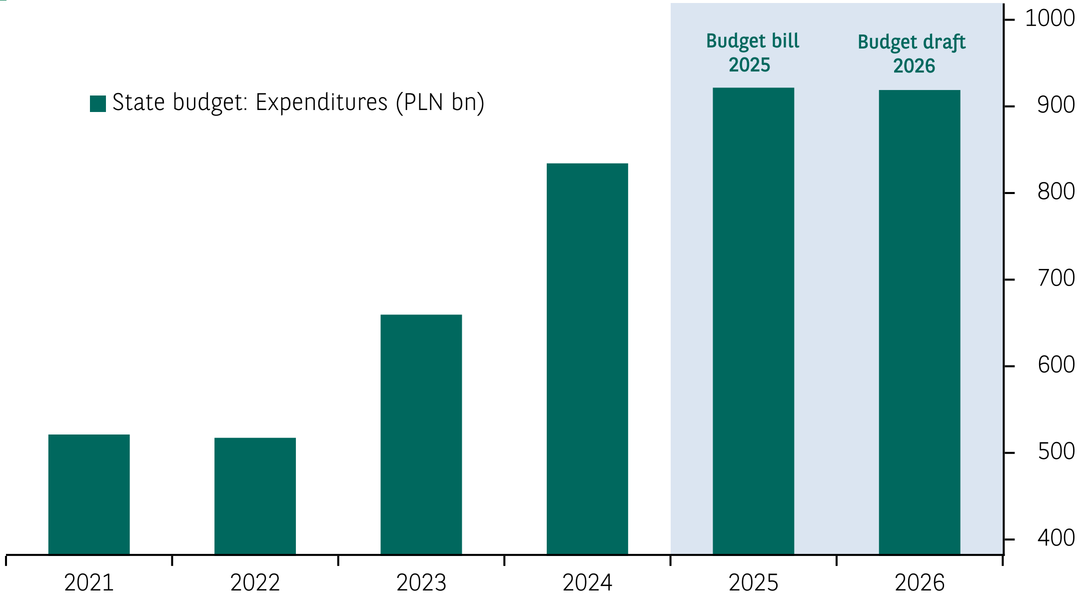
Next year, the Ministry of Finance assumes that the state budget revenues will amount to PLN 647.2 billion and will increase by nearly PLN 44 billion (7.3% y/y). We believe that in the light of macroeconomic assumptions, this estimate is rational, especially after the planned execution of this year's budget has been updated relative to assumptions included in the Budget Act for 2025 (e.g. the Ministry reduced this year's VAT revenues forecast by nearly PLN 25bn to PLN 325bn).

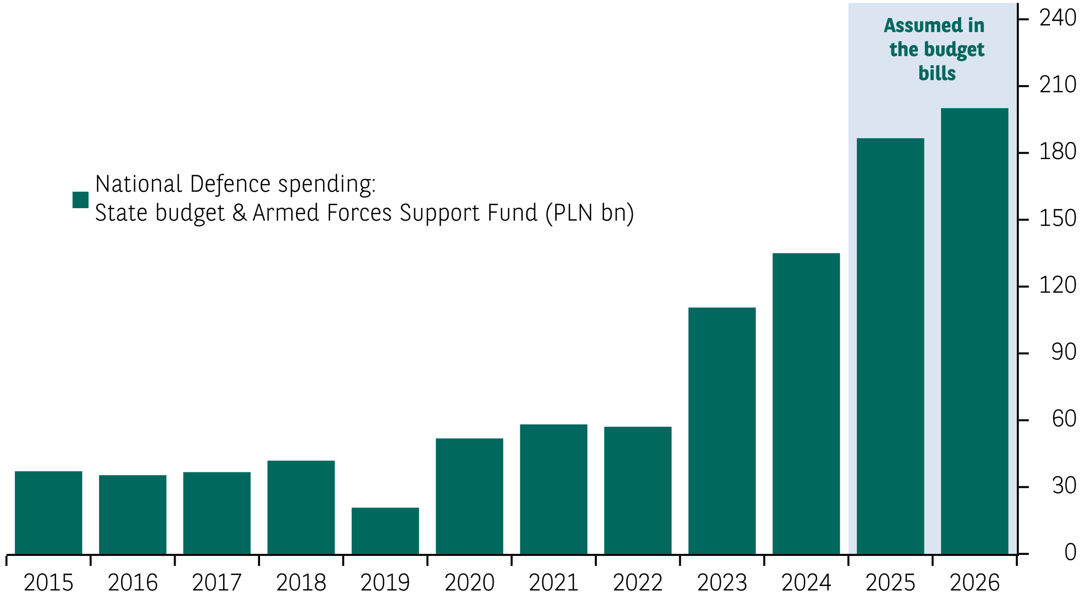
Next year's budget revenues should be positively affected by a larger than originally planned increase in excise duty on alcoholic products (an increase in excise duty rates by 15%). In 2026, the Ministry also plans to increase the CIT rate for banks, credit institutions and credit unions to 30% from the current 19%. This change is expected to bring additional revenues to the budget in the amount of PLN 6.6bn.

As part of the measures to tighten the tax collection system, the National electronic invoicing system (KSeF) is to be fully introduced next year. It is an IT system that allows for quick verification of data, and consequently early detection and prevention of tax fraud. From February, the obligation to issue e-invoices will apply to large taxpayers (with sales exceeding PLN 200mn), and from April it will apply to all entrepreneurs.

THE BUDGET EXPENDITURES WILL BE LOWER NEXT YEAR…

… but only on paper



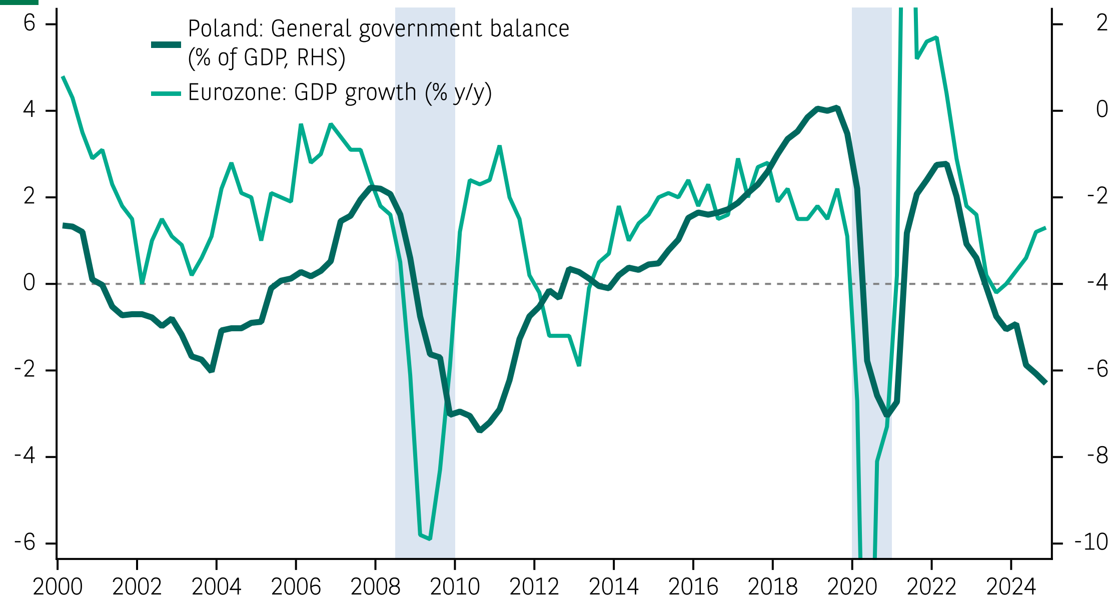


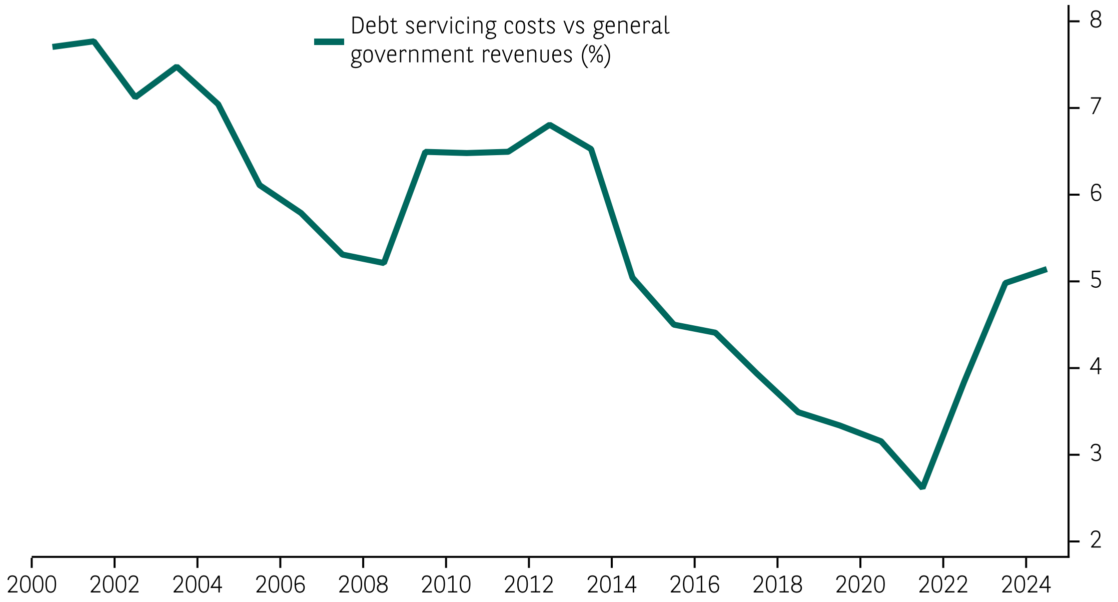
State budget expenditures are expected to amount to PLN 918.9 billion next year and are envisaged to be lower by PLN 2.7 billion (0.3%) than this year. However, the decrease in expenditure will only come on paper. This year, the Ministry of Finance decided to buy the maturing debt issued by BGK and the Polish Development Fund (PFR) with a total value of PLN 63.2 billion. In 2026, such actions are not planned, which means that in practice the budget expenditures will be higher than this year's by about PLN 60 billion.

In 2026, expenditure on health care will increase significantly, which is expected to amount to PLN 247.6 billion, compared to PLN 221.7 billion this year. The adjustment of pension benefits, on the other hand, will cost PLN 22 billion. Higher debt service costs, in turn, mean an additional expense of PLN 14.5 billion. Salaries in state budget units are to increase by PLN 3.8 billion. A record PLN 200.1 billion (4.8% of GDP) is to be allocated to national defence, of which PLN 124.8 billion is to be covered by the state budget, and the remaining PLN 75.3 billion is to be spent by the Armed Forces Support Fund managed by BGK.

POLAND'S CHALLENGING FISCAL POSITION…

… acknowledged by rating agencies





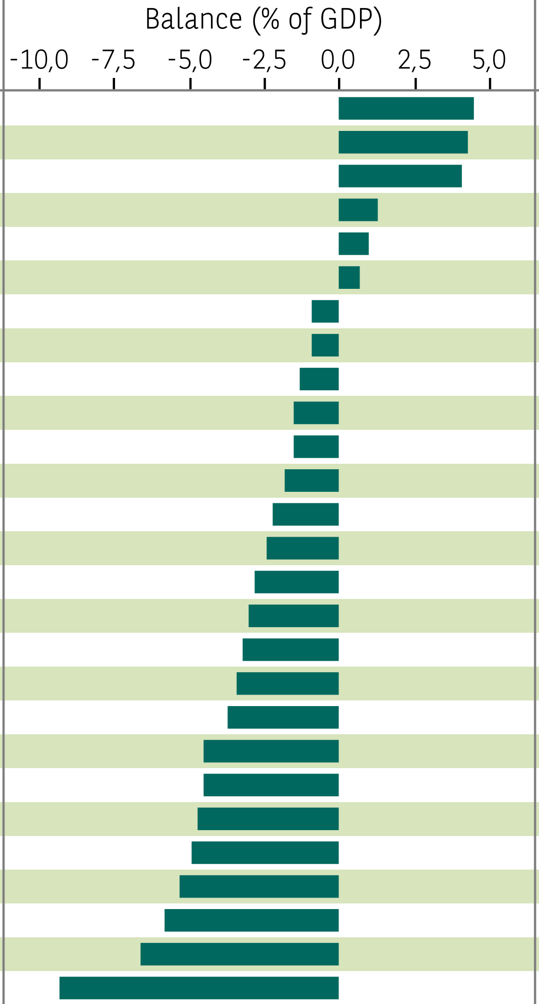
The lack of a significant improvement in the condition of public finances in the coming quarters led to a change in the Poland's rating outlook to negative by Fitch (5 September) and Moody's (19 September). This means that in the coming quarters it is possible that these agencies will downgrade Polish's creditworthiness (the next rating update is planned in the spring). Both Fitch and Moody's emphasized in the justification of their decisions that the outlook for fiscal indicators in Poland has deteriorated recently. We agree with this assessment. The budget gap in relation to GDP is currently similar in amount as during the pandemic or the global financial crisis, even though the economic situation is quite good. This means that the country's safety buffer in terms of fiscal space in the event of a negative shock in the economy is negligible.

At the same time, the agencies highlighted the continued solid fundamentals of the domestic economy and the absence of significant macroeconomic imbalances outside the budget deficit. Attention was also paid to the cost of debt service, which remains under control. On the other hand, the uncertain cohabitation between the president and the government was highlighted. which may make it difficult to consolidate public finances in the coming years. Although the President cannot veto the Budget Act, he can express his opposition to budget-related laws or those introducing new taxes. President Karol Nawrocki has already signalled, that he will not support any new levies, e.g. excise duty on alcohol, hitting citizens cost of living.

FISCAL CONSOLIDATION = LOWER SPENDING AND/OR HIGHER REVENUES

General government in 2024

Country	Balance (% of GDP)	Revenues (% of GDP)	Expenditures (% of GDP)
Denmark	4,5	51,8	47,3
Cyprus	4,3	44,3	40,0
Ireland	4,1	26,4	22,3
Greece	1,3	49,3	48,0
Luxembourg	1,0	47,9	46,9
Portugal	0,7	43,5	42,8
Netherlands	-0,9	43,5	44,4
Slovenia	-0,9	45,8	46,8
Lithuania	-1,3	38,2	39,5
Estonia	-1,5	42,5	44,0
Sweden	-1,5	49,0	50,5
Latvia	-1,8	43,9	45,7
Czech Republic	-2,2	40,8	43,0
Croatia	-2,4	45,6	48,0
Germany	-2,8	46,8	49,5
Bulgaria	-3,0	36,7	39,8
Spain	-3,2	42,3	45,4
Italy	-3,4	47,1	50,6
Malta	-3,7	34,6	38,3
Belgium	-4,5	50,0	54,5
Finland	-4,5	53,3	57,8
Austria	-4,7	51,6	56,3
Hungary	-4,9	42,0	46,9
Slovakia	-5,3	41,8	47,1
France	-5,8	51,3	57,1
Poland	-6,6	42,8	49,4
Romania	-9,3	34,1	43,5



Nevertheless, Poland should strive to reduce the public sector's deficit - on the one hand to meet institutional requirements (ratings or EU fiscal rules), and on the other, to be better prepared for the possible occurrence of some negative, recessionary scenarios in the future. However, it remains an open question how to do this, which gives space for a discussion about the budget. In the end, the decision on fiscal consolidation boils down to the question on whether to reduce expenditures (and which expenditures should those be) or increase revenues.

Out of the 27 EU countries, Poland recorded the second highest general government deficit last year, placing 8th (49.4% of GDP) in terms of expenditures and 17th (42.8% of GDP) in terms of revenues.

In the current geopolitical conditions, which make it necessary to allocate significant resources to national defence, and considering the underfunding of, for example, health service, in our opinion it will be difficult to make significant cuts on the expenditure side in the coming years. In our opinion, actions involving the reduction of social benefits or salaries seem politically impossible to carry out at this point. However, the Ministry of Finance will most likely try to limit the rate of their growth, which can already be seen in the Budget Act for 2026.

Reducing the deficit of the public finance sector in the coming years would probably require actions to increase state revenues. In this context, temporary solutions, periodically increasing the level of taxes/levies, may be an idea worth considering. Ludwik Kotecki, a member of the Monetary Policy Council, postulates, for example, the introduction of the so-called war tax.

However, a significant challenge in bringing about fiscal tightening soon will certainly be politics and the election cycle. The next parliamentary elections are scheduled for 2027, and in the absence of a cross-party agreement, it is difficult to assume that the government will decide on significant austerity in the next 2 years.

Polish economy: GDP growth, inflation, interest rates

POLAND: OVERVIEW OF ECONOMIC DATA PUBLISHED IN SEPTEMBER

The August data on economic activity were rather unexciting, as the volume of industrial production and retail sales did not deviate much from market forecasts. In the case of industry, output volume increased by 0.7% y/y, but after eliminating seasonal factors (one working day less than in August 2024), it was 1.5% higher than a year ago. Sales, on the other hand, increased by 3.1% y/y, confirming solid consumer demand in recent months

On the other hand, construction and assembly production disappointed, falling by nearly 7% y/y. However, we assume that in the coming months, along with the spending of EU funds, construction works will recover.

A month ago, wage growth slowed down, and the average salary in the enterprise sector increased by only 7.1% y/y, while employment in companies employing more than 9 people decreased by 0.8% y/y. In August, the unemployment rate rose by 0.1pp to 5.5%.

CPI inflation fell below 3% y/y in August. Core inflation also slowed slightly to 3.2% y/y. Meanwhile, the deflation of industrial goods prices continues as last month the PPI index fell by 1.2% y/y.

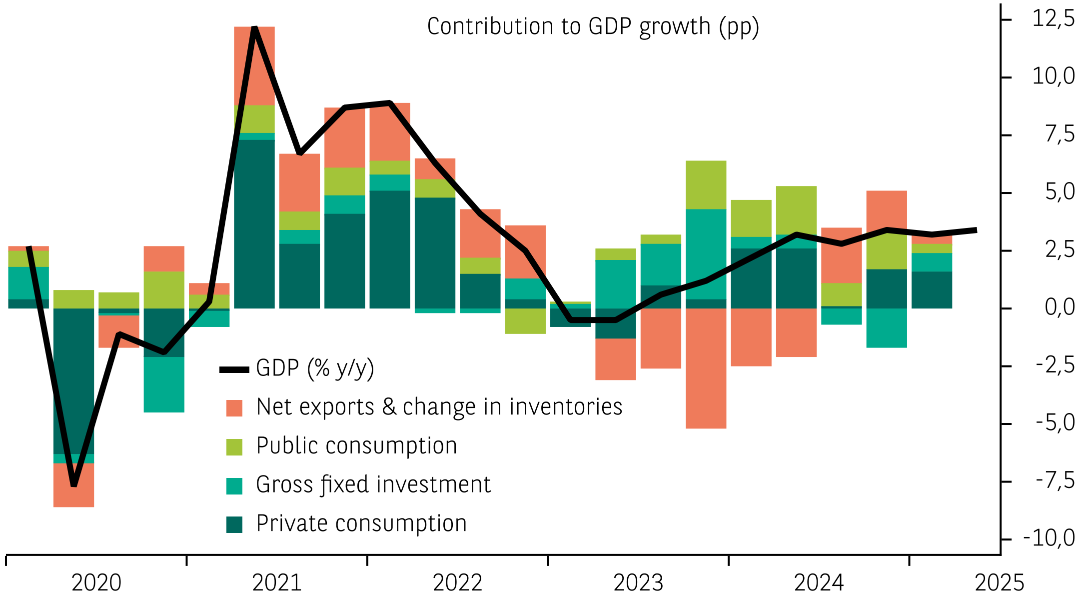
In July, the current account deficit resurfaced, reaching EUR 1335 million. The main culprit was a significant gap in foreign trade (1265 million euros).

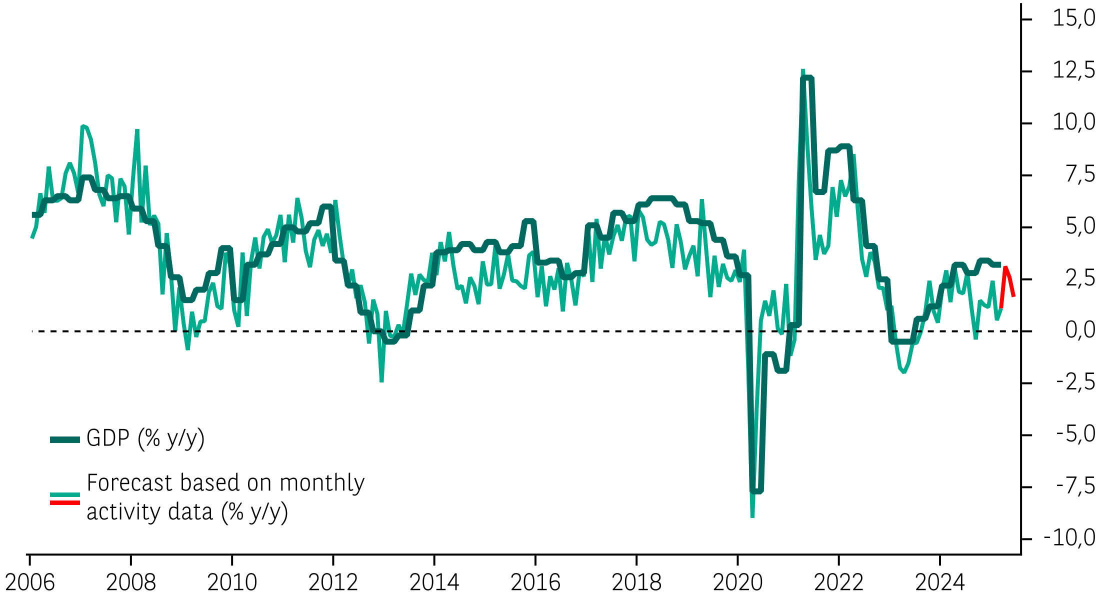
Economic activity	Period	*Previous reading*	Consensus estimate	ACTUAL
Industrial production (y/y)	Aug-25	*3,0%*	1,0%	0,7% ▼
Retail sales (y/y)	Aug-25	*4,8%*	3,6%	3,1% ▼
Construction output (y/y)	Aug-25	*0,6%*	0,5%	-6,9% ▼
Labour market				
Corporate wage (y/y)	Aug-25	*7,6%*	8,0%	7,1% ▼
Corporate employment (y/y)	Aug-25	*-0,9%*	-0,8%	-0,8% ▬
Unemployment rate	Aug-25	*5,4%*	5,5%	5,5% ▬
Prices				
CPI inflation (y/y)	Aug-25	*3,1%*	2,9%	2,9% ▲
Core inflation (y/y)	Aug-25	*3,3%*	3,2%	3,2% ▬
PPI inflation (y/y)	Aug-25	*-1,3%*	-0,9%	-1,2% ▼
Balance of Payments				
Current account (EUR mn)	Jul-25	*651*	-352	-1335 ▼

Source: Parkiet, NBP, GUS

GDP GROWTH TO ACCELERATE…

… in the latter half of the year





In the second quarter, the Gross Domestic Product increased by 0.8% q/q and 3.4% y/y. Household consumption was the main driver of economic growth in the spring increasing by 4.4% y/y. Gross fixed capital formation looked significantly weaker, falling by 1% y/y. Given that the investment expenditure of large and medium-sized enterprises (employing more than 49 people) increased by more than 1% in this period, weaker investment was most likely due to lower capital spending by households and the government sector. Public consumption increased by only 2.1% y/y, which was due to the 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 period. While at the beginning of the year sales to the US and other countries outside the European Union grew strongly, in the second quarter intra-EU exports was leading growth. In the same period, imports increased by 2.6% y/y, resulting in a wider foreign trade deficit (in real terms) compared to the previous year. For the fourth quarter in a row, an increase in inventories made a positive contribution to GDP growth, adding 1pp to the economic growth rate in the spring.

Data in the third quarter (retail sales, industrial production and construction and assembly production) suggest that the GDP growth rate in Q3 remained similar to that recorded in the spring. We expect GDP growth to be in the 3.5-4% y/y range in H2 2025 and see the full-year economic growth at 3.5%.

REBOUND IN POLISH INDUSTRY IS NOT BROAD-BASED

Industrial production (% y/y)	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Total	**-1.2%**	**-0.4%**	**4.6%**	**-1.3%**	**0.2%**	**-0.9%**	**-1.9%**	**2.4%**	**1.2%**	**4.0%**	**-0.4%**	**3.0%**	**0.7%**
Mining & Quarrying	-7.2%	-7.0%	-3.9%	-7.5%	3.2%	-5.1%	-12.6%	-6.0%	-9.9%	-2.1%	-8.3%	-5.9%	-2.0%
Manufacturing	-1.4%	-0.4%	4.9%	-1.7%	-0.2%	-0.6%	-2.1%	2.9%	1.8%	4.3%	0.1%	3.5%	1.1%
Electricity, Gas, Steam & Air-Conditioning Supply	1.3%	1.5%	4.0%	4.5%	2.7%	-3.6%	6.5%	-2.0%	-1.5%	1.6%	-6.8%	-3.1%	-6.6%
Water Suppl & Remediation Activities	8.0%	6.7%	7.6%	5.0%	3.8%	2.8%	1.3%	2.0%	1.0%	3.7%	3.2%	3.0%	1.5%
Intermediate Goods	-3.8%	-2.5%	4.2%	-1.3%	0.8%	4.1%	-0.7%	4.1%	-0.5%	4.6%	-2.0%	1.4%	-0.7%
Capital Goods	-4.3%	-1.3%	5.4%	-6.2%	-6.8%	-5.7%	-2.2%	10.5%	7.2%	10.4%	4.8%	12.3%	7.2%
Durable Consumer Goods	0.4%	2.9%	12.2%	2.7%	0.7%	3.7%	0.2%	2.7%	-3.2%	2.4%	-2.4%	-4.1%	0.2%
Non-Durable Consumer Goods	2.3%	2.6%	6.8%	1.3%	5.4%	5.0%	-0.2%	2.5%	4.9%	3.6%	-0.3%	3.7%	1.6%
Energy	2.4%	-1.2%	-2.9%	-1.3%	1.8%	-15.8%	-11.4%	-17.0%	-10.9%	-11.6%	-8.5%	-8.7%	-10.3%

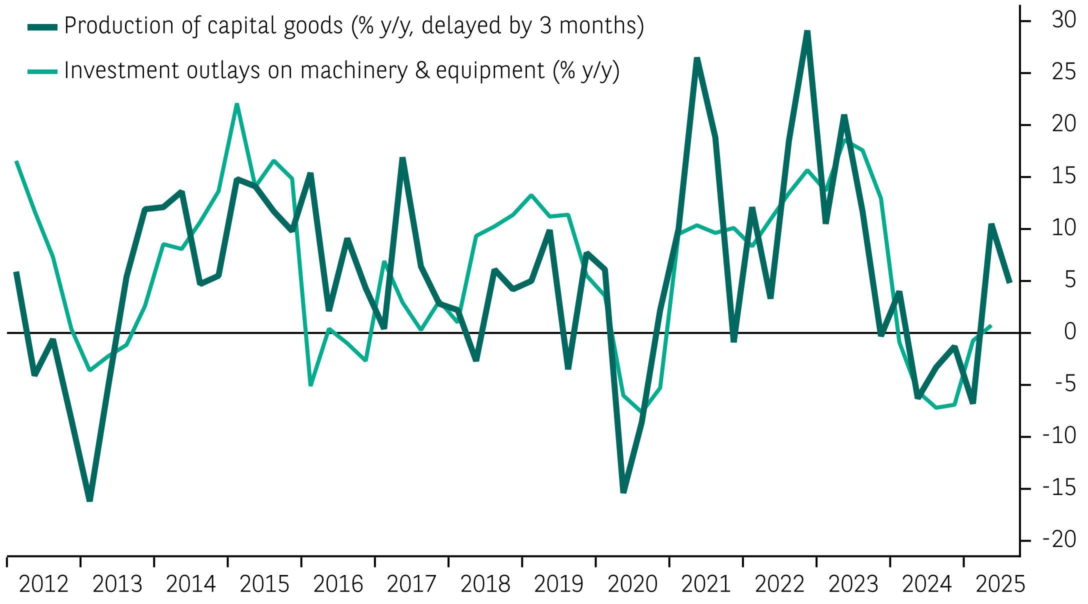
XX% Negative value

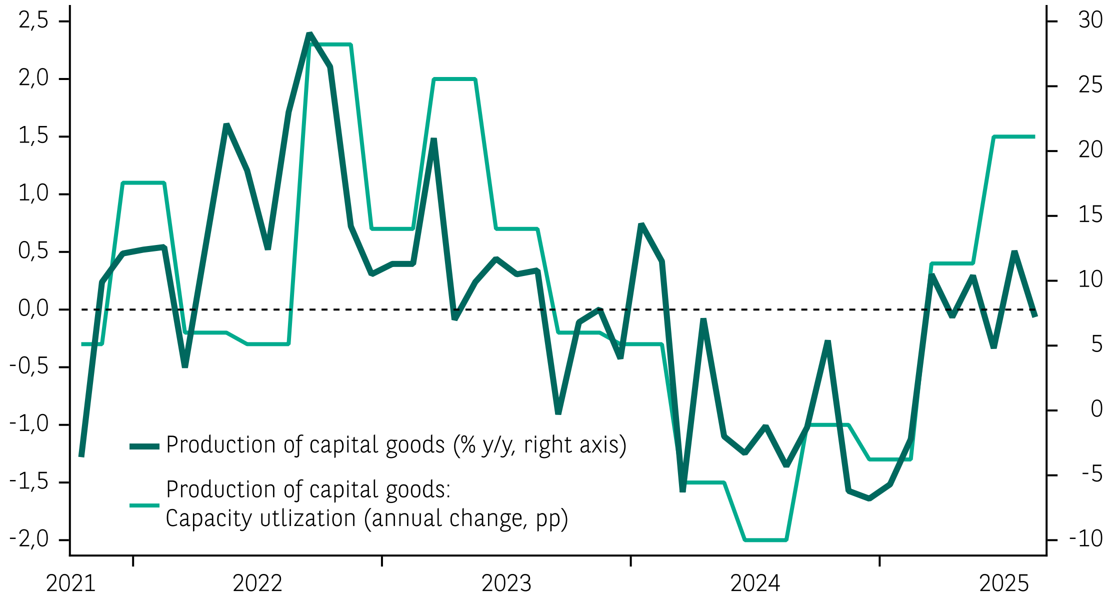
In August industrial production in Poland increased by 0.7% y/y. The energy sector was the weakest link in industry as production fell by 6.6% y/y, continuing the negative trend visible almost since the beginning of the year. Mining and quarrying also recorded a negative result, as production decreased by 2% in August. On the other hand, manufacturing, which accounts for most of the production in Poland, recorded a moderate increase of 1.1% y/y, which indicates a marginal recovery, which, however, remains clearly limited by weak external demand.

In the case of manufacturing, capital goods producers are the ones to watch as their sales volume increased by 7.2% y/y in August, confirming the recovery observed since the beginning of the year. We see this as a signal that companies are increasing investment and preparing for future growth in economic activity. Sound data on investment outlays incurred by large companies in the second quarter can also be proof of this. On the other hand, the production of consumer goods increased only slightly. In the case of durable goods, it was an increase in production by 0.2% y/y, while non-durable goods production was up by 1.6% y/y.

CORPORATE INVESTMENT OUTLAYS ARE PICKING UP LATELY

Growing capacity utilisation among capital goods producers





In recent months, the production of capital goods has been one of the most outstanding parts of the industrial sector as it has consistently maintained high growth dynamics. In August, it increased by 7.2% y/y, which is the sixth positive result in a row. Such a clear and sustained recovery indicates that companies are gradually recovering their investment activity, increasing expenditure on machinery, equipment and means of transport.

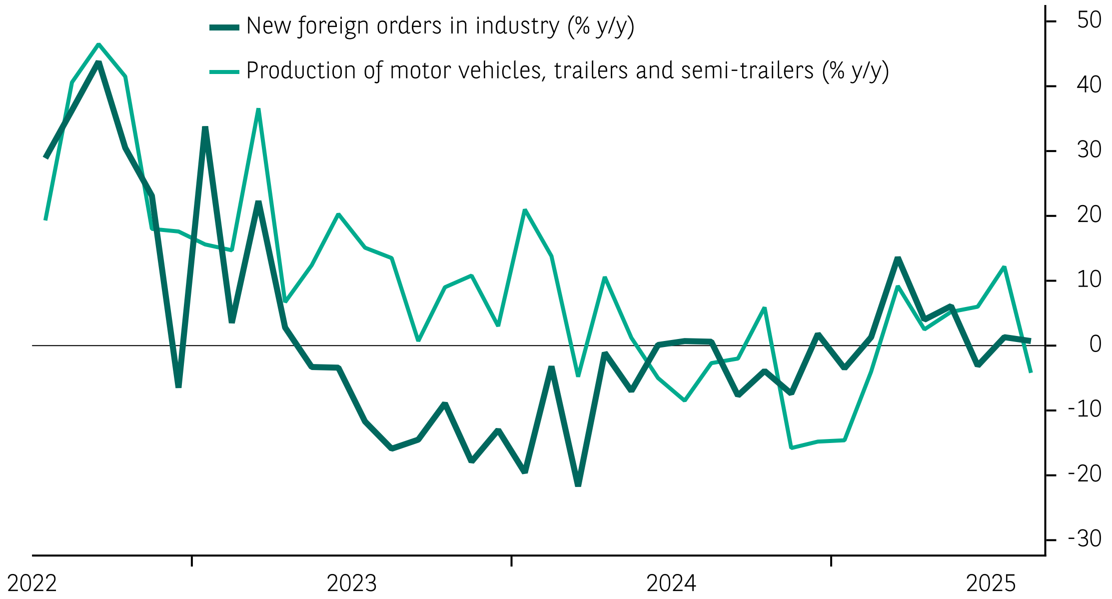
The demand for this type of goods has not only consolidated but is increasingly translating into greater capacity utilisation in the industries involved in their production. In other words, companies that produce capital goods are more extensively using their production lines. In such conditions, the growing production of capital goods becomes not only a reflection of current investment demand, but also a mechanism that can result in further investments in the expansion and modernization of production capacity. Such a process may be one of the drivers of the recovery of industrial activity, especially if in H2 2025 and next year exports provides additional support to the industrial sector.

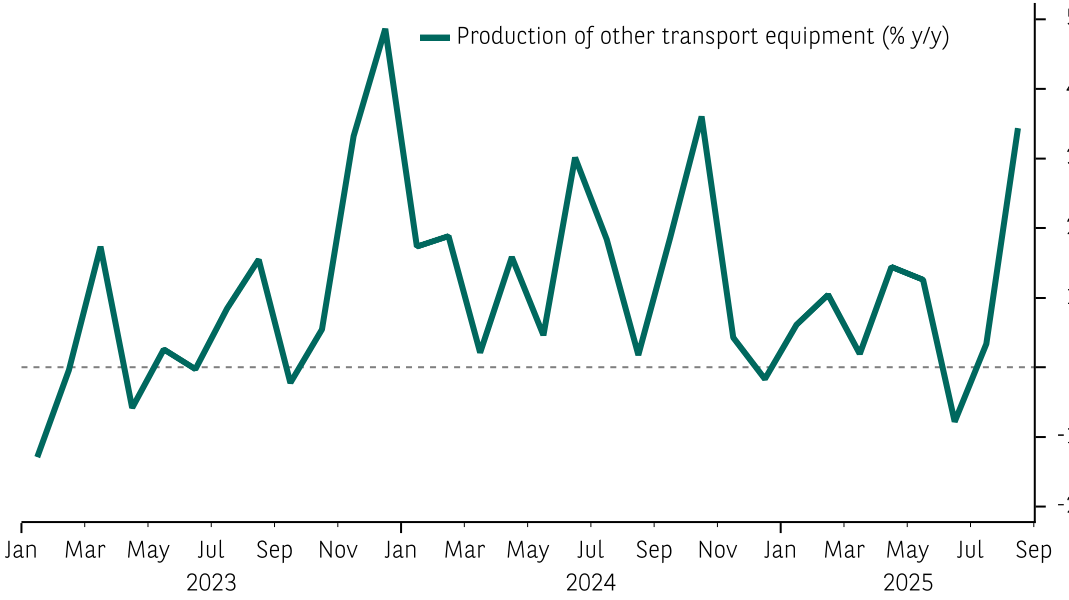
STRUCTURE AND PRODUCTION IN POLAND'S MANUFACTURING

Production (% y/y)	% Share	Aug-24	Sept-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Total		-1.4%	-0.5%	4.9%	-1.6%	-0.1%	-0.7%	-2.1%	3.0%	1.7%	4.3%	0.0%	3.6%	1.1%
Food Products	20.1%	4.1%	5.0%	9.7%	3.8%	6.4%	7.2%	1.8%	3.5%	8.7%	5.1%	0.5%	7.9%	4.6%
Beverages	1.5%	2.0%	-4.6%	-2.0%	-6.4%	-0.9%	-3.4%	-4.0%	-2.0%	-2.7%	-14.3%	-0.5%	-6.4%	-11.0%
Tobacco Products	0.5%	0.1%	-19.0%	0.8%	-17.7%	12.5%	11.8%	2.2%	-10.8%	-7.6%	1.6%	3.7%	-2.0%	-4.5%
Textiles	0.7%	-8.6%	-4.2%	-3.0%	-10.6%	-6.3%	-1.5%	-1.4%	7.7%	1.4%	6.1%	1.1%	-4.9%	-1.3%
Wearing Apparel	0.4%	-9.7%	-9.1%	18.0%	12.0%	6.8%	-6.6%	-23.2%	-5.6%	-20.4%	-2.9%	-6.4%	-8.2%	2.2%
Products of Wood, Cork, Straw & Wicker	2.3%	-0.1%	4.6%	8.2%	0.7%	4.8%	5.4%	2.9%	13.0%	1.8%	7.4%	-0.8%	-2.5%	5.6%
Paper & Paper Products	2.8%	3.8%	6.4%	14.2%	3.6%	3.4%	1.9%	-0.4%	4.6%	-1.4%	5.8%	-2.9%	1.6%	-2.7%
Printing & Reproduction of Recorded Media	0.8%	9.1%	6.8%	2.8%	5.6%	6.9%	1.7%	2.7%	1.9%	1.0%	8.0%	-2.7%	0.4%	-3.9%
Chemicals & Chemical Products	4.1%	-6.7%	-5.4%	4.6%	-0.8%	1.2%	6.3%	-1.6%	-1.4%	-7.7%	-1.1%	-7.8%	-2.7%	-6.1%
Pharmaceutical Products	0.7%	-0.3%	7.3%	-0.5%	-2.7%	10.1%	15.0%	6.9%	11.4%	4.5%	9.0%	1.8%	-3.1%	-2.1%
Rubber & Plastic Products	5.7%	1.0%	-1.1%	3.4%	-2.3%	1.9%	1.0%	-1.7%	1.7%	-2.1%	4.2%	-1.8%	0.4%	-1.9%
Other Non-Metallic Mineral Products	4.1%	-0.7%	3.9%	8.6%	5.7%	7.4%	14.5%	1.0%	10.0%	4.3%	9.5%	-0.9%	5.1%	1.7%
Basic Metals	3.0%	-0.2%	-1.7%	2.3%	-1.1%	-5.5%	19.1%	15.7%	21.5%	2.5%	11.1%	2.8%	4.2%	2.8%
Metal Products	7.4%	-6.0%	-1.4%	3.1%	-1.0%	-3.7%	-0.4%	1.9%	11.0%	0.5%	11.6%	-0.8%	4.7%	2.7%
Computer, Electronic & Optical Products	2.4%	14.0%	7.4%	15.2%	5.9%	17.0%	5.0%	7.5%	6.6%	1.3%	1.0%	4.0%	-3.0%	-1.0%
Electrical Equipment	4.0%	-20.9%	-15.1%	-4.2%	-4.5%	-6.2%	-7.4%	-7.1%	-6.3%	2.0%	1.6%	-2.7%	-0.8%	-3.1%
Machinery & Equipment n.e.c.	3.0%	-9.5%	-2.9%	2.2%	0.3%	0.9%	1.7%	-3.7%	6.1%	2.1%	14.8%	2.7%	6.0%	9.7%
Motor Vehicles, Trailers & Semi-Trailers	7.9%	-2.7%	-2.0%	5.9%	-15.8%	-14.8%	-14.6%	-4.0%	9.2%	2.5%	5.2%	6.0%	12.2%	-4.2%
Other Transport Equipment	2.3%	1.7%	18.5%	36.0%	4.3%	-1.7%	6.1%	10.4%	1.9%	14.5%	12.6%	-7.9%	3.3%	34.4%
Furniture	2.5%	-2.1%	-0.5%	13.2%	4.3%	-1.9%	3.9%	-1.8%	5.0%	-1.9%	8.8%	1.5%	1.4%	1.2%

THE DIVERSE NATURE OF MANUFACTURING

Is the effect of import tariff increases over? Manufacturers rely on domestic demand





Manufacturing is a very diverse sector, which is affected by different demand conditions affecting individual sections. Among the sectors recording a clear decline in production in August were export-oriented industries, i.e. automotive (-4.2% y/y) and production of electrical equipment (-3.1% y/y). It seems that industries focused on foreign sales have been operating in conditions of increased demand generated by concerns about US tariffs since the beginning of the year. This is indicated, among others, by data on new export orders. However, we believe that this effect, which temporarily translated into an increase in production, may have already died out. We believe that the situation on European markets will be crucial for exporters in the coming months.

In the previous month, some sectors recorded a very dynamic, even double-digit increase in production. In August, the production of other transport equipment increased by +34.4% y/y and the production of machinery and equipment by 9.7% y/y. Such strong increases may be the result of increased budget expenditure on defence, which, for example, creates increased demand for specialist means of transport, and the absorption of EU funds (e.g. the production of rolling stock).

THE CONSTRUCTION SECTOR IS SHRINKING; RETAIL SALES SLOW DOWN SLIGHTLY

Construction Production (% y/y)	Aug-24	Sept-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Total	**-9.5%**	**-9.0%**	**-9.6%**	***-9.4%***	**-8.0%**	**4.2%**	**-0.1%**	**-1.1%**	**-4.2%**	**-2.8%**	**2.1%**	**0.7%**	**-6.9%**
Construction of Buildings	-7.8%	-10.2%	-7.9%	-16.0%	-20.0%	7.0%	-3.9%	-3.3%	-10.3%	-8.9%	7.9%	-1.3%	-4.1%
Civil Engineering	-10.7%	-8.9%	-10.1%	-3.3%	-0.8%	1.5%	1.7%	-4.8%	-8.2%	-1.4%	-11.1%	-3.4%	-12.8%
Specialised Construction Activities	-9.8%	-7.9%	-10.3%	-13.0%	-9.3%	3.9%	3.0%	6.0%	10.5%	2.6%	20.7%	9.5%	-0.3%

Retail trade, constant prices (% y/y)	Aug-24	Sept-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Total	**2.6%**	**-3.0%**	**1.3%**	**3.1%**	**1.9%**	**4.9%**	**-0.5%**	**-0.3%**	**7.6%**	**4.4%**	**2.2%**	**4.8%**	**3.1%**
Motor Vehicles, Motorcycles & Parts	15.7%	11.2%	24.1%	28.1%	25.1%	22.1%	5.1%	18.4%	14.9%	15.7%	7.7%	10.7%	9.4%
Solid, Fluid & Gaseous Fuels	5.7%	-4.8%	-9.1%	4.1%	3.2%	-1.2%	-3.0%	-0.1%	1.6%	4.9%	5.7%	0.7%	6.1%
Food, Beverages & Tobacco Products	-0.4%	-7.6%	-1.2%	-0.2%	-4.3%	0.6%	-2.2%	-9.4%	9.7%	1.5%	-1.0%	-0.4%	-3.4%
Pharmaceuticals, Cosmetics & Orthopaedic Equipment	11.2%	5.2%	9.6%	7.2%	1.7%	12.8%	7.4%	5.0%	7.5%	6.0%	5.8%	4.9%	3.3%
Textiles, Clothing & Footwear	-13.6%	-12.5%	-12.8%	-14.7%	-12.2%	8.9%	6.0%	6.7%	8.4%	4.7%	11.8%	14.7%	18.9%
Furniture s & Household Appliances	-5.3%	-8.0%	-3.6%	-2.3%	-4.0%	14.0%	5.8%	12.9%	13.2%	18.9%	10.2%	15.3%	13.9%
Newspapers, Books & Other Sale in Specialized Stores	-1.9%	-2.8%	1.8%	-1.6%	4.2%	-10.2%	1.7%	1.0%	3.9%	3.5%	1.9%	3.0%	-2.0%
Other	13.9%	2.7%	12.0%	14.8%	14.9%	-2.1%	-8.7%	-12.2%	-6.0%	-10.8%	-4.0%	-5.5%	-3.7%

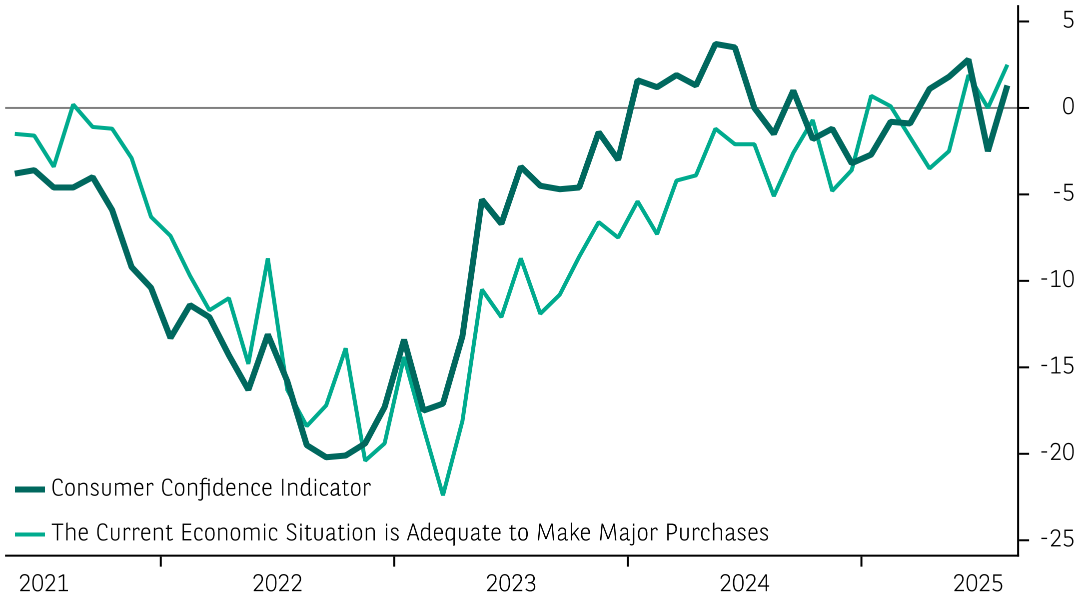
XX% Negative value

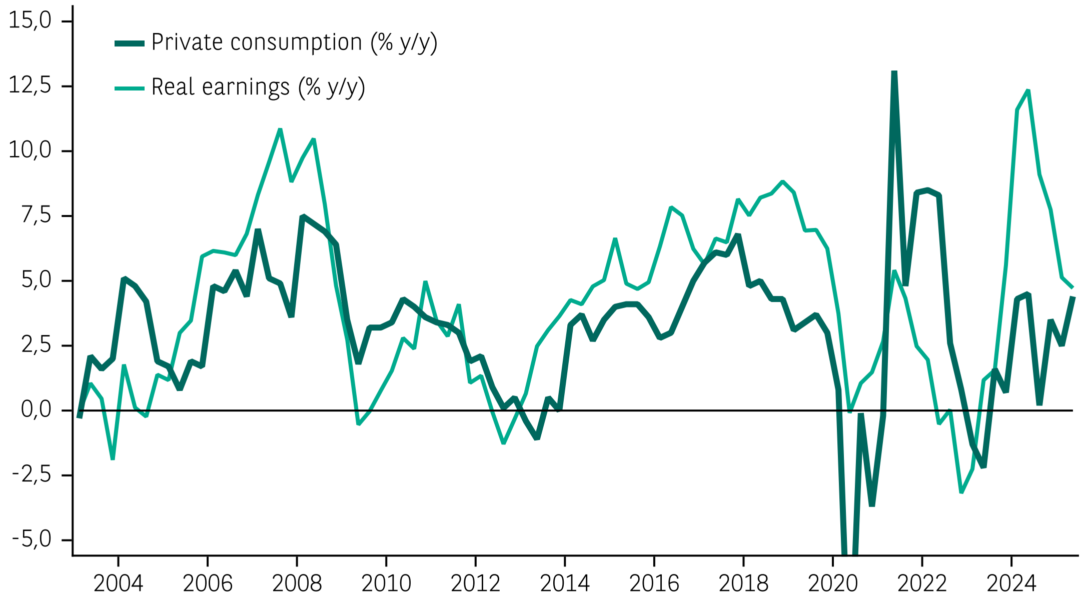
After two months of increases in construction and assembly production, in August the data were clearly disappointing. Last month, construction output fell by 6.9% y/y, showing weakness in all subsectors. A particularly large decline was recorded in the civil engineering department (-12.8% y/y), which is probably due to delays in the disbursement of EU structural funds and money from the EU Recovery and Resilience Facility. For the first time in seven months, a decrease was also recorded in specialized construction works (-0.3% y/y), which may additionally indicate issues in the efficient use of financing from Brussels.

Retail sales in constant prices increased by 3.1% y/y in August, after an increase of 4.8% y/y in July. In our opinion, the lower retail sales dynamics than a month earlier resulted inter alia from fewer working days and a long weekend due to the 15 August holiday. This may have led to a shift in expenditure from goods to services (boosting in particular tourist trips). This seems to be confirmed, by lower food sales (-3.4% y/y) and a significant increase in fuel sales (6.1% y/y).

SOLID FUNDAMENTALS OF CONSUMER DEMAND

Households are increasingly willing to buy higher-order goods





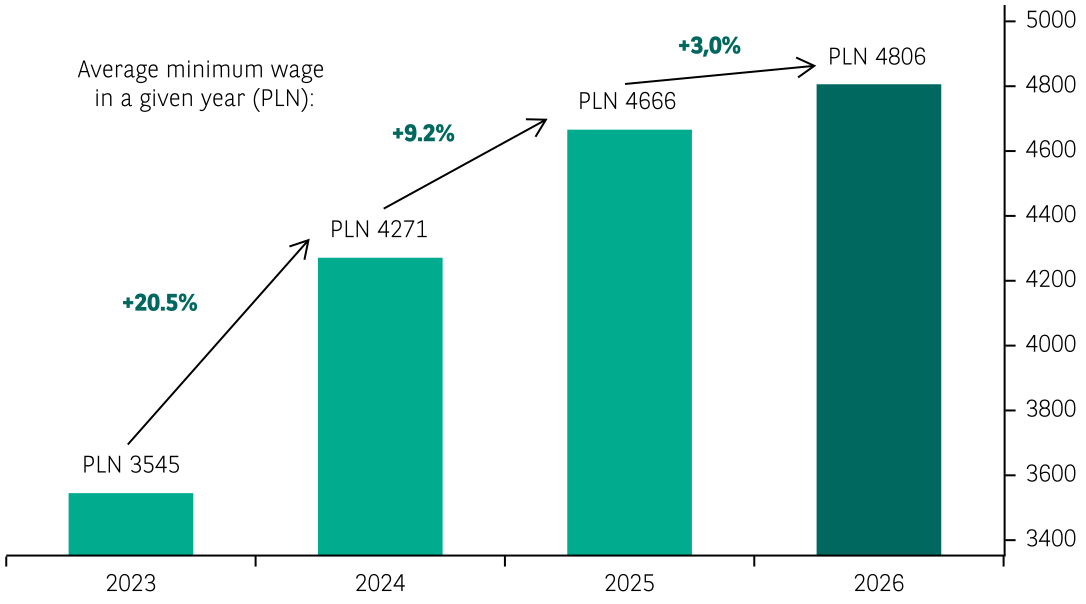
In recent months, there has been a particularly robust increase in retail sales of durable goods, signalling the growing propensity of households to make larger purchases. The strong recovery in this segment reflects both improved consumer sentiment and favourable income fundamentals. The key role here is played by the increase in real wages, which significantly increased the purchasing power of Poles last year and this year.

Although real wage growth is currently slightly lower than in 2024, it remains sufficient to keep consumption at a high level. An important complement to this picture are the savings accumulated earlier. During a period of heightened uncertainty, households have developed a significant financial cushion, which now makes consumers more willing to spend more. As a result, private consumption remains a stable and strong pillar of growth, and its structure suggests households are now more eager to make bolder purchasing decisions.

DECREASING WAGE PRESSURE IN THE POLISH ECONOMY

Minimum wage hike in 2026 is likely to be much smaller than in previous years

Wage growth in the enterprise sector (August, % y/y)	%	PLN
Total	**7,1%**	**8 769**
Mining & Quarrying	1,0%	12 002
Manufacturing	7,7%	8 319
Electricity, Gas, Steam & Air Conditioning Supply	1,5%	12 267
Water Supply & Remediation Activities	10,1%	7 927
Construction	6,7%	8 591
Trade & Repair of Motor Vehicles	5,7%	8 001
Transport & Storage	8,8%	8 592
Accommodation & Food Services	6,7%	6 548
Information & Communication	7,6%	14 302
Real Estate Activities	8,1%	8 739
Professional, Scientific & Technical Activities	5,1%	11 628
Administrative & Support Services	7,8%	7 075
Other Service Activities	10,5%	6 976



In recent months, the moderation of wage dynamics in the Polish economy has become increasingly visible. In August, the average wage in the enterprise sector increased by 7.1% y/y, which was the lowest growth rate in over four years. A month ago, wages grew the fastest in companies engaged in other service activities and water supply. Mining and energy companies were at the other end of the spectrum. The growth rate in wages in manufacturing turned out to be slightly higher than the average (+7.7% y/y).

Companies wage policies are now less generous due to moderate economic situation, which does not entice demand for workers. In previous years, it seems that it was the strong hiring needs, fuelled by rapid economic growth, that drove up wage dynamics. We believe that in the coming months the pace of wage growth will oscillate around 7% y/y, which will be facilitated by the not excessively fast GDP growth rate and inflation which should stay under control. In addition, the increase in the minimum wage planned for next year is small, which will strongly limit the administrative pressure on wage hikes. All this indicates that the period of double-digit increases in nominal wages in Poland is likely behind, and the labour market is now entering a phase of equilibrium.

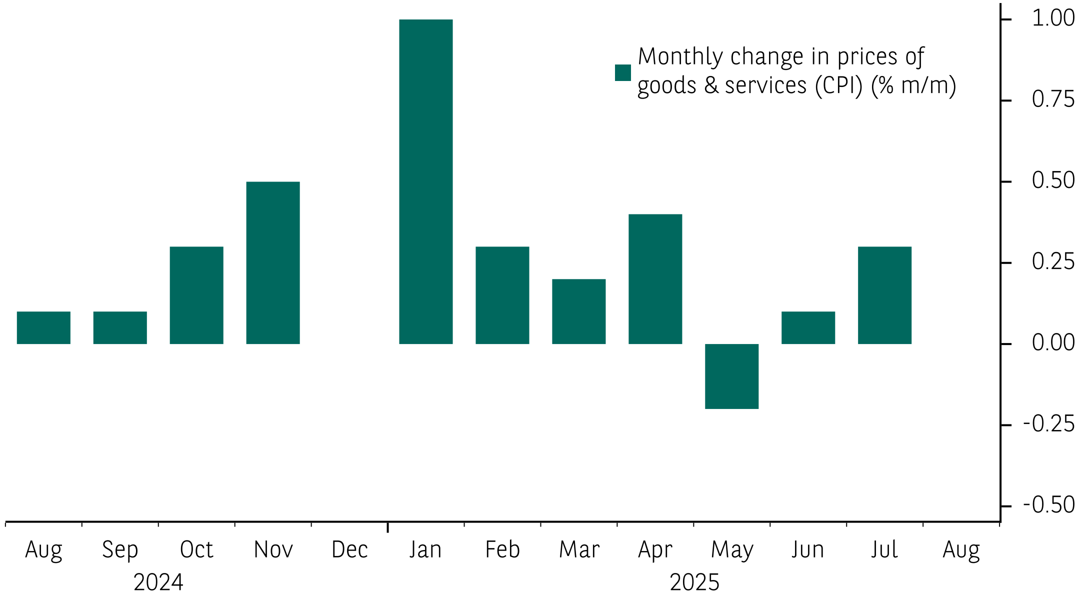
WAGE GROWTH IN MANUFACTURING

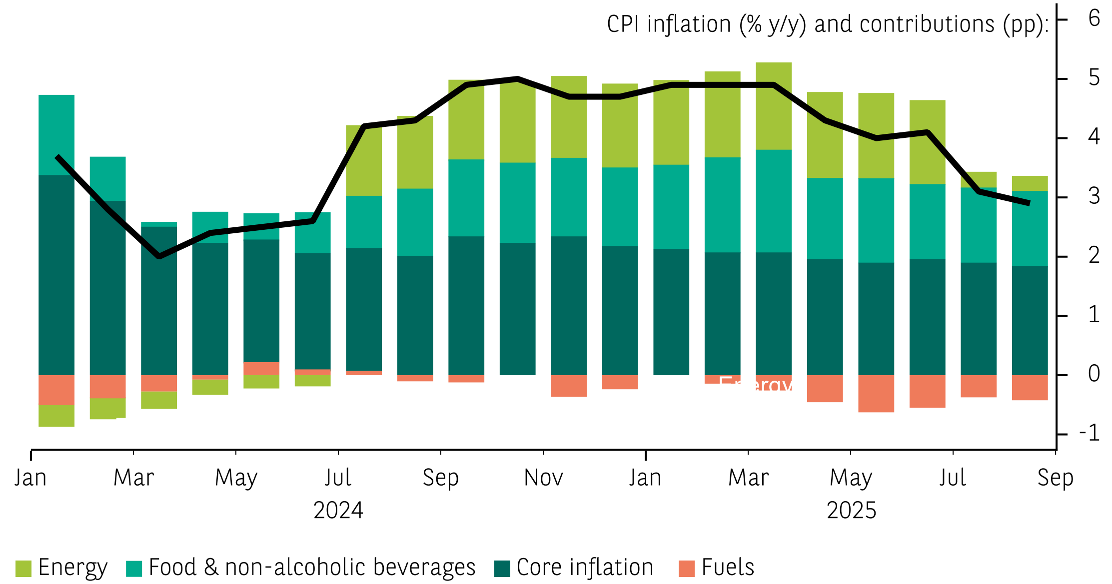
Wage growth in the manufacturing sector (% y/y)

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	August (PLN)
Przetwórstwo przemysłowe	11.4%	10.3%	11.3%	10.7%	10.2%	9.6%	7.5%	8.3%	9.0%	8.8%	8.7%	7.6%	7.7%	8319
Artykuły spożywcze	12.8%	11.3%	14.0%	13.4%	12.4%	13.3%	9.1%	9.7%	10.9%	10.0%	7.6%	10.2%	8.5%	7573
Manufacture of Beverages	12.6%	12.2%	12.0%	13.8%	14.5%	11.7%	10.9%	24.6%	24.7%	2.0%	6.2%	5.1%	8.7%	10310
Manufacture of Tobacco Products	8.5%	0.3%	12.6%	10.6%	13.6%	8.8%	7.4%	-0.7%	9.4%	6.9%	6.5%	8.9%	10.4%	11021
Manufacture of Textiles	12.8%	11.5%	12.7%	12.6%	12.5%	9.9%	8.6%	9.2%	9.1%	7.2%	9.3%	9.4%	7.2%	6693
Manufacture of Clothing	15.7%	11.4%	15.5%	11.8%	19.4%	12.7%	9.2%	9.5%	9.3%	10.1%	8.8%	8.3%	8.6%	5903
Manufacture of Products of Wood, Cork, Straw & Wicker	17.4%	14.4%	17.0%	15.3%	15.7%	8.6%	8.4%	8.3%	8.7%	8.8%	9.5%	8.3%	8.8%	7272
Manufacture of Paper & Paper Products	10.2%	10.7%	11.5%	9.4%	11.6%	8.4%	8.4%	6.8%	6.4%	8.6%	6.3%	6.6%	5.9%	8745
Printing & Reproduction of Recorded Media	14.1%	8.6%	10.7%	10.1%	12.4%	5.6%	2.5%	1.2%	1.6%	3.2%	1.8%	2.7%	-0.7%	8248
Manufacture of Chemicals & Chemical Products	6.0%	8.0%	7.5%	8.6%	7.3%	5.5%	9.1%	2.3%	11.2%	5.3%	9.2%	1.8%	5.7%	8842
Manufacture of Pharmaceutical Products	7.7%	6.4%	8.6%	7.3%	7.4%	7.9%	7.3%	8.0%	18.9%	4.7%	0.3%	5.2%	4.2%	10207
Manufacture of Rubber & Plastic Products	9.4%	8.8%	8.8%	8.2%	5.9%	5.4%	5.2%	5.4%	5.4%	6.0%	6.6%	8.0%	7.4%	8190
Manufacture of Other Non-Metallic Mineral Products	14.2%	12.6%	13.1%	11.8%	12.0%	11.5%	8.5%	6.8%	8.7%	6.3%	6.7%	6.2%	5.6%	8741
Manufacture of Basic Metals	6.9%	10.7%	8.3%	8.9%	7.0%	8.9%	6.7%	9.5%	7.0%	10.2%	8.2%	10.5%	8.8%	8818
Manufacture of Metal Products	9.5%	9.8%	10.5%	9.4%	9.8%	5.9%	5.0%	7.8%	6.6%	8.4%	7.8%	8.4%	8.4%	7808
Manufacture of Computer, Electronic & Optical Products	12.8%	12.2%	11.6%	19.2%	12.3%	14.2%	12.4%	13.6%	11.0%	11.2%	5.9%	10.1%	6.2%	9057
Manufacture of Electrical Equipment	12.3%	12.3%	9.7%	9.9%	10.3%	9.6%	6.0%	9.0%	6.8%	7.7%	6.4%	6.4%	9.4%	9125
Manufacture of Machinery & Equipment n.e.c.	9.7%	9.8%	11.4%	9.6%	11.1%	11.3%	9.7%	9.0%	8.7%	9.9%	11.0%	11.2%	8.0%	8763
Manufacture of Motor Vehicles, Trailers & Semi-Trailers	10.4%	8.5%	9.7%	8.8%	8.2%	10.6%	6.6%	10.7%	8.7%	9.1%	9.0%	8.2%	7.6%	9210
Manufacture of Other Transport Equipment	9.0%	8.4%	9.4%	10.2%	8.3%	10.6%	6.6%	9.3%	7.8%	9.7%	9.7%	10.7%	9.2%	9592
Manufacture of Furniture	13.0%	11.8%	14.4%	12.0%	11.3%	9.7%	6.8%	8.5%	9.7%	9.7%	10.3%	8.1%	8.3%	6716

INFLATION IN POLAND: IN AUGUST CONSUMER PRICE GROWTH…

… dropped below 3% y/y



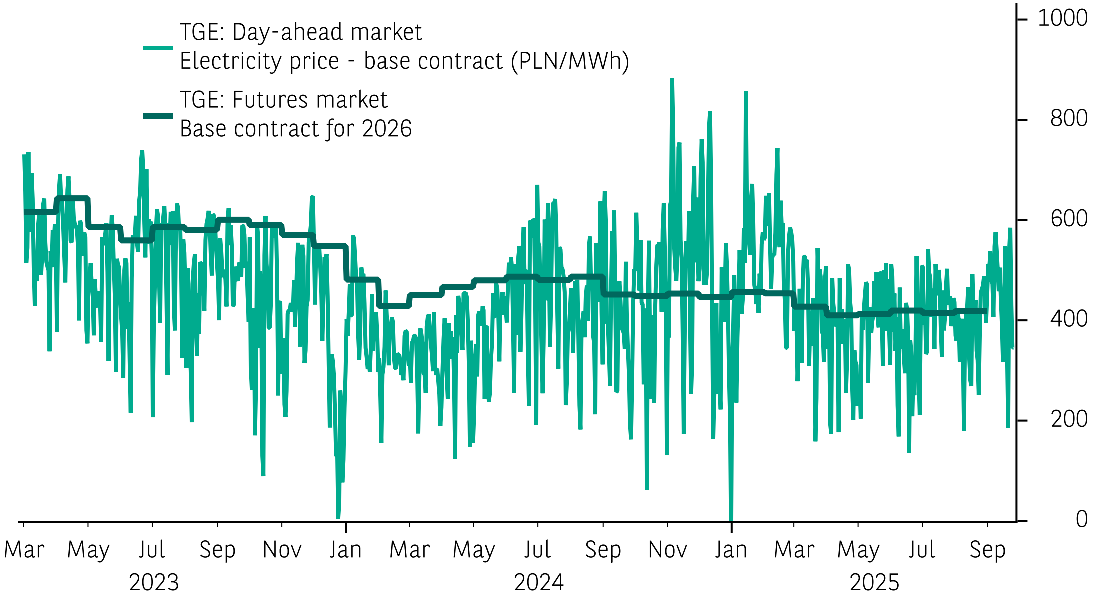


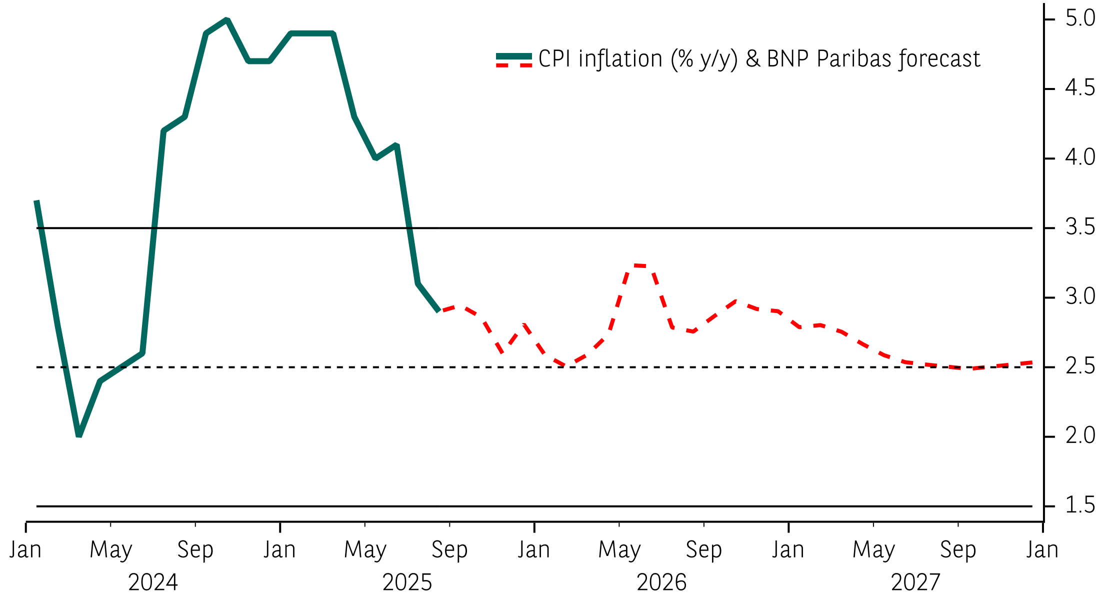
In August, prices of consumer goods and services (CPI) in Poland did not change compared to July, while relative to the same month last year, they increased by 2.9% y/y. A month ago, fuel prices fell by nearly 2%. Prices of groceries also fell marginally. The cost of purchasing vegetables decreased by 1.2% and the cost of fruit by 1%. Sugar was also significantly cheaper than in July (-2.7% m/m). On the other hand, the prices of bread, beef and tea increased. Energy carriers were 0.1% more expensive in August than in July, mainly due to the update of rates for heat supply (+0.6% m/m).

A month ago, prices of goods and services included in core inflation also increased by 0.2% m/m. As a result, their annual growth rate slowed down by 0.1pp to 3.2% y/y. The largest prices increases were recorded in transport (+8.1% m/m) and telecommunication services (+1.6% m/m). On the other hand, the cost of purchasing clothing and footwear (-1.5% m/m) and furniture, decorative articles and lighting equipment (-2.7% m/m) fell significantly.

INFLATION IN POLAND: BNP PARIBAS FORECAST

Headline inflation to hover around 3% in the latter half of 2025



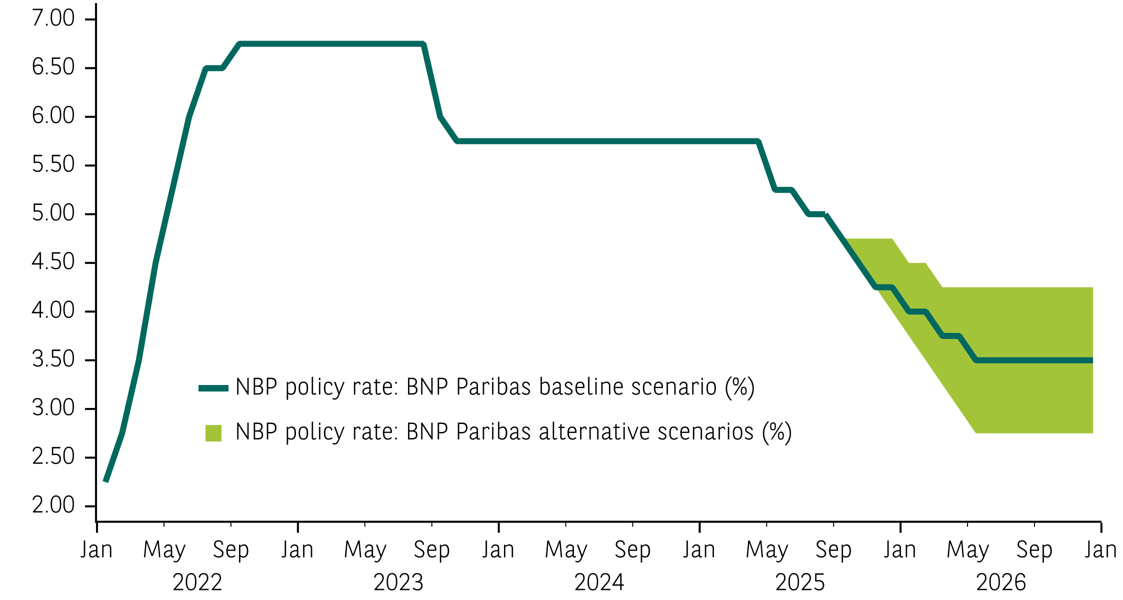


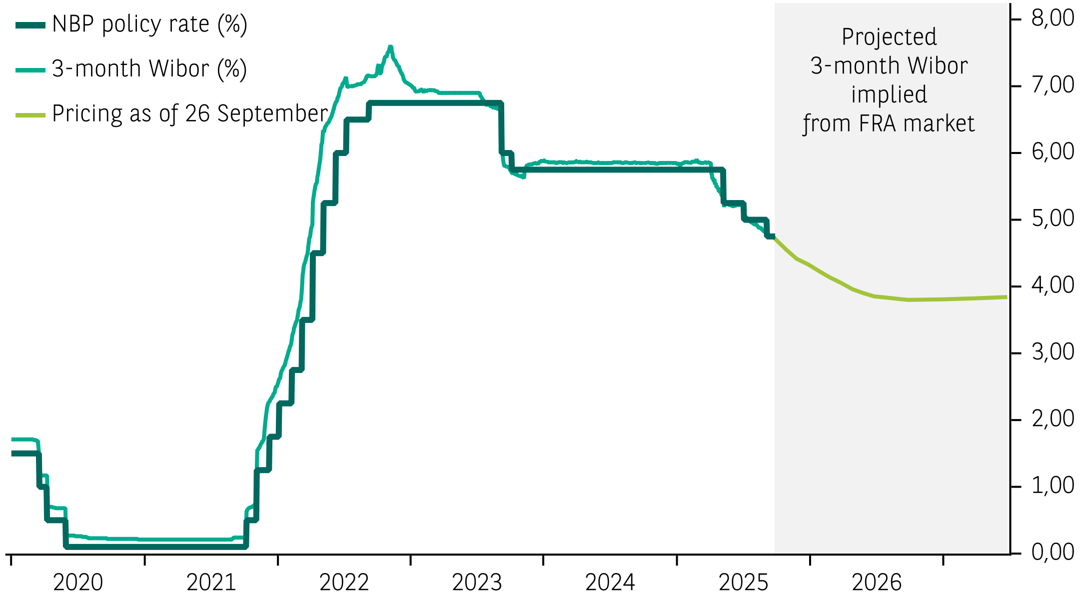
In the coming months, the path of inflation will be strongly dependent on administrative decisions regarding energy prices. After the President signed the law, freezing electricity prices at the level of PLN 500/MWh, the rates paid for electricity by households will not change until the end of this year. At the beginning of next year, however, both the rates for the purchase of electricity as well as the distribution of electricity and natural gas will be updated. In the baseline scenario, we assume that electricity purchase prices will remain unchanged, while supply charges will increase slightly. However, the comment of the Minister of Energy Miłosz Motyka suggests that the tariffs for the purchase of electricity approved by the Energy Regulatory Office may turn out to be lower in 2026 than the currently applicable PLN 500/MWh.

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 the NBP inflation target range of 2.5% +/-1pp.

MONETARY POLICY COUNCIL: NEXT RATE CUT…

… in October?





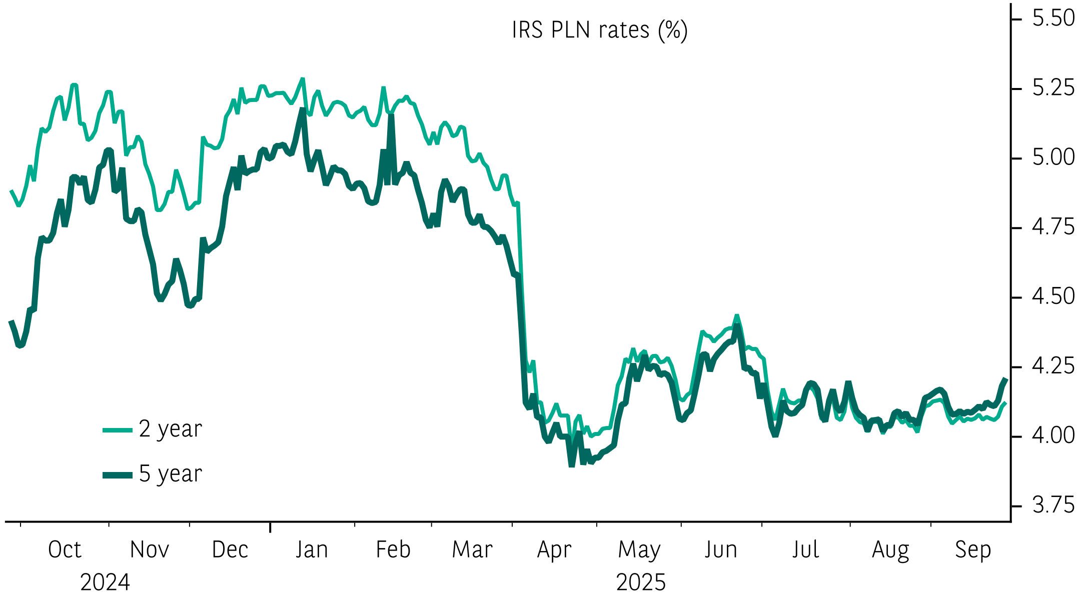
In September, the Monetary Policy Council (MPC) decided, as expected, to cut the interest rates of the National Bank of Poland (NBP) by 25bs, bringing the reference rate down to 4.75%. MPC members are cautious and make f further downward adjustment of interest rates dependent on the data published in the coming weeks and months. In our opinion, we will see one or two more interest rate cuts this year (25bp each in October and/or November). However, we are leaning towards a more aggressive path of reducing interest rates. We believe that such a scenario is supported by the freezing of electricity prices in the fourth quarter of this year, slowing wage dynamics, as well as the planned lower increase in the minimum wage than last year (+3%).

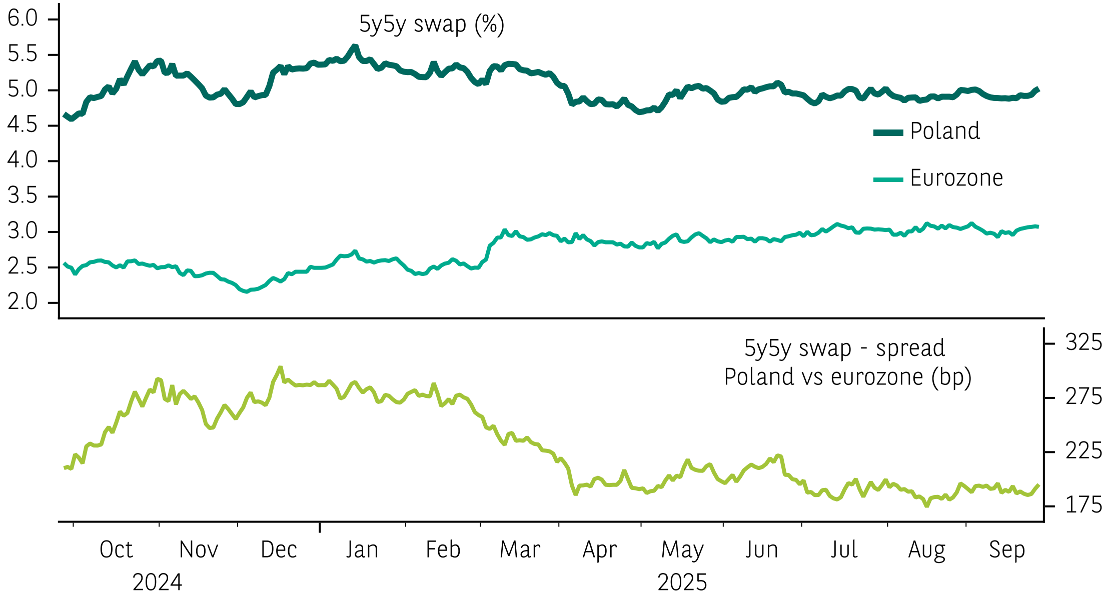
We also maintain our forecast that the reference rate will be lowered to 3.50% by the middle of next year. Such a perspective is broadly consistent with the current market pricing on the FRA market.

PLN: IRS rates, bonds and FX market

PLN IRS: MARKET INTEREST RATES…

… fairly stable in September



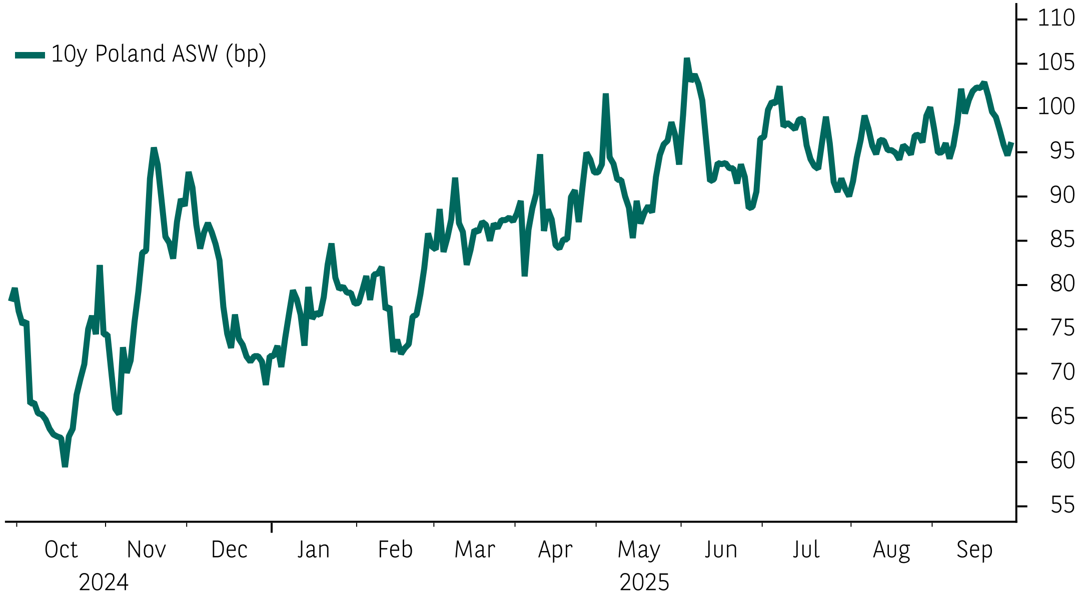


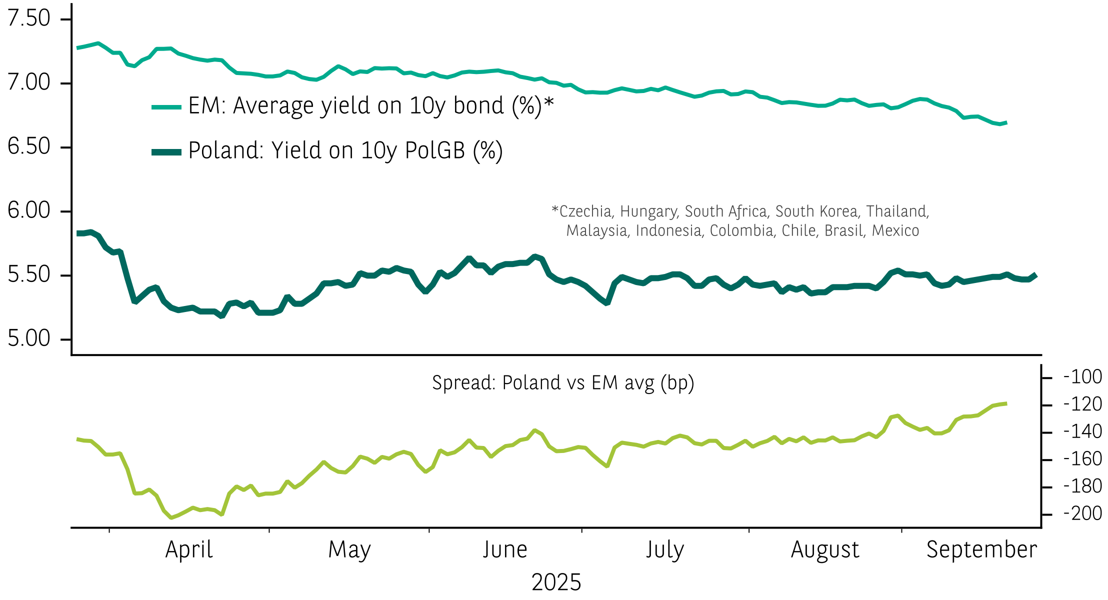
In September, IRS PLN rates were quite stable, although at the end of the month the swap quotations increased slightly, following the situation on the European market. Currently, the 2-year swap rate trades at around 4.11%, while the 5-year swap rate at around 4.20%. Assuming that our scenario of monetary policy decisions materializes, we expect that PLN rates may show a tendency to slightly decline in the coming months. We forecast that by the end of the year, the IRS's 2-year quotes will fall below 4%. The risks to this forecast include, for example, a possible re-intensification of inflationary pressures, whether due to domestic or global factors.

At the long end of the IRS curve, the 5y5y zloty swap rate is currently about 190bps higher than the equivalent rate denominated in EUR. The spread to the EUR rate is now slightly higher than in mid-August, when its lowest levels were recorded.

BONDS: ELEVATED FISCAL PREMIUM UNLIKELY TO ABATE

Changes in Poland's rating outlook did not prompt a strong market reaction





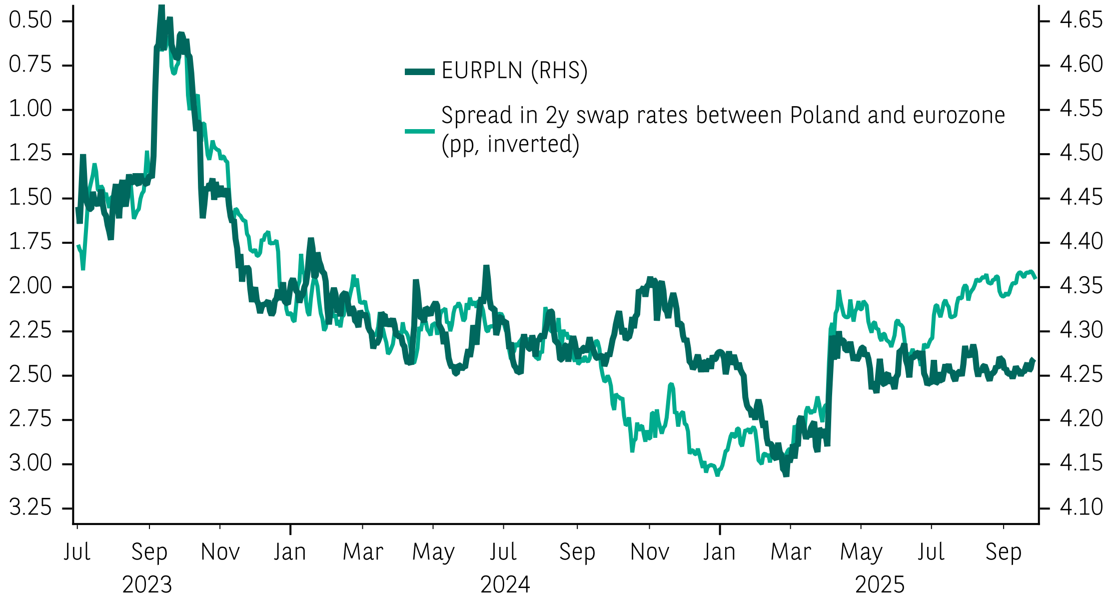
In September, the difference between the yield on a 10-year Treasury bond and the 10-year PLN swap rate (ASW - a measure of the fiscal premium) moved in the 95-105bp range. The domestic government debt market was adversely affected by the decisions of Fitch and Moody's to shift Polish's rating outlook to negative, but the reaction to these decisions was quite limited. It seems that the poor condition of public finances has already been well discounted by the market. Given the high borrowing needs, we believe that the current elevated levels of ASW will last in the coming months.

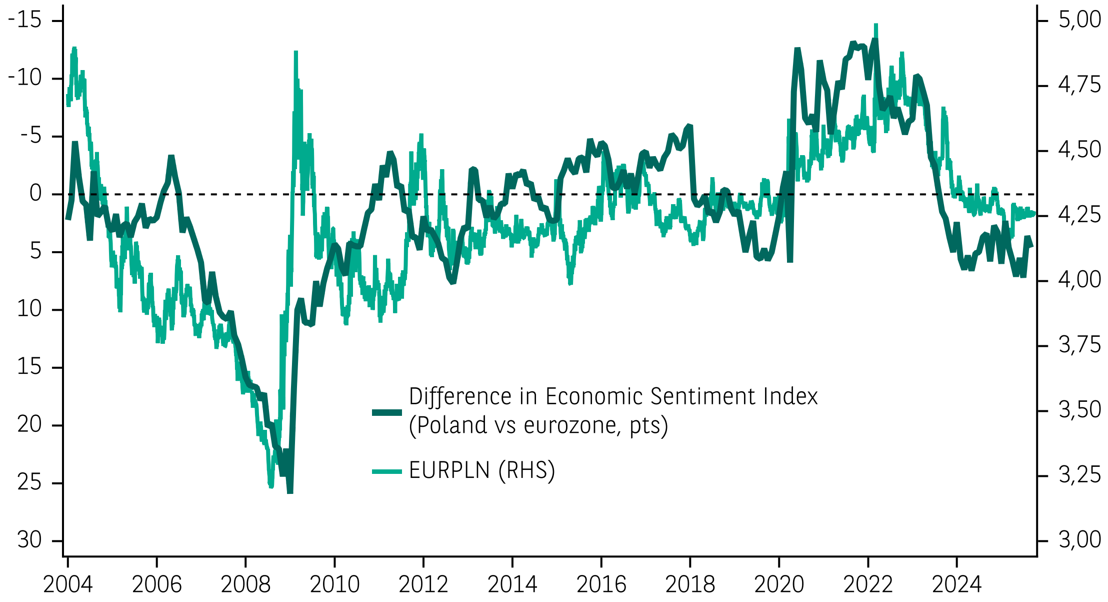
From the perspective of the government - and particularly the Ministry of Finance - it is now important to present a credible and realistic plan for the consolidation of public finances in the long term. For both rating agencies and the financial markets, the most important thing is not the initial level of fiscal metrics, but the direction of travel, i.e. the expected scope and pace of public finances repair. .

The negative difference in the yield of 10-year Polish government bonds against other Emerging Markets decreased to about 120bps in September. This was mainly due to a decline in yields in other EM markets.

PLN: ZLOTY STABLE..

... thanks to prospects for solid economic growth





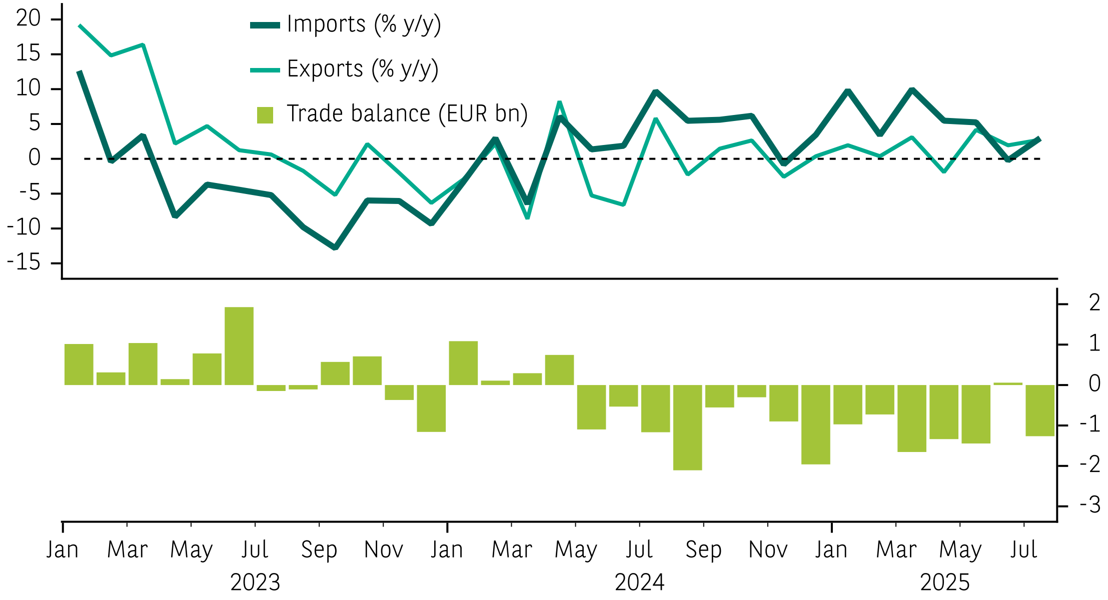
The EURPLN exchange rate remained stable in September, and the quotations moved in a narrow range of 4.2450 – 4.2750. Although the narrowing difference in the level of interest rates between Poland and the euro area is a factor suggesting some room for depreciation of the Polish currency, we believe that the current economic situation still speaks in favour of the zloty.

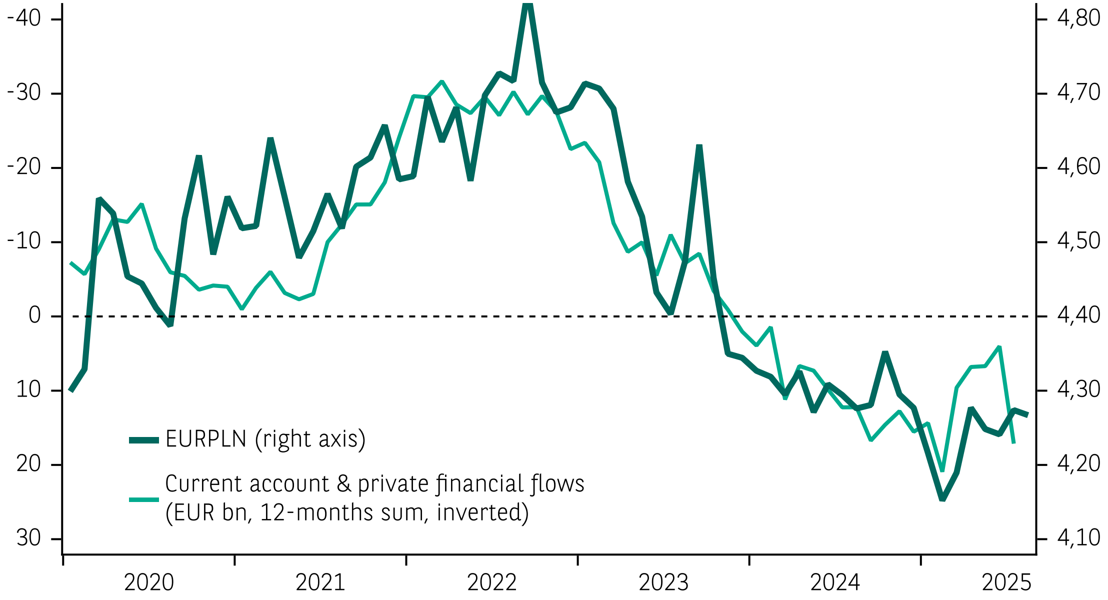
We believe that in the near future, geopolitical factors may determine the tone for the zloty. The chance of a ceasefire in Ukraine would have a positive effect on the currency, while the lack of prospects for a truce could result in less support for the PLN quotations. The zloty may also be adversely affected by any further hybrid actions carried out by Russia against Poland or, more broadly, NATO.

Given the tense geopolitical situation, we believe that the EURPLN exchange rate may show greater volatility in the coming months, although our point forecast assumes that the quotations in the next year will hover around the 4.25 handle.

BALANCE OF PAYMENTS: CURRENT ACCOUNT SWUNG INTO DEFICIT IN JULY…

… chiefly due to wide trade gap





In July, a significant current account deficit of EUR 1,335 million resurfaced. The gap in trade in goods amounted to 1265 million euros. Imports increased by 3% y/y in July, while exports increased by 2.7% y/y. For another month in a row, a high balance in the services account was recorded (+3281 million euros). The deficit in the primary income account, on the other hand, amounted to EUR 3247 million.

NBP's analysts' comment: '*The increase in exports can be attributed to a further rise in re-export transactions, as evidenced by the sustained upward trajectory in exports of clothing, footwear and toys, along with a surge in agricultural product prices. Furthermore, the gradual improvement in the economic climate of the automotive industry has led to a positive effect on exports performance. The strongest growth was recorded in imports of goods intended for re-export, mainly concentrated in the category of semi-durable consumer goods. In July 2025, passenger car imports also experienced the highest growth. The substantial increase in imports can be attributed primarily to deliveries of vehicles from China. The decline in domestic industrial sector activity also had a negative impact on imports, as evidenced by a further decrease in the supply of intermiediate goods*.

Considering financial flows, the latest data on the balance of payments seem to be consistent with the EURPLN exchange rate around 4.25.

This recommendation was prepared by: Marcin Kujawski, Michał Dybuła, Aleksandra Prus, Tomasz Tyc

Sources: OECD, Markit, Eurostat, GUS, Bloomberg, NBP, BEA, US Census Bureau, Fed, European Commission, Macrobond, BNP Paribas Bank Polska.