MACROscope

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Turning the Economic Corner

Poland

Economic Analysis Department
Santander Bank Polska S.A.
ekonomia@santander.pl

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Executive Summary (macro)

The global environment in which the Polish economy operates is still characterised by high uncertainty. At the beginning of July, the 90-day suspension of the so-called “reciprocal tariffs” announced at the beginning of April by the US expires, and it is still unclear what model of trade relations will take shape afterwards. A return to the level of tariffs before Donald Trump took office seems unlikely, but, on the other hand, the risk of extremely negative scenarios for global trade has diminished in our assessment, as the US administration does not look willing to risk the large economic and social costs of too radical measures. At the same time, Europe's turn towards loosening fiscal rules and increasing spending on defence and infrastructure should generate a positive growth impulse for the Old Continent, which, in our view, will start to outweigh the negative effects of greater trade protectionism as early as next year. A new uncertainty factor has also appeared on the horizon in the form of the escalation of the conflict in the Middle East, which is difficult to quantify for the time being.

The Polish economy has returned to a path of over 3% economic growth, which we believe is likely to continue in the coming quarters. **We maintain our GDP growth forecast for this year close to 3.5%, and for next year we even foresee a slight acceleration to 3.7%.** This is a more optimistic scenario than the consensus, motivated, among other things, by our moderately constructive view of the outlook for the eurozone economy and our conviction that the domestic investment cycle is only just taking off and is slightly lagging earlier expectations, so that its greatest momentum will come in 2026.

We expect consumption growth to remain close to 3% y/y this year and next year, with gradually slowing wage growth, but still positive in real terms, and slightly improving demand for workers. Investment, which already surprised strongly on the upside in 1Q 2025, should accelerate towards double-digit growth at the turn of the year, supported initially mainly by public sector spending and increasing use of EU funds. This year continues to be a difficult time for exporters, but we expect a gradual improvement in exports and manufacturing as the Eurozone economy recovers.

The outlook for inflation improved markedly at the beginning of this year, which included a revision of the weights in the CPI basket and, as a result, a lower starting point, a greater-than-forecast strengthening of the zloty and a drop in energy commodity prices in Europe, as well as an unexpected reduction in gas prices announced for the second half of the year. As a result, **from July, the inflation rate will fall clearly below 3% y/y and - unless the conflict in the Middle East causes serious turbulence in the commodity and financial markets - has a chance to anchor near the inflation target next year**.

The Monetary Policy Council, after making a surprising dovish pivot in April and a -50bp interest rate "adjustment" in May, returned to a more cautious tone in June, highlighting the uncertainties and risks hovering over inflation forecasts. It is quite clear from the statements of the NBP President and the Council members that the results of the July NBP projection may not be enough to decide on another rate change - the central bank will probably prefer to wait until autumn, for the uncertainty about the shape of next year's budget and changes in electricity prices at the end of the year to dissipate. **We anticipate two more cautious rate cuts this year - in September and November - and further adjustment to reduced inflation next year, with the NBP's reference rate target at 4.0%**, slightly above the market's current valuation.

The situation of public finances is not easy, as the draft budget for this year, like the previous one, was based on overly optimistic assumptions. As a result, the public sector deficit (GG) in 2024 was 6.6% of GDP, well above expectations, and the government shifted this year's deficit forecast to 6.3% of GDP, seeing the risk of lower-than-planned revenues. **We expect the fiscal deficit to remain above 6% of GDP in 2026.** This implies a path markedly different from that set under the EDP (5.5% of GDP in 2025 and 4.5% in 2026). However, we do not exclude the fulfilment of the EDP targets - according to government projections, in 2025, net domestically financed primary expenditures will increase by 5.8%, which is less than the 6.3% set with the EC; in addition, defence expenditures will be partially excluded from the EDP, which in the case of Poland generates about 1 pp. ‘space’ in 2025. The parliamentary elections scheduled for 2027 suggest, in our view, that the government will be inclined to use this additional space for greater fiscal expansion.

Executive Summary (markets)

FX market

Despite fluctuations in recent weeks, influenced among others by volatile global market sentiment and changes in the Polish central bank's rhetoric, the zloty remains strong, and its nominal and real effective exchange rate indices are close to Q1 record levels. We expect EURPLN to stabilise in the coming months in a horizontal trend around 4.28. The domestic currency may again be supported by the more hawkish rhetoric of the central bank, postponing the expected rate cuts, our expectation of a continuation of the acceleration of economic growth, increasingly driven by investment growth, and potentially further increases in stock market indices. Against a significant appreciation of the zloty, in our opinion, will be the lack of significant progress in the Russia-Ukraine peace talks, a slightly higher level of uncertainty about domestic political stability and the fiscal trajectory after the presidential elections, gradually deteriorating current account balance. An additional risk factor in the short term is a possible renewed increase in global risk aversion at the beginning of July, if the threat of escalating trade tensions reappears 90 days after D.Trump's suspension of "reciprocal" tariffs (although we think an extension of the status quo is more likely), as well as a possible further escalation of conflict in the Middle East.

FI market

An unfavourable global environment for debt markets, an increase in local political risk and the prospect of looser fiscal policy after the presidential election, as well as a renewed twist in central bank rhetoric towards a lower propensity for rapid rate cuts, mean that there is little room for yields to fall in the coming months, in our view. On the other hand, room for upside also seems to be running out - ASW credit spreads are close to exceptionally high levels (they were only higher during the 2008-2009 global financial crisis), so a further increase would require a crisis scenario, which we do not anticipate.

2025: Our forecasts and main risks

Indicator	Summary of our forecasts in December 2024	Summary of our forecasts in June 2025
GDP	We expect that the pace of economic growth will remain at above 3%, despite unfavourable external environment, still supported first and foremost by relative resilience of domestic demand.	Forecast still valid. The risks to the world economy from the global trade wars have diminished somewhat, the positive effects of European fiscal stimulation will only appear with greater force from next year onwards.
GDP breakdown	Over time, investments will take over as the main driver of economic growth, though their rebound seems delayed. Consumption growth will reach c. 3%, similarly to the current year, supported by increase in real wages. Contribution of inventories will be positive, and that of net exports – negative.	Forecast still valid. Investment has already rebounded strongly in Q1, and we expect a further recovery as spending of EU money progresses. Real income growth should sustain the path of consumption.
Labour market	The rebound of investments should moderately increase demand for labour, keeping unemployment near its all-time low. The pace of wage growth will decline but will remain positive in real terms.	The start of the year has seen a slight increase in unemployment, but the labour market remains strong. The deceleration in wages may be a little slower than we expected.
Inflation	CPI inflation will increase up to March, when it will reach its peak of c.5.7% y/y. Inflation will decrease a bit in 2Q25 and more strongly from July and should finish the year slightly below 4%. Core inflation will remain above 4% until mid-year. Later, it will trend downwards.	Inflation forecasts have clearly improved: a lower starting point, a strong PLN, a reduction in gas prices will bring CPI clearly below 3% from July to December, and it could go even below the inflation target of 2.5% in early 2026.
Monetary policy	We expect the NBP will begin lowering interest rates in July 2025 and that the total size of the cuts in 2025 will equal 100-125 bps. By July, it should become clear that the risk of a strong increase in CPI inflation at the end of the year is low, and that the moment of inflation returning to the target is drawing closer, not further away, which should deprive the NBP Governor and the most hawkish MPC members surrounding him of arguments for keeping the rates high.	The MPC cut rates in May, adjusting them to the improved inflation outlook, but signalled caution going forward. We assume two more rate cuts of 25bp after the summer and a target NBP rate of 4.0% in 2026.
Fiscal policy	Another year of public finance deficit near 6% of GDP and of growing public debt, which will near 60% of GDP (in the EU's definition). Fiscal consolidation will be postponed until after the presidential elections.	The likelihood of slower fiscal consolidation is rising. This year the fiscal deficit (GG) will remain above 6% of GDP, the debt will approach 60% of GDP. We do not count on a significant deficit reduction in the following year.
Fixed income market	We anticipate higher swap rates and yields in 1Q (especially at the short end of the curve), as market expectations for the start of NBP rate cuts become more realistic and due to high supply of debt. Later in the year, we should see declines in market rates and yields as well as a steepening of the curves.	Global bond yields continue to trend upwards. Domestic curves moved sharply downwards in April under the influence of the change in the MPC's narrative, but we do not anticipate a return to pronounced declines in the coming months, especially at the long end.
FX market	The EURPLN exchange rate should remain fairly stable in the range of 4.30-4.40, on the one hand supported by the unhurried approach of the NBP to lowering interest rates, and on the other, by negative pressure of firms' low competitiveness, deteriorating balance of payments, and declining real rates.	After a temporary strengthening in Q1, EURPLN has returned to the vicinity of 4.30 and we expect a stabilisation slightly below this level in the following months.

Economic growth

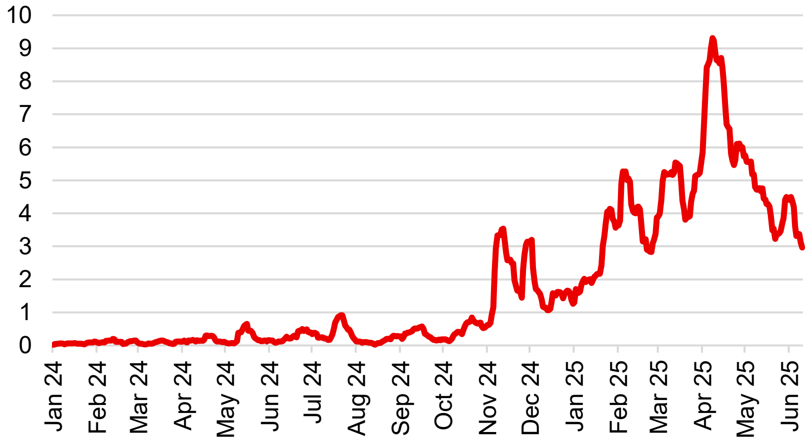
1

Which way is the global economy heading?

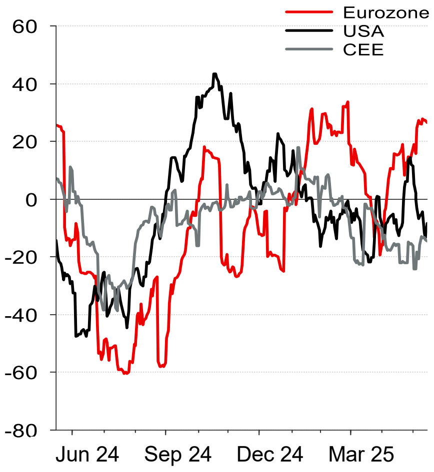
Uncertainty about how global trade relations will evolve has not disappeared, but it has clearly diminished, and the most pessimistic scenarios seem less likely today, as the US administration, in our view, is unlikely to be ready to risk the large economic and social costs of radical actions. Nevertheless, GDP growth forecasts are gradually being downgraded, more so for the US than for Europe, where a more flexible approach to fiscal policy, rising defence spending and regulations promoting intra-community trade (e.g. those on military purchases under the SAFE programme) should at least offset possible international trade tensions.

All in all, in our view, it leads to a scenario where, despite a possible deceleration in global trade and manufacturing, **the Eurozone economy, and with it the Central Europe, is likely to accelerate moderately next year**, while the US and Asian countries, including China, are likely to remain on a deceleration path.

Bloomberg US Trade Policy Uncertainty Index

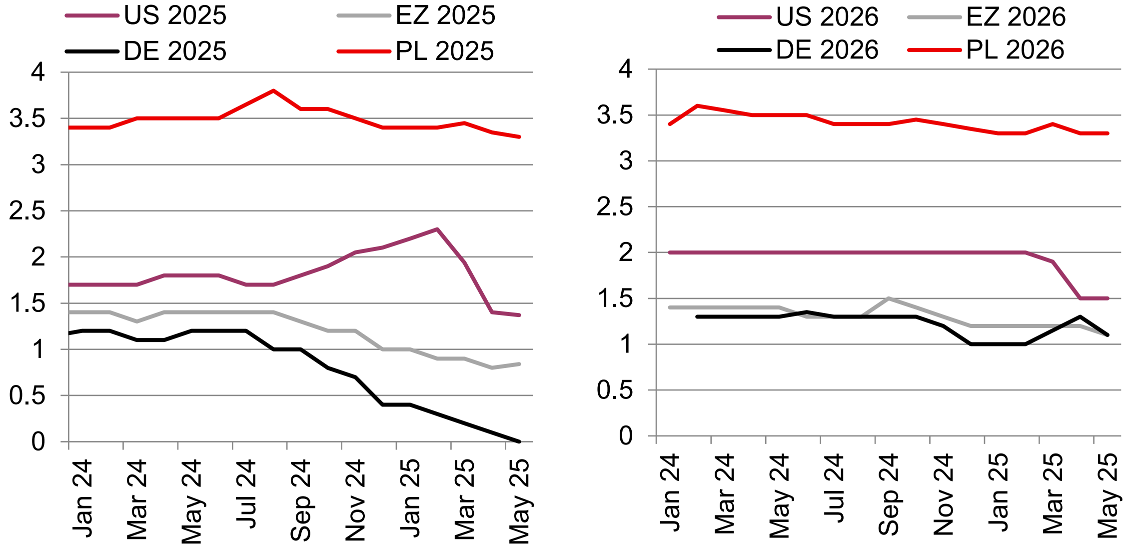


Citibank's economic surprises index (CESI)



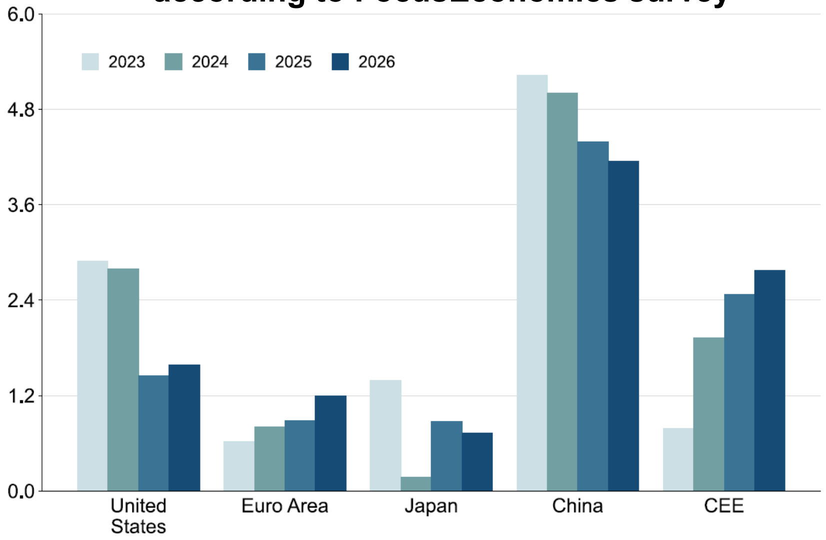
Source: LSEG Datastream, Santander

Evolution of GDP growth forecasts, medians from Bloomberg survey



Source: Bloomberg, Santander

Median GDP growth forecast according to FocusEconomics survey



Source: FocusEconomics

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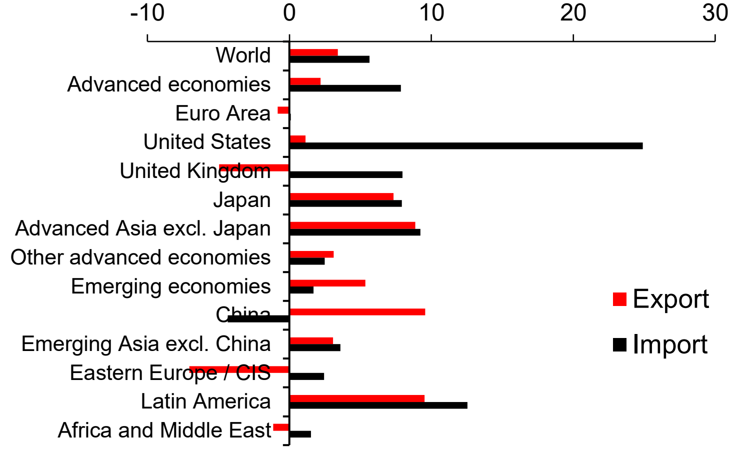
(Temporary?) Improvement in industry and trade

The prospect of the entry of US tariffs and retaliatory measures and their subsequent postponement has temporarily buoyed current global industrial activity, particularly due to increased demand of US companies for imported goods. It is difficult to assume that such a factor - generally unfavourable to economic activity - would further boost performance.

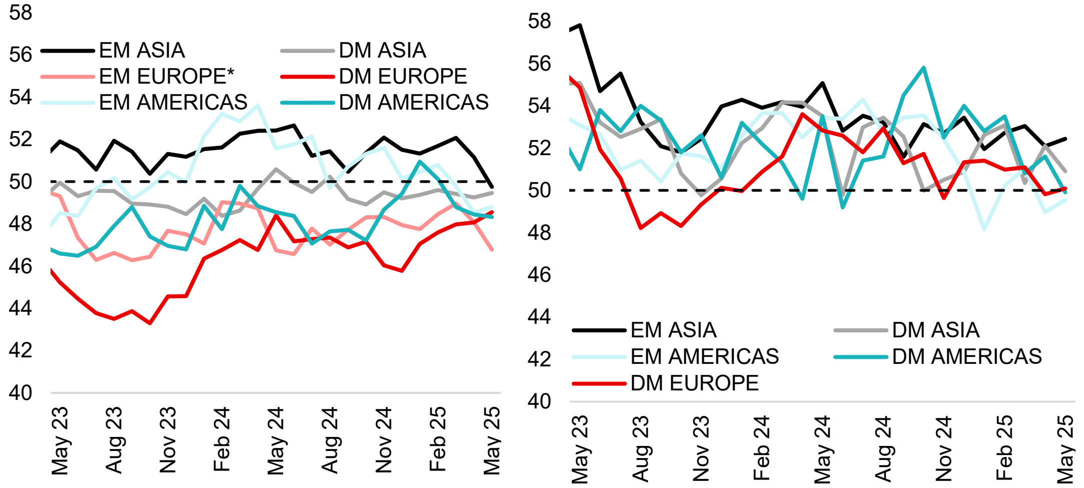
Considering the improved activity in recent months as accelerated order fulfilment and inventory build-up before higher tariffs take effect, we expect the next quarters to bring a deceleration below the trend present before the US changed its trade policy. Therefore, global trade and production may look worse in 2H25 than in 1H25. The disruption caused by the tariff wars will not allow production and exports to grow as vigorously as in previous business cycles.

Global trade – 1Q25 change in turnover, % y/y



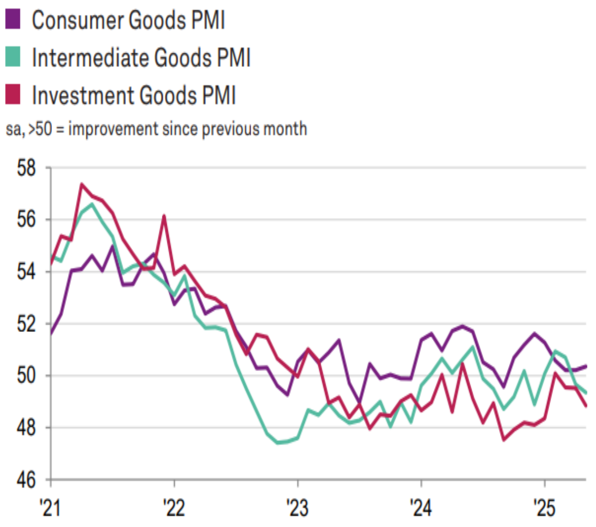
Source: CPB World Trade Monitor, Santander

PMI, weighted averages by region



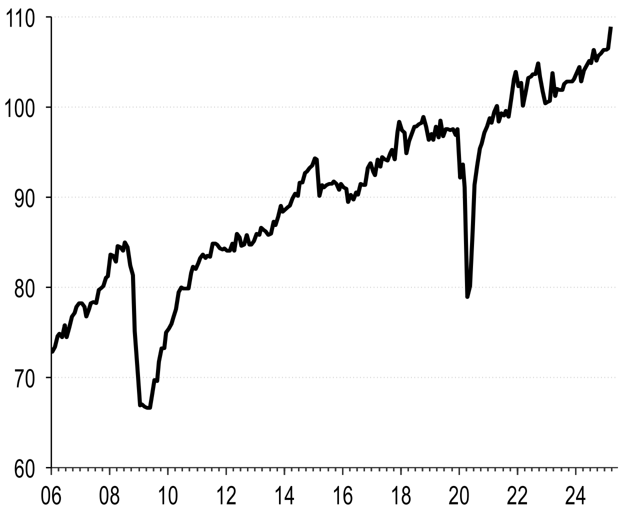
Source: S&P Global, Santander

Global PMI, by type of goods



Source: J.P.Morgan, S&P Global PMI

CPB index of global trade turnover



Source: LSEG Datastream, Santander

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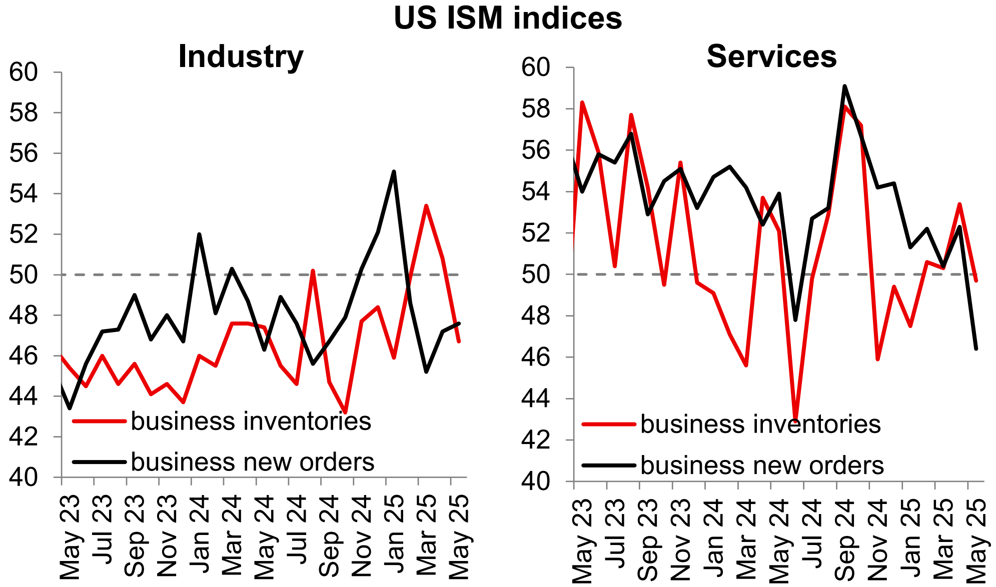
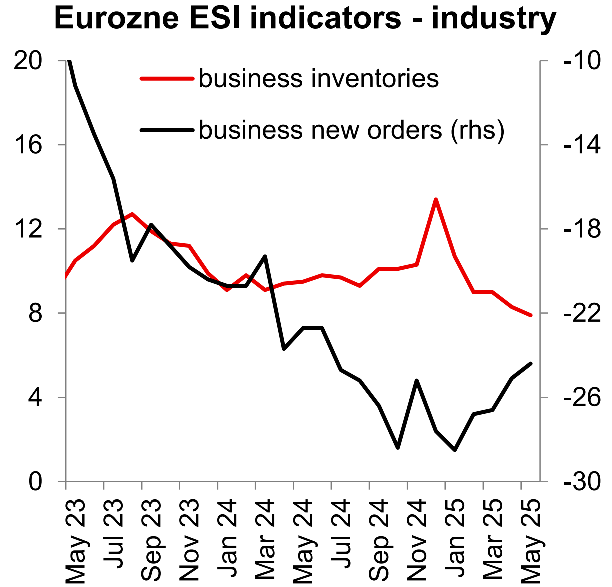
(Temporary?) Improvement in industry and trade

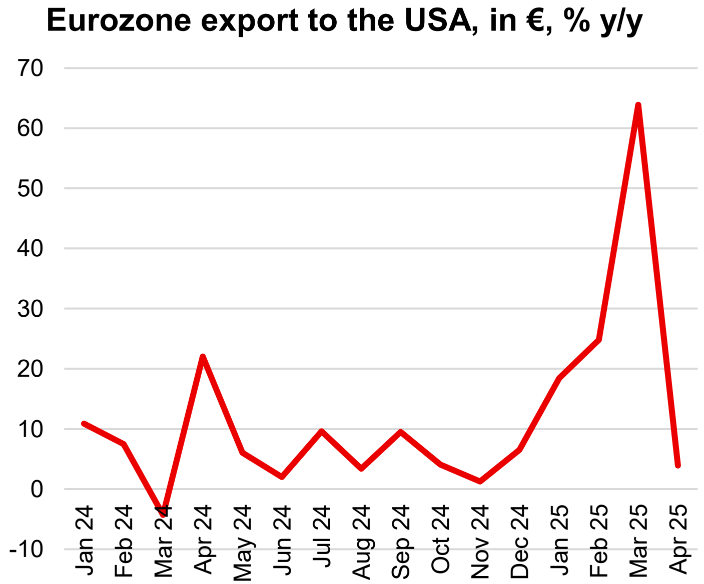
According to the ISM survey, US manufacturing saw an upturn in new orders at the turn of the year and inventory accumulation in the following months. It appears that both waves have now passed. In US services, the stream of new orders has been weakening for six months, while the inventory index rebounded in the December-April period. In this sector too, recent readings suggest that the wave of increased demand has passed.

In Europe, according to the ESI indicators, there was a short-lived intensification of inventory accumulation in industry at the turn of the year. Recent months have been marked by a rebound in new orders, but the level of the index describing their behaviour remains low. The improvement came clearly later than in the USA, which in our view means that it may be of a more organic nature, i.e. expressing a more long-term (although still slow) improvement in European industry regardless of the disruption caused by US tariffs.

The value of shipments of goods to the US from the euro area rebounded by 64% y/y in March, while still in November the growth rate was 1.2% y/y. However, the data for April pointed to a clear weakening in the flow of exports from the euro area to the US, even when correcting for the base effect (unusually high growth in April 2024).







Source: Bloomberg, EC, Eurostat, Santander

(Temporary) Improvement in industry and trade: Poland

In the case of the CEE region, when assessing growth prospects, the large German fiscal stimulus should be taken into account and improve the health of this economy regardless of how the EU's trade relations with the US shape up. At the same time, Poland should, in our view, be less sensitive than other CEE countries to the German recovery, having previously been less sensitive to the German slowdown. Polish industry is also supported by continued robust domestic demand, as evidenced by increased employment in industries focused on the domestic market.

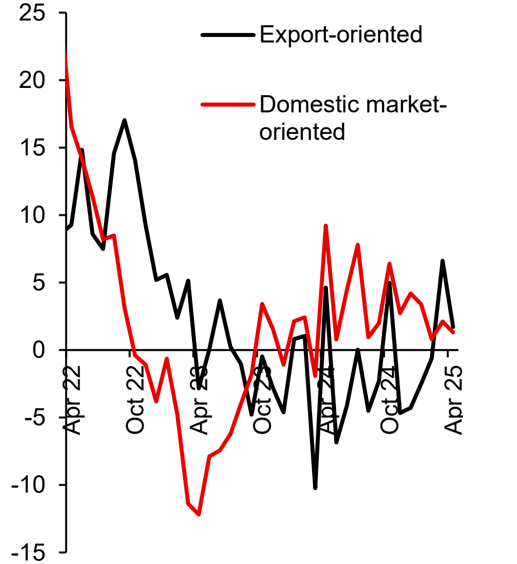
In recent months, there has been some improvement in the ESI indicators for Polish industry and this has concerned current production volumes, but it has been far from spectacular. Nor has it been accompanied by greater demand for factors of production by companies or a parallel improvement in the index of their expected output. In contrast, the narrower, more volatile and more export-focused PMI index jumped above 50 points in February for the first time in three years for three months, before recording its biggest decline in three years.

In our opinion, in Poland it is difficult to speak of a significant wave of increased demand caused by the change in the US trade policy. And since such an improvement is not particularly evident, there is no reason to fear an economic downturn following it.

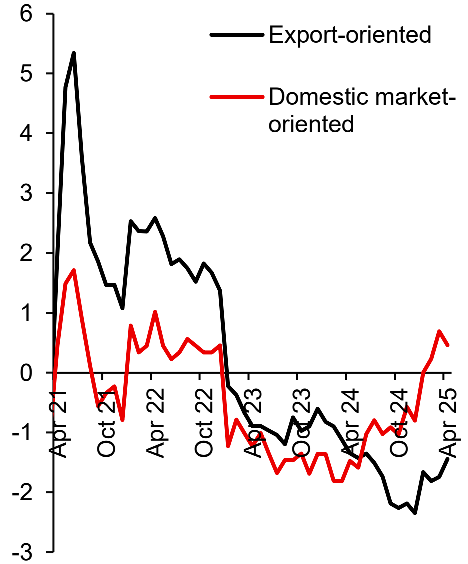
The temporary upturn in exports in February-March was masked by the fact that, just at that time, the production of industries focused on the domestic market slowed down. Employment in export-oriented industries is still falling, albeit by less than 2% y/y.

The performance of the Polish industry is affected by the difficulties of the European automotive sector, regardless of the US trade policy. In addition, the production of consumer durables (white goods, household appliances, furniture) is still not contributing as much to total output growth as in previous cycles. The revision of global trade links and the negotiation of new agreements may raise doubts as to whether the EU chooses to protect these markets from external imports, i.e. to join the tariff wars no longer only against the USA.

Production, industries grouped by exposure to external demand, %y/y

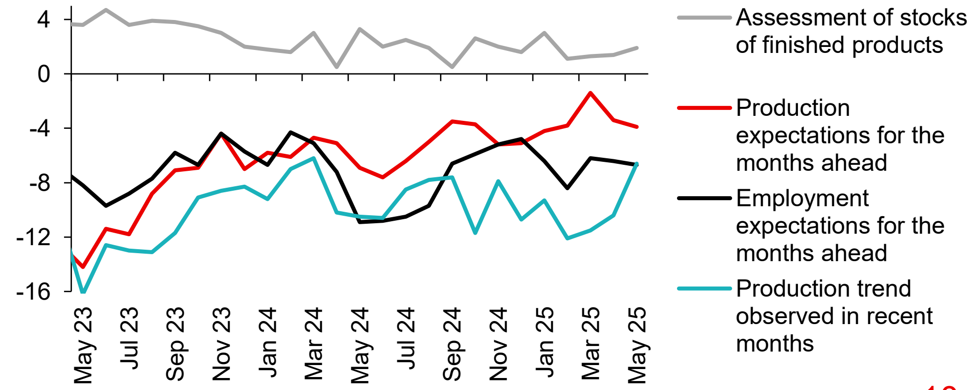


Employment, industries grouped by exposure to external demand, %y/y



Source: GUS, Santander

Selected ESI indicators, Polish industry



Source: European Commission, Santander

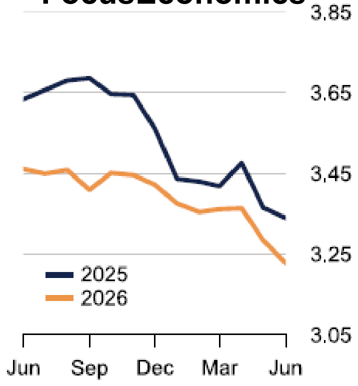
Poland: better or worse in 2026?

In recent months, median forecasts of Poland's economic growth in 2025-26 lowered by c. 0.2-0.3 pp. At the same time, the market consensus indicates that GDP growth in 2026 will be slower than in 2025 - this is forecast by c. 60% of the 60 institutions participating in Bloomberg and FocusEconomics surveys and by basically all public institutions (MoF, NBP, EC, IMF, OECD, EBRD, WB).

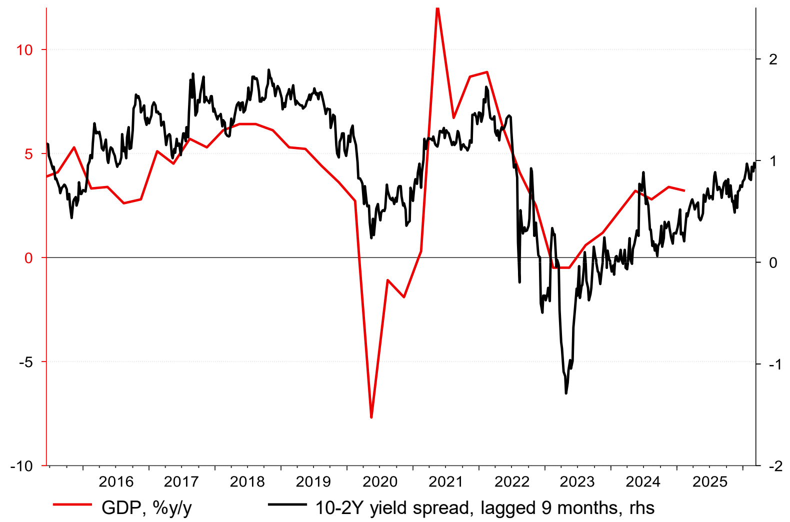
In our view, the domestic economy is recovering. We maintain our GDP growth forecast for this year at around 3.5% and we think it is increasingly likely that 2026 will be even slightly better than 2025 in terms of economic growth. This is supported by, among other things, a delay in the disbursement of EU funds, as a result of which the bulk of the investment impulse will materialise next year rather than this year.

It is worth noting that the shape of the yield curve indicates that the debt market is also pricing in a further gradual acceleration of economic growth in the coming quarters.

Change in median GDP forecast according to FocusEconomics

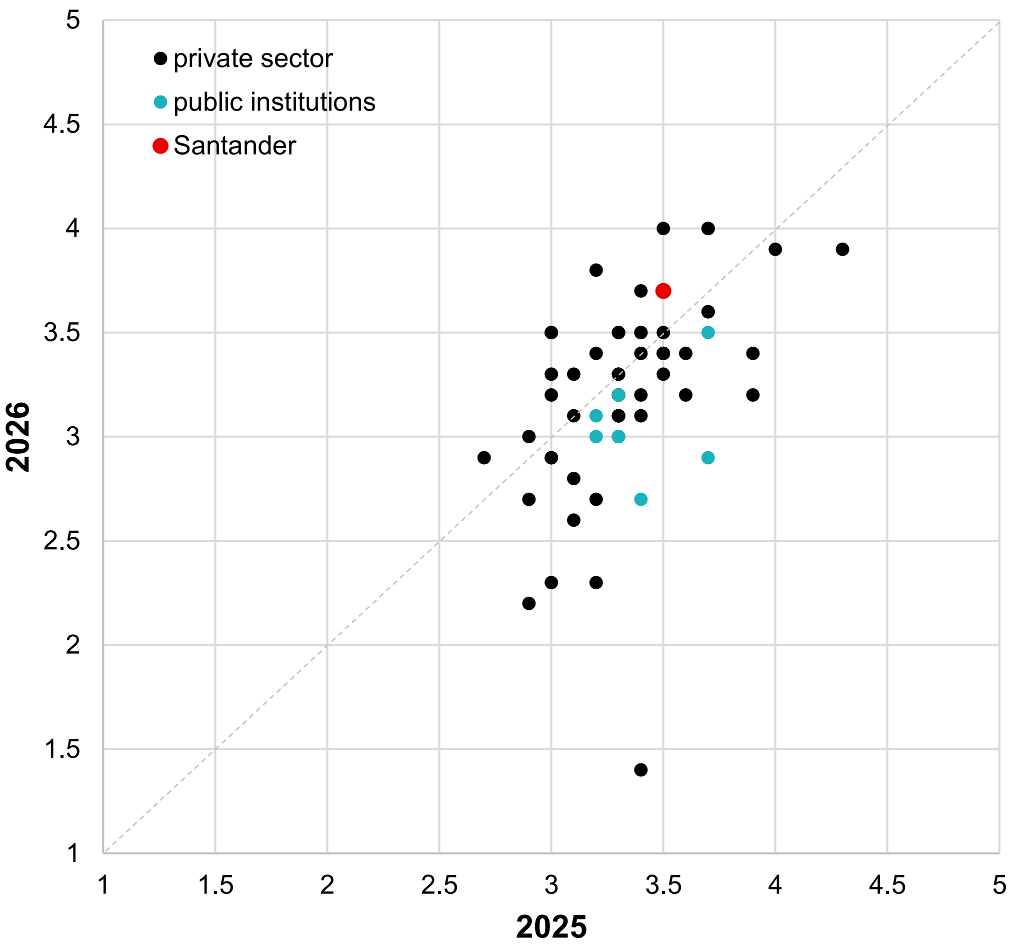


GDP growth and the slope of the yield cure



Source: LSEG Datastream, Santander

Forecasts of Poland's GDP growth, %



Source: Bloomberg, FocusEconomics, Santander

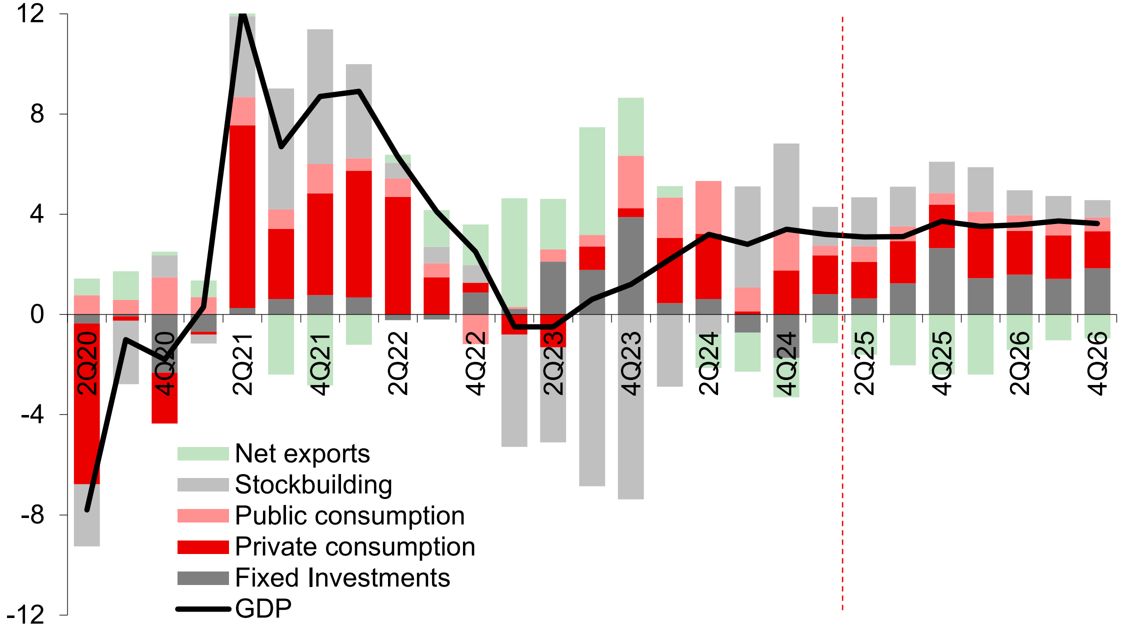
GDP: accelerating towards 4%

Our forecasts indicate that **the pace of GDP growth should accelerate in the following quarters, approach 4% y/y at the end of this year and stabilise slightly below this level in 2026**.

Domestic demand will remain the main driver of economic growth, with private consumption growing by nearly 3% y/y this year and next year fuelled by real growth in household incomes and no further increases in the propensity to save, and with investments accelerating to double-digit growth at the turn of this year and the next, financed by a generous stream of EU funds. Spending of EU funds this year is running a little slower than we had imagined, and as a result the bulk of the investment impulse will, in our view, shift to 2026. The change in inventories should also have a positive impact on GDP – it is a strongly pro-cyclical category, and this year is further supported by the pre-emptive actions of many companies related to uncertainty over future trade policy.

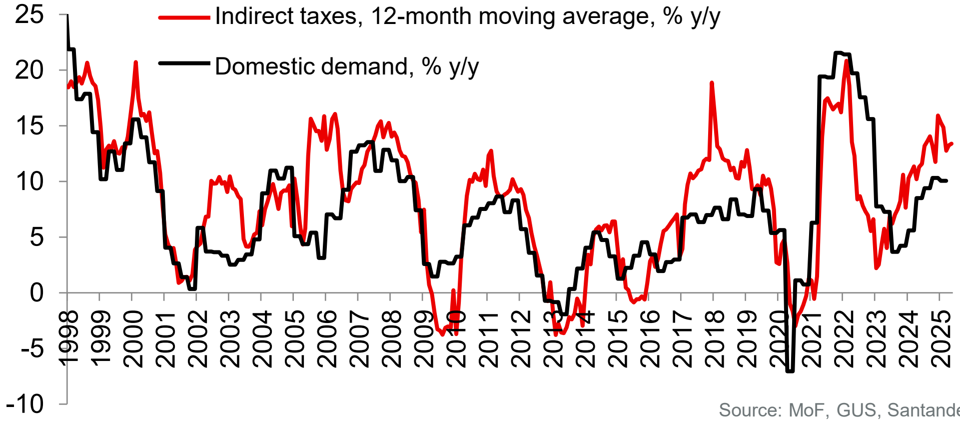
Foreign trade will, in our view, make a net negative contribution to economic growth this year and the next. Even if the improvement in economic activity we expect in Europe (increasingly supported by fiscal stimulation and extensive defence and infrastructure spending) allows domestic export to rebound a little bit more than it has so far, accelerating domestic demand will also mean higher import growth.

Structure of Poland’s GDP growth, % y/y



Source: GUS, Santander

Dochody budżetu z podatków pośrednich a popyt krajowy, ceny bieżące, % r/r



Source: MoF, GUS, Santander

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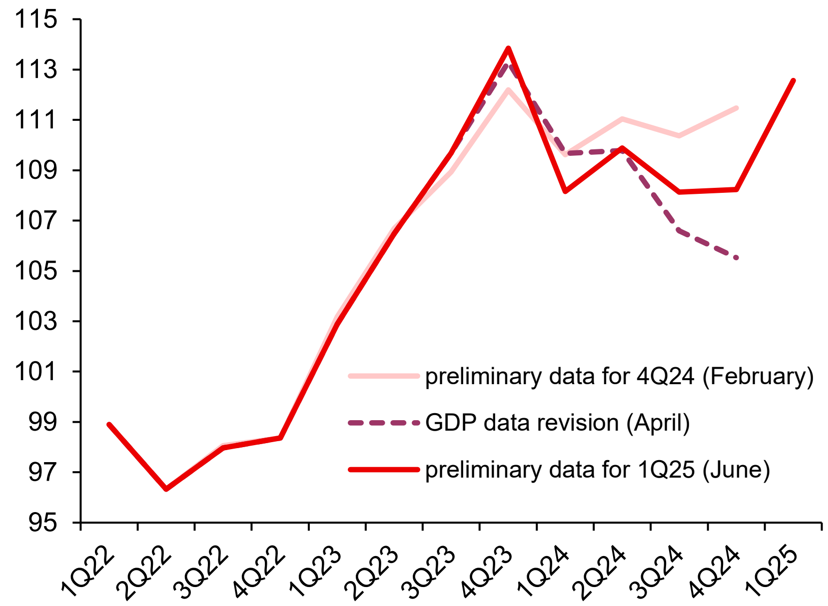
Investment: public sector pulling higher

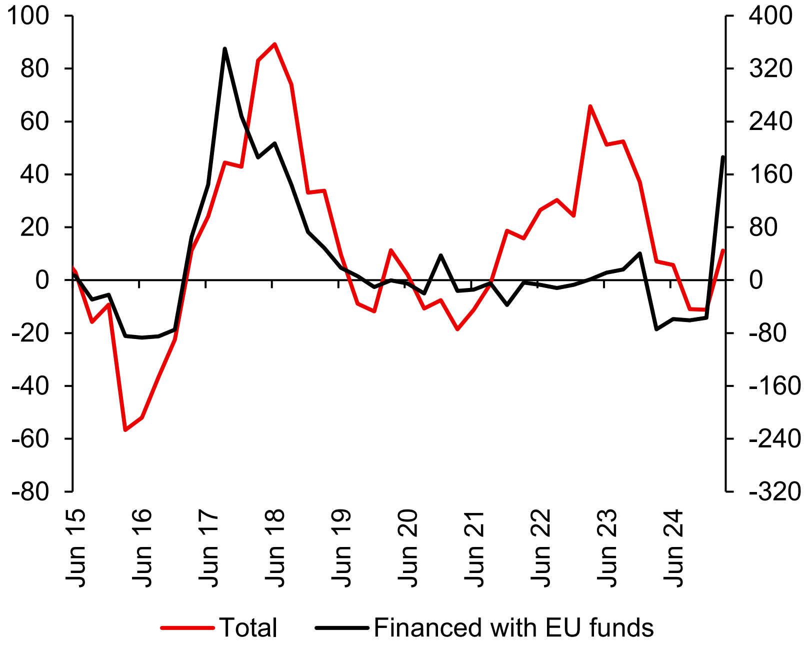
The recent revisions of GDP data substantially changed the trajectory of investments. Meanwhile, 1Q25 data showed a surprisingly strong rebound - an increase by 6.3% y/y after a decline by 6.9% y/y in 4Q24. The improvement in the investment itself was not a surprise, as we had been betting on it for a long time. It was also suggested by data on the EU financing, data on new investment projects or numbers from local governments, which showed a clear increase in capital expenditures, including those financed by EU funds. Yet, the speed of the rebound was impressive. A breakdown of investment by asset type showed that "machinery and equipment, weapon systems" and outlays for non-residential buildings were primarily responsible for the rebound. Based on that, we argue that **the improvement in investment was due to the public sector, particularly military spending and the increasing use of EU funds. This implies that the economy was on a path of investment recovery, but that some of the growth in 1Q25 was due to one-off factors**.

Fixed investment, 4Q19=100, s.a., before and after revisions



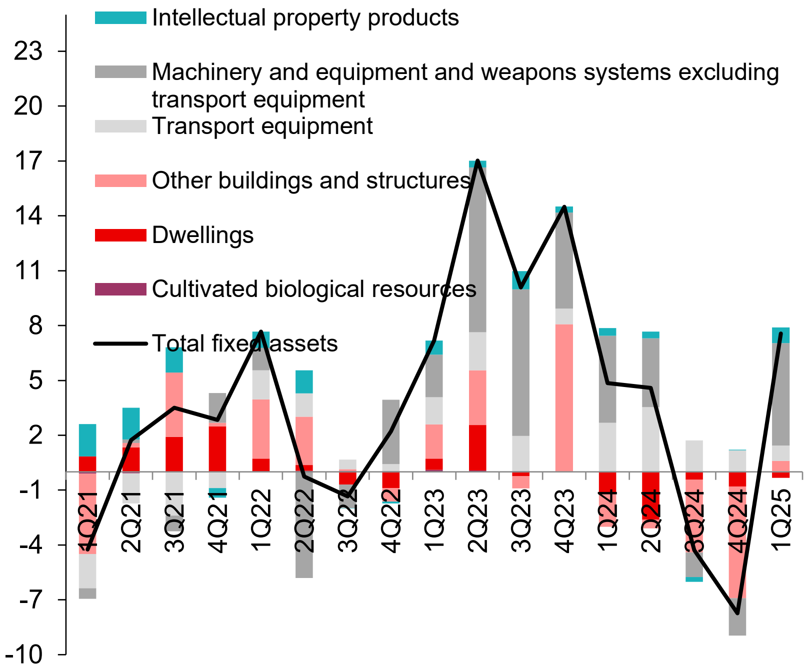
Source: GUS, Santander

Investment of local governments, % y/y



Source: GUS, MoF, Santander

Breakdown of investment by asset type, % y/y

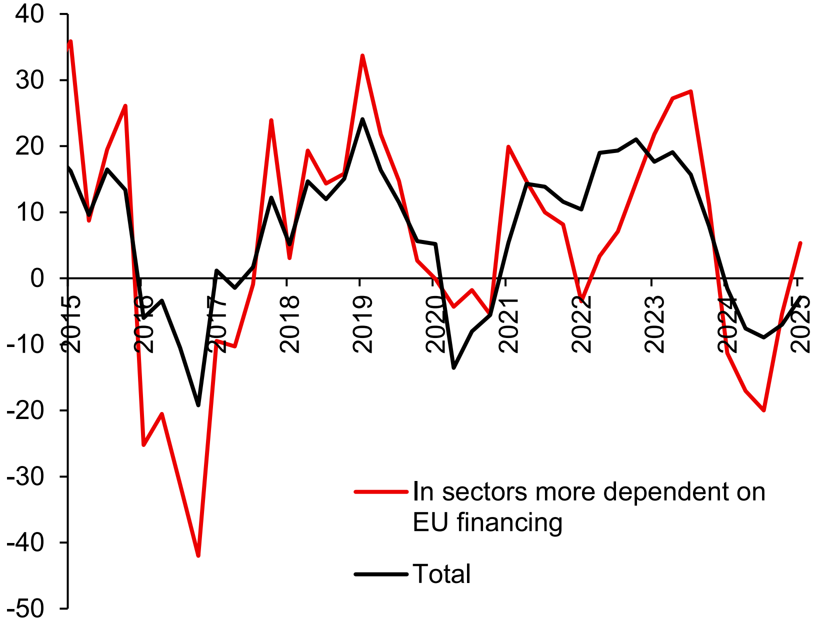


Source: Eurostat, Santander

Investment: private sector dragging lower

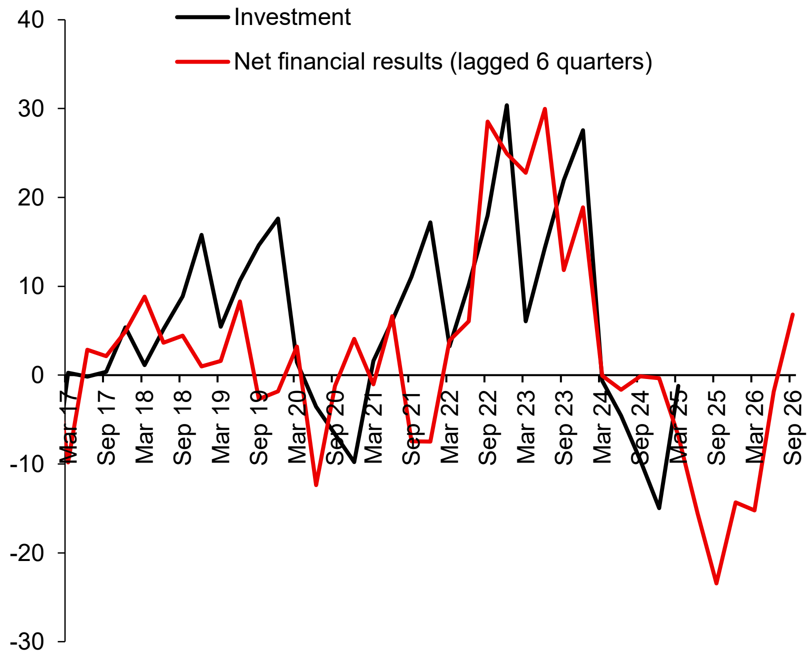
Investment by large companies continued to decline in 1Q2025 (-3.6% y/y), albeit at a slower rate than at the end of 2024 (-8.4% y/y). The improvement was mainly evident in the sectors benefiting more strongly from EU funding. There was also a slight improvement in companies' financial performance in 1Q25, which we believe will translate into an increase in investment activity in the sector in the longer term. The results of the NBP's surveys indicated a certain improvement in companies' investment optimism in 1H2025. **We therefore assume that in the coming quarters, investment outlays will improve in companies oriented towards EU financing, but in the remaining sectors, the revival will appear later - at the turn of 2025 and 2026.**

Investment in big companies, % y/y



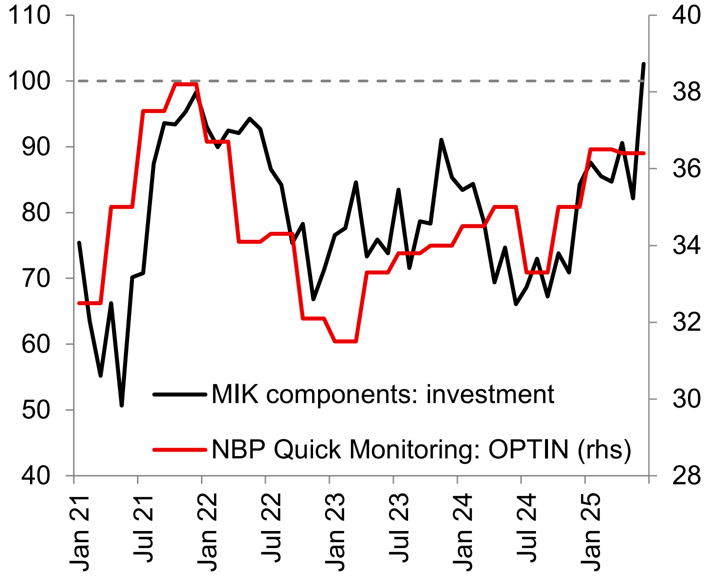
Source: GUS, Santander

Investment vs net financial results, PLNbn y/y



Source: GUS, Santander

Investment optimism index OPTIN



Source: NBP, PIE, Santander

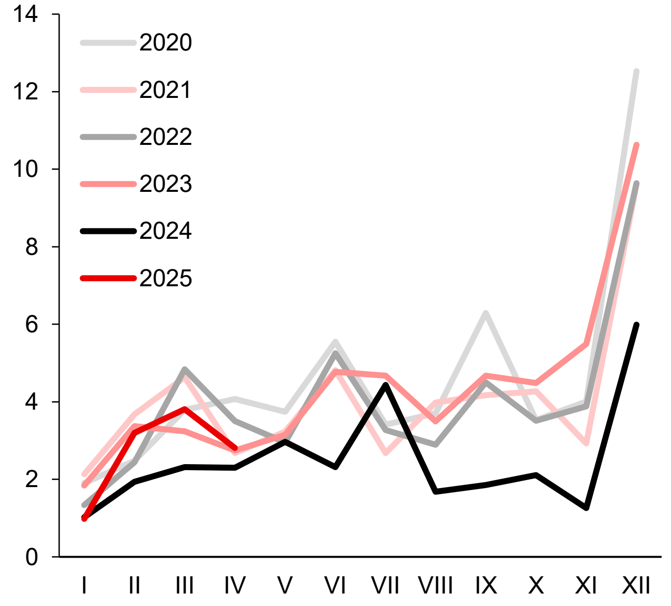
EU funds: rising utilisation

Since the beginning of the year, utilisation of EU funds has been clearly accelerating. According to the reports of the Ministry of Finance, EU funds budget expenditure in the first four months of the year equalled PLN23.4bn and thus increased 44.0% y/y. Expenditure from Cohesion Policy funding stood at PLN10.8bn, which constitutes an increase of 42.6% y/y.

Relatively high utilisation of EU funds in the first four months of the year allowed EU funds budget expenditure to break out of the downtrend which had been observed over the earlier quarters. This development means that the beginning of 2025 likely marked a turning point in the cycle of EU funds utilisation. This supports our expectations for a strong increase in investment over the course of the year.

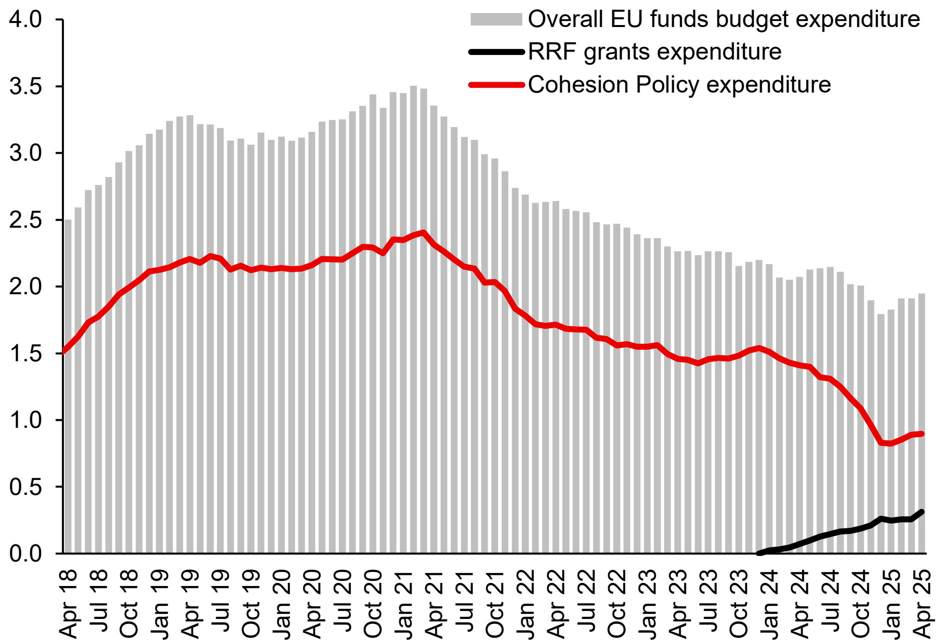
We expect that **in 2025, expenditure from 2021-2027 Cohesion Policy funds will exceed PLN30bn**.

Monthly EU funds budget expenditure of Cohesion Policy funds, PLN bn



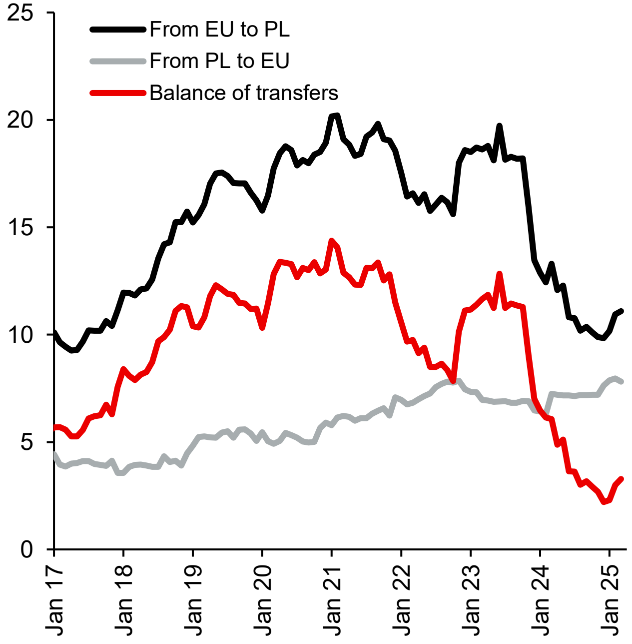
Source: Ministry of Finance, Santander

EU funds budget expenditure, 12-month moving sum, % GDP



Source: Ministry of Finance, GUS, Santander

Transfers between Poland and the EU, 12-month moving sum, EUR bn



Source: NBP, Santander

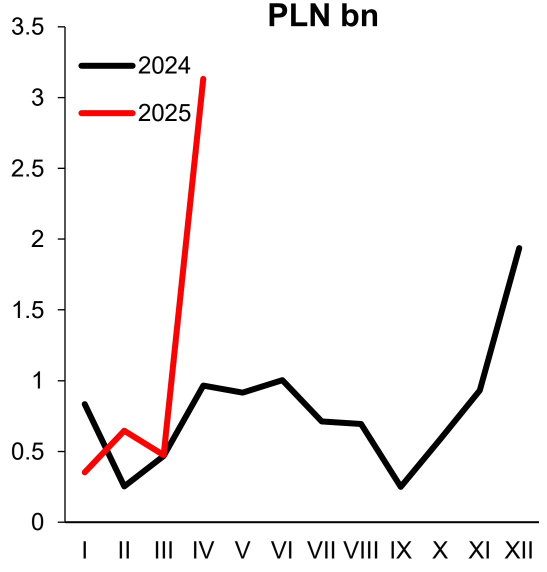
EU funds: what's next for the Polish RRP?

Although the first quarter of the year saw a significant increase in expenditure of "conventional" EU funds, there was little progress in RRF grant expenditure. According to data from the reports of the Ministry of Finance, RRF grant expenditure amounted to around PLN1.5bn, which was around 5% less than in 1Q24.

Nevertheless, subsequent quarters should bring an acceleration in implementation of the Polish RRP. This expectation is supported by, among other things, the strong increase in RRF grant expenditure in April, equal to around PLN3.1bn. Moreover, according to data as of 20 May, the value of RRF grants disbursed by the PFR amounted to PLN20.1bn, suggesting that the utilisation of RRF grants increased by around PLN5bn from the end of 1Q25 to May 20th, and should exceed this amount in the whole 2Q25. The utilisation of RRF grants in the second half of the year remains difficult to determine, but the high level of contracted grants, in excess of PLN60bn, and the acceleration seen in the balance of payments data are a good signal.

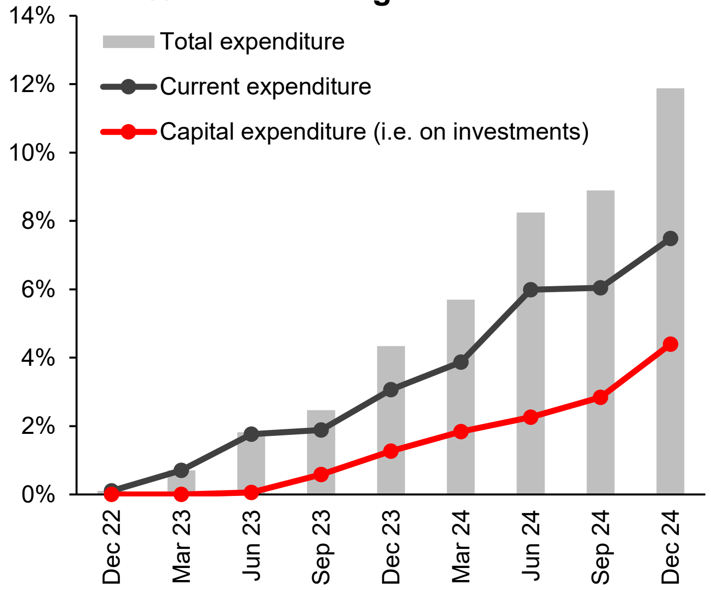
Because of the relatively weak first half of the year, **we have decided to revise our forecast of RRF grants expenditure in 2025 to around PLN40bn**, below the PLN50bn planned in the Budget Act. On the other hand, due to the agreement to extend the settlement of investments financed from the RRF until the end of 2026, **we have increased our forecast for RRF grants expenditure in 2026 to around PLN50bn**.

Monthly EU funds budget expenditure of RRF grants, PLN bn



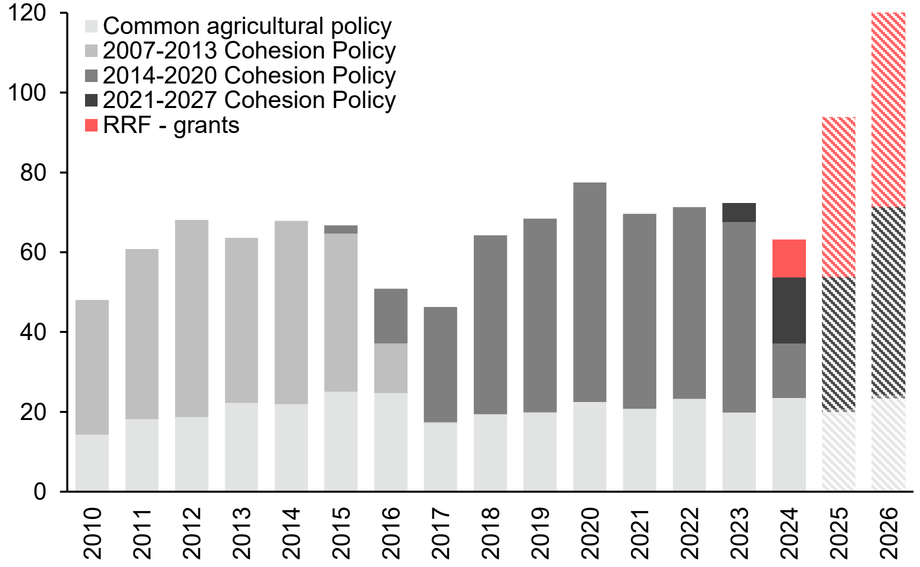
Source: Ministry of Finance, Santander

Cumulative current and capital expenditure from RRF grants in the balance of payments, % of total RRF grant allocation



Source: Santander's approximation based on the NBP's balance of payments report

EU funds budget expenditure, actual and forecast by Santander, PLN bn

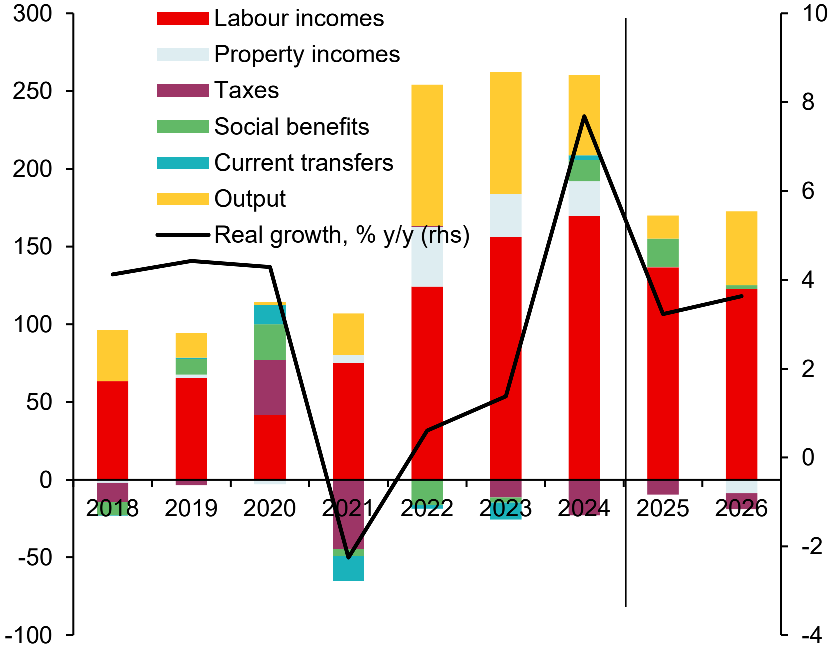


Source: Ministry of Finance, GUS, Santander

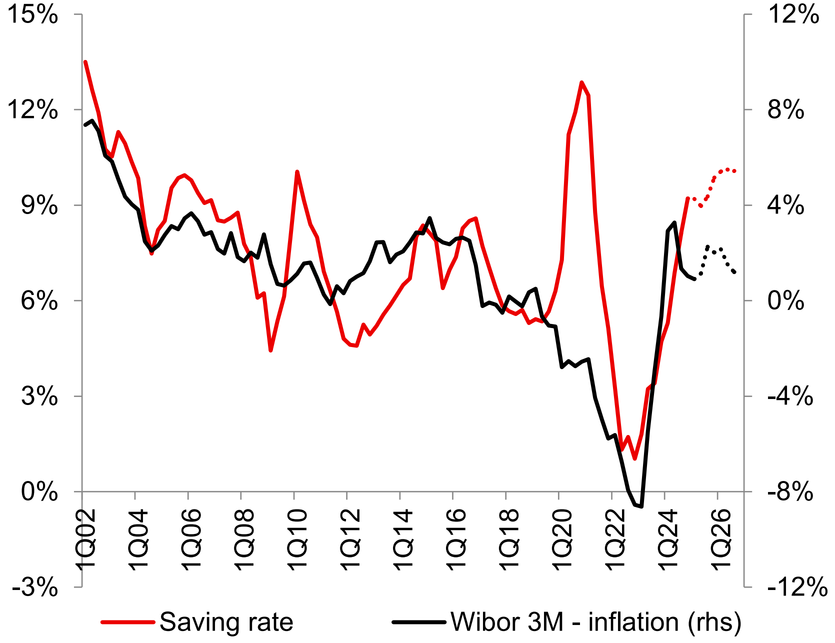
Personal income will advance slower but robustly

In 2024, households' disposable income grew by 7.7% in real terms, allowing consumption to increase by 3.1% and at the same time the savings rate to go up to 9.2% from 4.7% in 2023. **In 2025 and 2026, income growth will no longer be as dynamic in our view and will be around 3% in real terms**. We do not see room for a further increase in the savings rate - it is high by historical comparison, and we do not expect events that could negatively affect consumer optimism and their propensity to spend. On the other hand, real interest rates will remain close to current levels, so in our view, the room for a decrease in the saving rate is also limited.

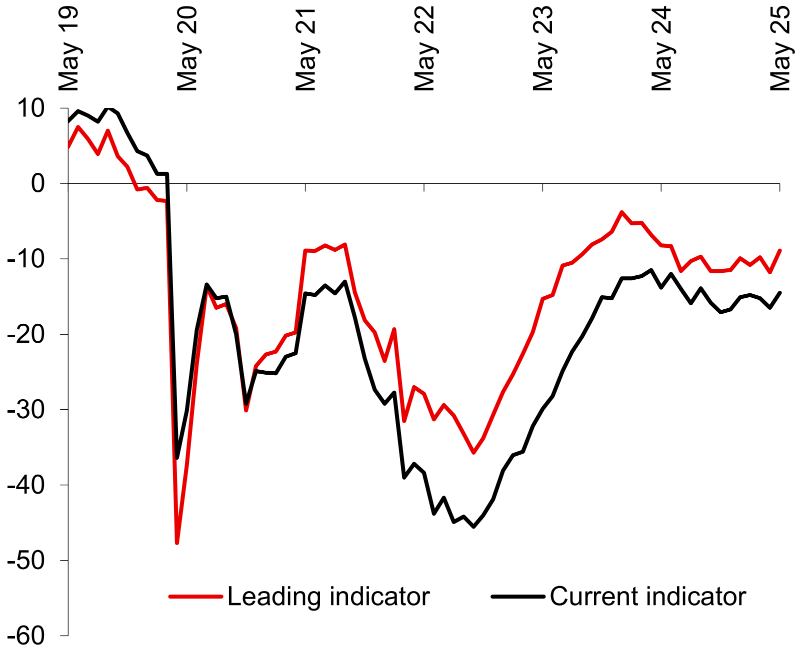
Households' disposable income, PLNbn y/y



Households' saving rates vs ex ante real interest rates



Consumer confidence, pts

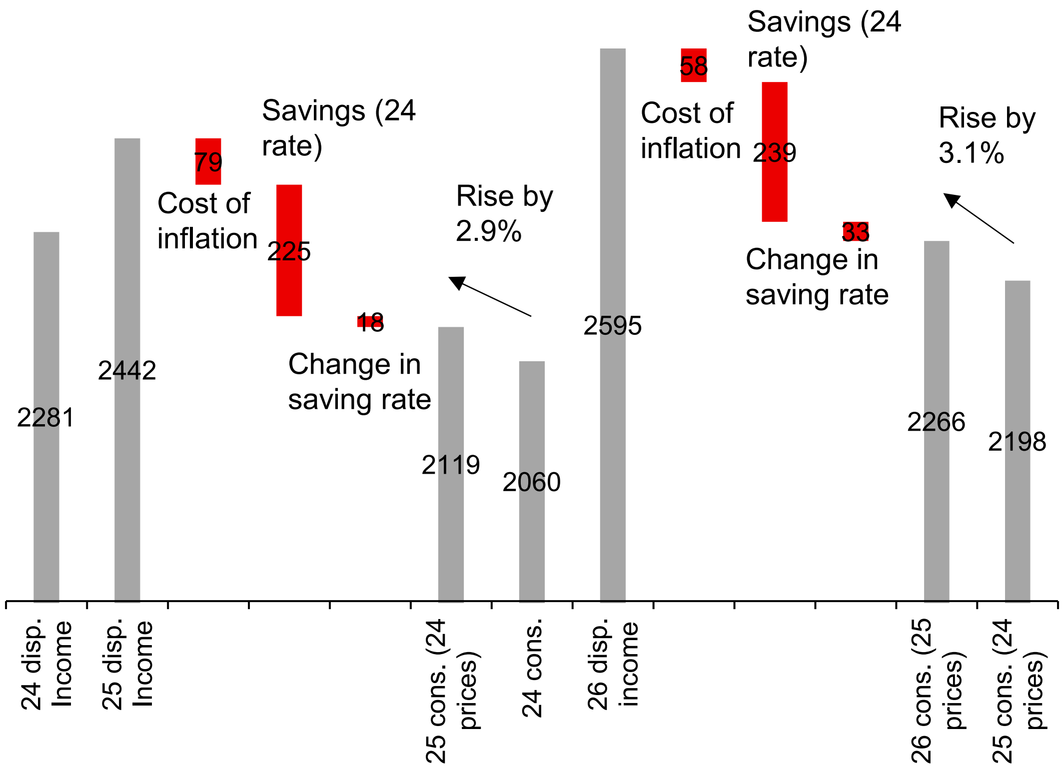


Source: GUS, Eurostat, Santander

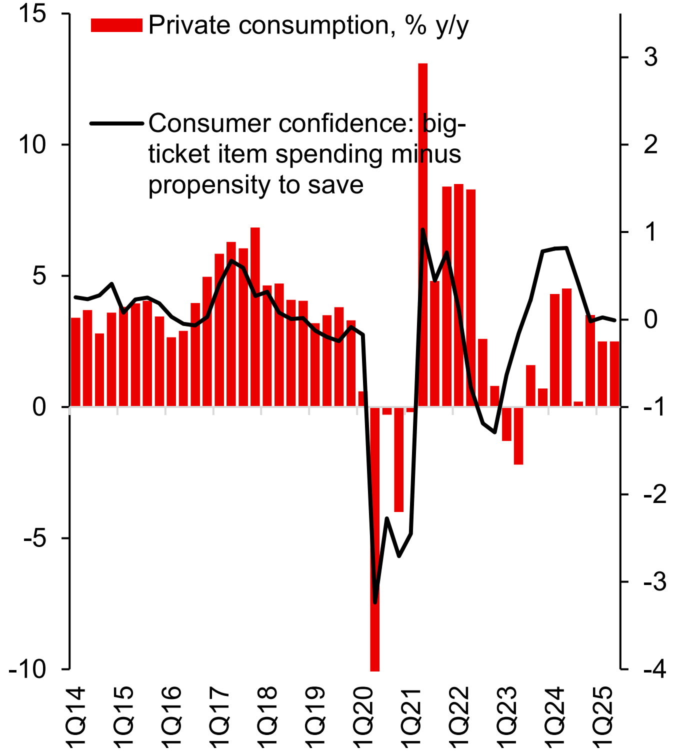
Consumption to rise at a moderate pace

With real income growth at around 3% and stable savings rate, **we expect consumption growth to be maintained at around 3%, similar to 2024.** Our expectations are supported by the first data of the year - on private consumption in 1Q25, on retail sales, on services production and on consumer sentiment indicators. **Our forecasts are rather cautious, as we do not assume a decline in the savings rate**. In 2026, the risks to household income are, in our view, asymmetrically upwards, as - in the face of the ruling camp's defeat in the battle for the presidency - a battle for voter sympathy in the form of looser fiscal policy can be expected.

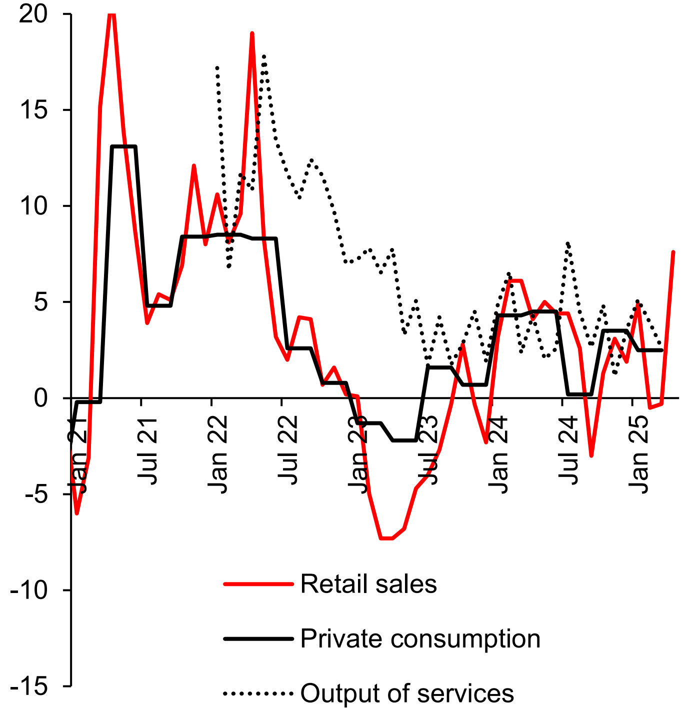
Incomes and consumption in 2025 and 2025 – breakdown



Private consumption vs consumer confidence



Private consumption vs retail sales and services output



Source: GUS, Eurostat, Santander

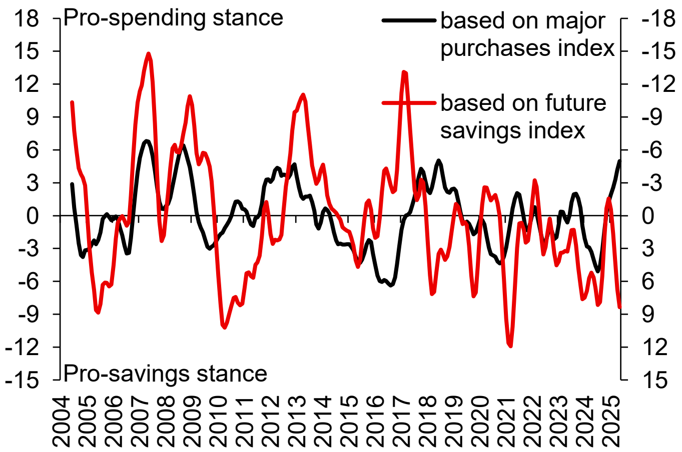
Consumption: higher expenditure on durable goods

The year 2024 and 1Q25 showed that quite good consumption growth can go hand in hand with a historically high saving rate. This has been made possible by a sizable increase in real incomes, which, in our view, has significantly expanded the group of people who can afford to set aside part of their current income for later - according to the GUS consumer survey, from an average of around 50% in 2023 to around 60% in 2024 and an average of 61.7% in January-May this year. Hence, the recent record levels of the future savings index in the survey do not necessarily imply a decisive pulling of the spending brake by households. The rate cut has boosted credit sales, so perhaps the willingness to save will also be affected. In forecasting consumption, however, we conservatively assumed that the saving rate would remain elevated.

It turns out that the appetite for major purchases is now quite strong. We adjust the respective index reported by GUS for the changes in consumers' opinions about their own financial situation. The measure obtained in this way rose in May to one of the highest levels of the last 20 years. This openness to large expenditures can possibly be attributed, among other things, to the technological change that has been taking place in recent years in the automotive market. Among new cars, those with alternative propulsion already account for half of sales in Poland. Over the last 1.5 years, the consumption of consumer durables (which includes cars) has been making a solid contribution to the growth of total private consumption, significantly higher than in earlier years.

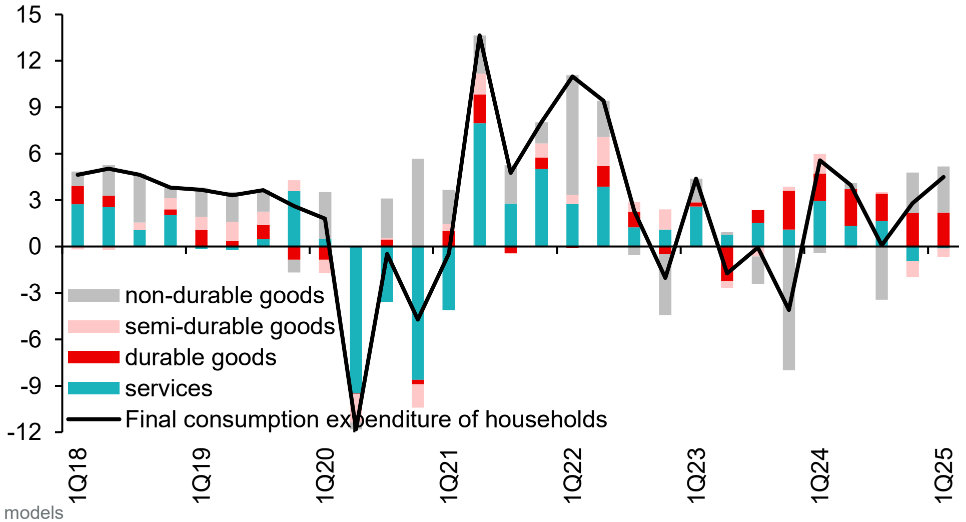
At the same time, the structure of consumption growth points to a decline in contribution from services in recent quarters. In our opinion, however, it is only a matter of time before this part accelerates again, as the level of services consumption is still far from the pre-pandemic trend (in the case of durable goods, however, it has already crossed the trend line a year ago).

Indices of consumer attitude towards major purchases and saving



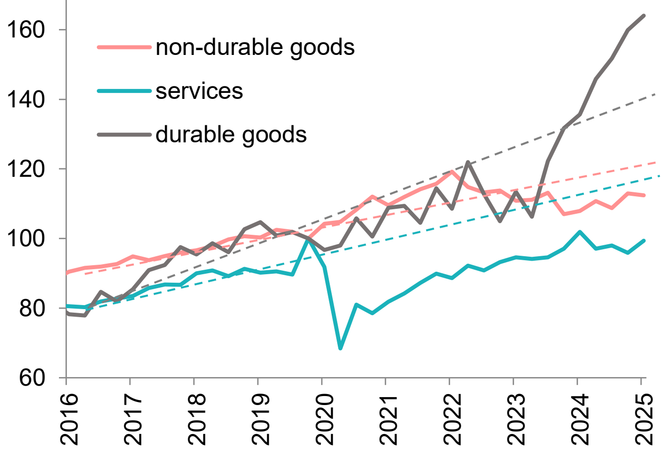
Calculated as residuals from econometric models of respective indices taken from GUS consumer survey with financial situation indices used as explanatory variables

Final consumption expenditure of households, y/y growth structure



Source: GUS, Eurostat, Santander

Private consumption in constant prices, seasonally adjusted, 4Q19=100



Dashed lines show the pre-pandemic trend

Labour market: contradictory signals (1)

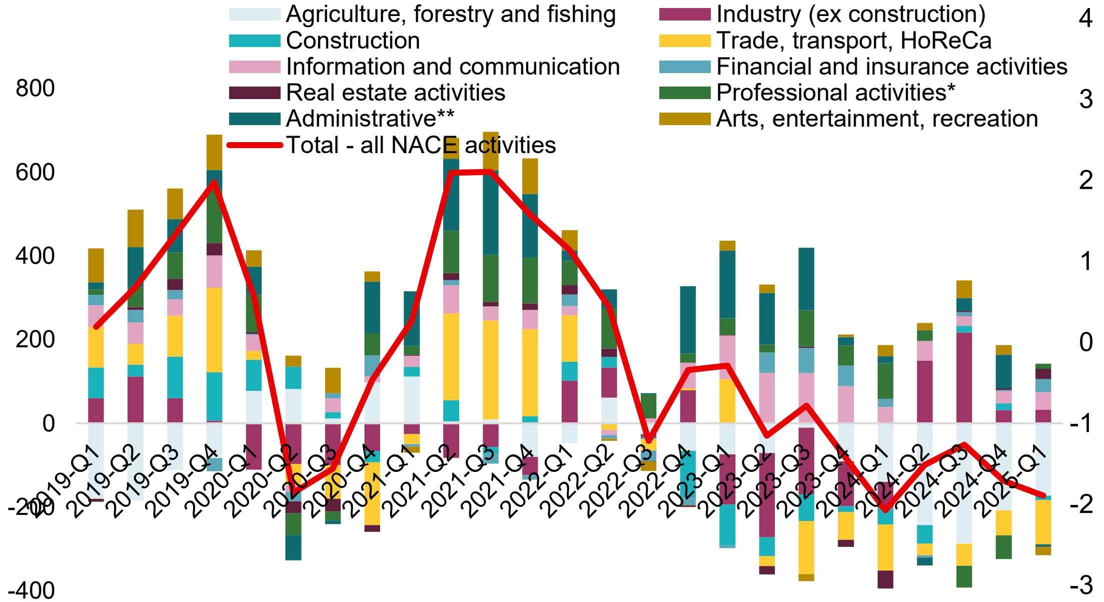
The first quarter of 2025 was the sixth consecutive quarter in which the employment in the National Economy declined year-on-year. The decline took place mainly in agriculture, while quite a few industries increased employment. The demographic factor should also be taken into account in assessing the situation. According to the LFS, the working-age population fell by 0.6% y/y in 1Q25, while last year it contracted by 0.8-0.9% y/y. Therefore, a decline in the number of employed people on a similar scale should be considered a neutral development. On top of this, the number of insured in ZUS (the Social Insurance Institution) has been stable in recent quarters, although the number of Poles registered there has been falling.

There are also contradictions in the unemployment statistics. According to Eurostat, the number of unemployed has risen in recent months and is the highest since the middle of 2021. LFS data for 1Q25 suggests that this is due to an increase in the number of people losing their jobs. However, nothing of the sort can be seen in registered unemployment and demand for labour has not collapsed.

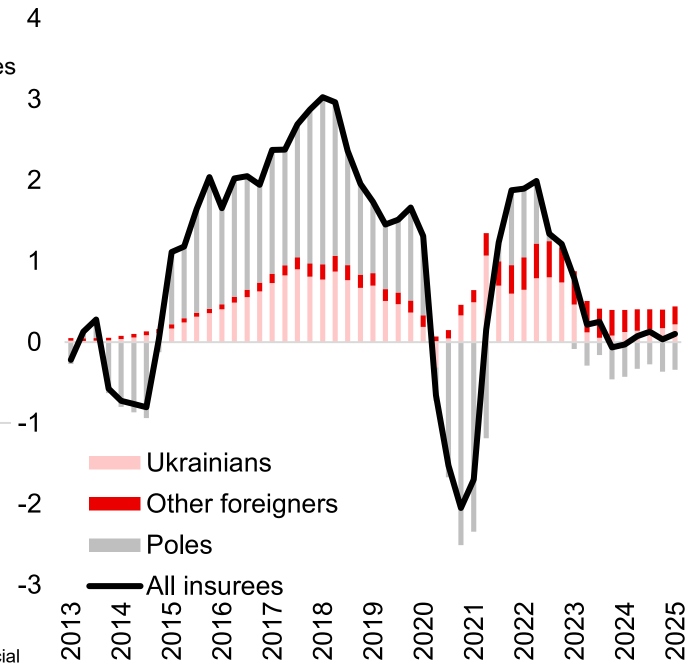
We are inclined to hypothesise that the contradictions in the data are caused by differences in the data's coverage of foreigners, whose number in the labour market is increasing but whose presence is short-term and whose work is often based on civil-law contracts.

Overall, we expect an improvement in the labour market in the coming quarters. **In our scenario, the revival of investment plays an important role and should lead at least to a stabilisation, if not an increase in employment.**

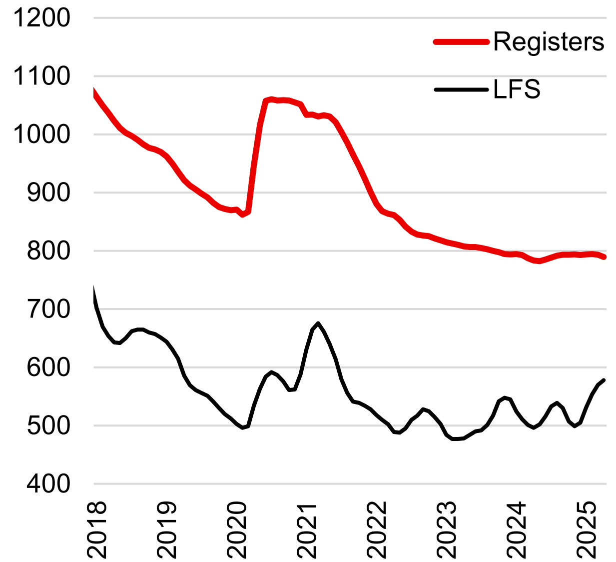
Employed in the national economy, thousands y/y



People insured with ZUS, % y/y



Number of unemployed, SA, thousands



* Professional, scientific and technical activities; administration and support activities
** Public administration and defence; compulsory social security; education; health and social work activities

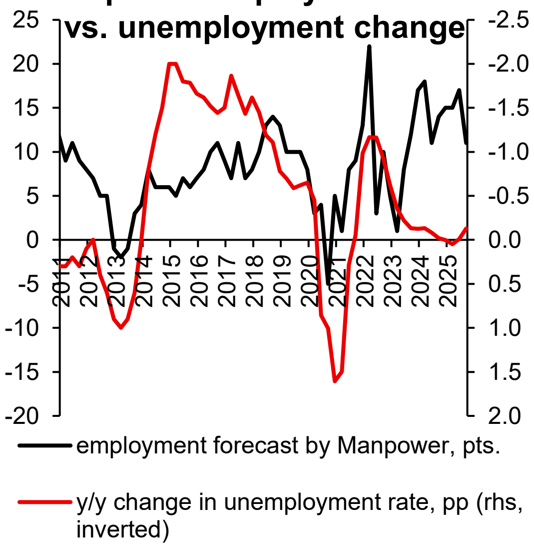
Source: Eurostat, GUS, ZUS, Santander

Labour market: contradictory signals (2)

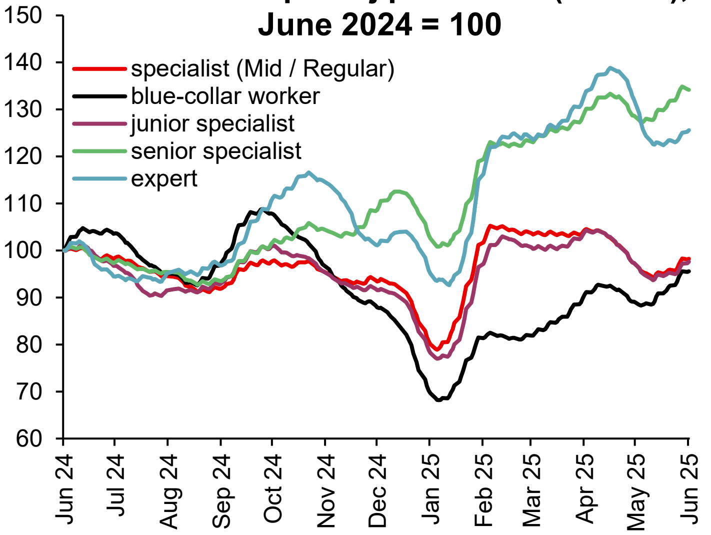
In surveys among companies, indications of continued solid labour demand prevail. This is confirmed by the number of online job listings (albeit mainly for skilled people). The relation between the Manpower index and changes in unemployment tells us that this demand is not, however, leading to employment growth. We see the reason in the exceptionally small pool of job seekers and the relatively high cost of labour. Labour costs are now the most commonly reported barrier to business growth by companies.

In the case of unskilled work, the market is being stiffened by the rapidly increasing minimum wage in recent years - by more than 100% from the end of 2019, the fastest in CEE. The increasing entry threshold into the labour market can be seen in the CBOS survey of households: fears of losing a job are not intensifying, but the share of opinions that jobs are hard to get is increasing. We conclude that due to the level of wages, companies have become “picky” and are cautious both in reporting vacancies and in filling them.

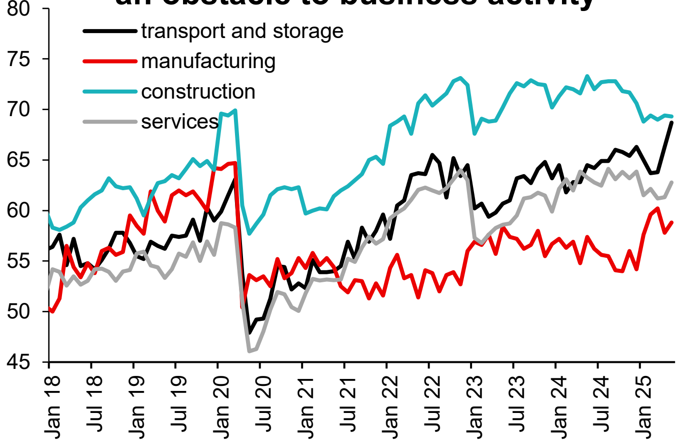
Manpower employment index vs. unemployment change



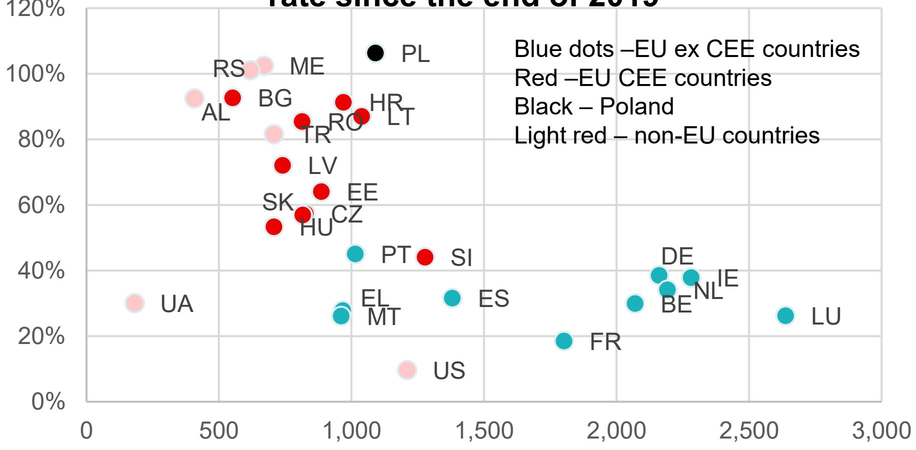
Job offers on pracuj.pl website (filtered), June 2024 = 100



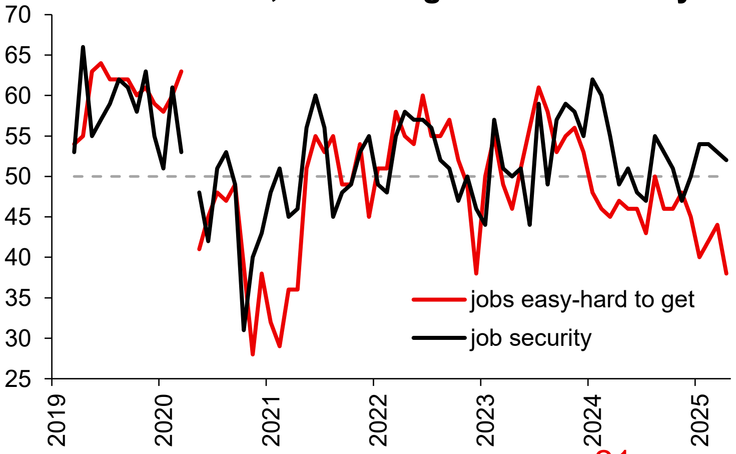
Share of companies naming labour costs as an obstacle to business activity



Minimum wage level in EUR and its growth rate since the end of 2019



Assessment of labour market situation by households, according to CBOS survey



Source: Bloomberg, Eurostat, Manpower, pracuj.pl, Santander

Wage growth decelerating, though not very fast

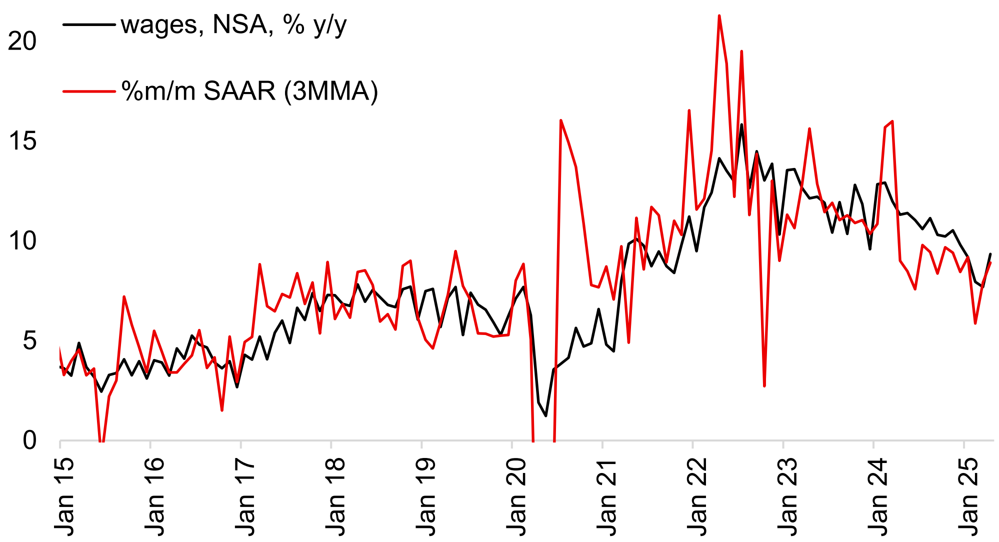
Wage growth is slowing but still tends to surprise upwards. Although data from the corporate sector for the first three months of the year showed a strong deceleration, below 8% y/y, which contributed to the MPC's dovish pivot, there was already a marked upward rebound in April. More importantly, wage growth in the whole economy in 1Q25 was still in double digits at 10% y/y, despite a much more modest increase in the minimum wage and increases in the public sector than in previous years.

The government's proposal to raise the minimum wage by 3% in 2026, after it had risen by 8.5% this year and nearly 20% in the previous two years, should work strongly towards further moderation of wage growth in the economy.

Similarly, the proposal to increase salaries in the budget sphere by 3% next year, against 5% this year, works in favour of lowering wage growth, even if one makes allowance for the fact that the actual change in the budget sphere wages deviates from the figure proposed by the government.

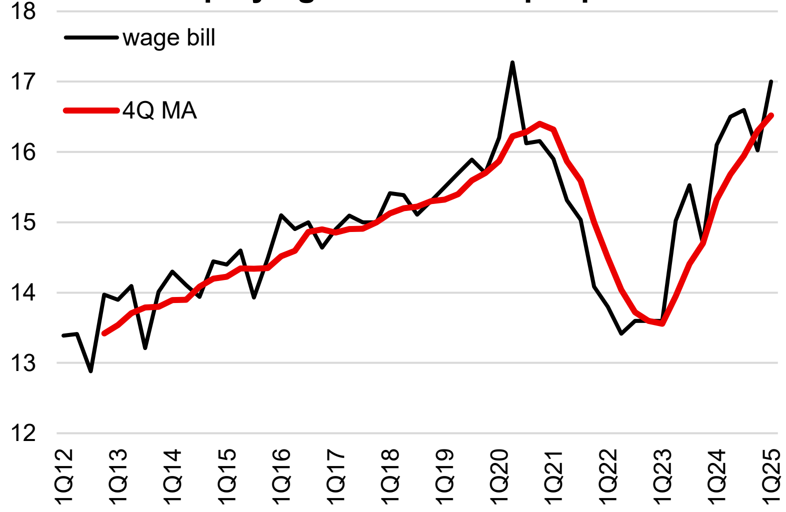
The share of labour costs in large and medium-sized companies has been building up over recent years and is already historically high - around the record levels recorded in the last quarters before the pandemic. The increase in the share of labour costs has taken place in spite of declining wage growth. In our view, this will determine the low propensity of companies to succumb to wage pressures in the coming quarters, because of which wage growth in the economy should continue to lose momentum, falling towards 7% y/y.

Wage growth in the corporate sector



Source: Bloomberg, Santander

Share of the wage bill in the costs of companies employing 50 and more people



Source: GUS, Santander

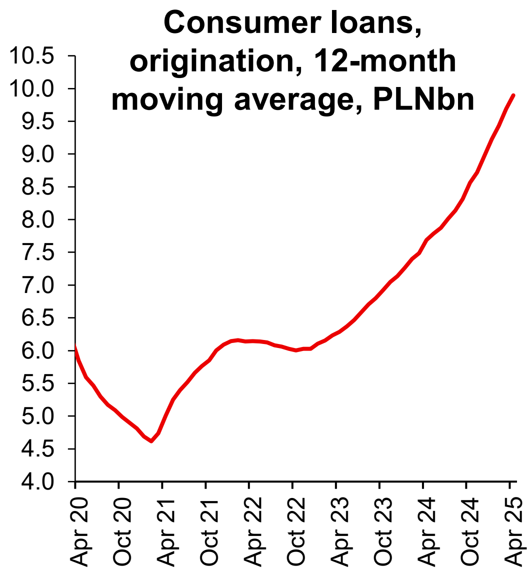
High loan market activity

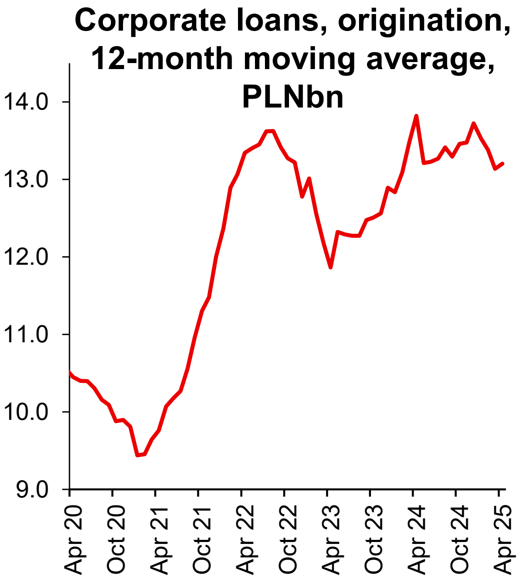
The credit market continues to be on the upswing. This is particularly evident in the consumer credit market, which has been pushing upwards without stopping, breaking new sales records. In April, consumer loans worth PLN11.4bn were disbursed, which is the highest value ever and broke the previous record, which was set just in March. We think that the fairly good consumer climate will support further market growth

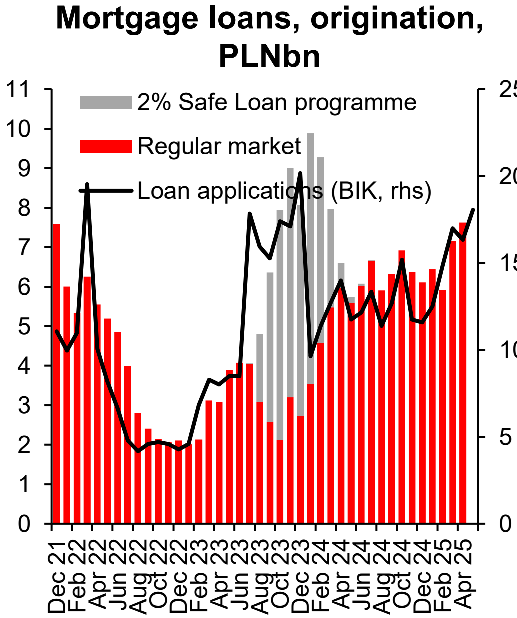
The upward momentum in the mortgage market has also been revealed in recent months. In both March and April, loan origination exceeded PLN7bn for the first time since the BK2% scheme was exhausted, and the number of new applications suggests this trend will continue in the coming months. In our view, demand has been mobilised by the stabilisation of house prices, the fall in interest rates and the decline in the chances of another government programme. We assume a stabilisation of market dynamics in the coming quarters.

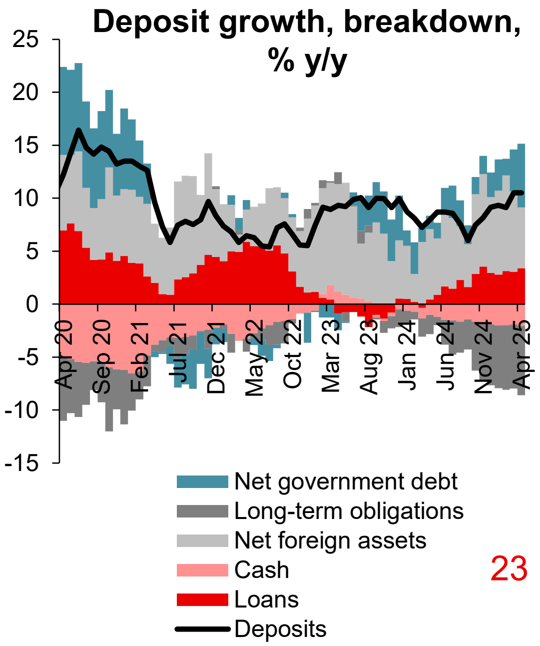
Corporate credit looks slightly weaker against the background of these two markets, with sales still hovering around record levels, plus, in our view, improving corporate demand should be supported by an investment recovery and growing use of EU funds. According to our estimates, **every additional PLN1bn in EU funds contracted by companies corresponds to an average increase of PLN0.6bn in bank lending to businesses. This suggests that further utilisation of 2021-2027 Cohesion Policy funds should stimulate demand for loans.**

We assume that credit market growth in volume terms will remain at 5-6% y/y this year. Deposits will grow at a faster rate of 8-9% y/y, due in part to loose fiscal policy and an increase in net foreign assets in the banking sector.









Source: BIK, NBP, Santander

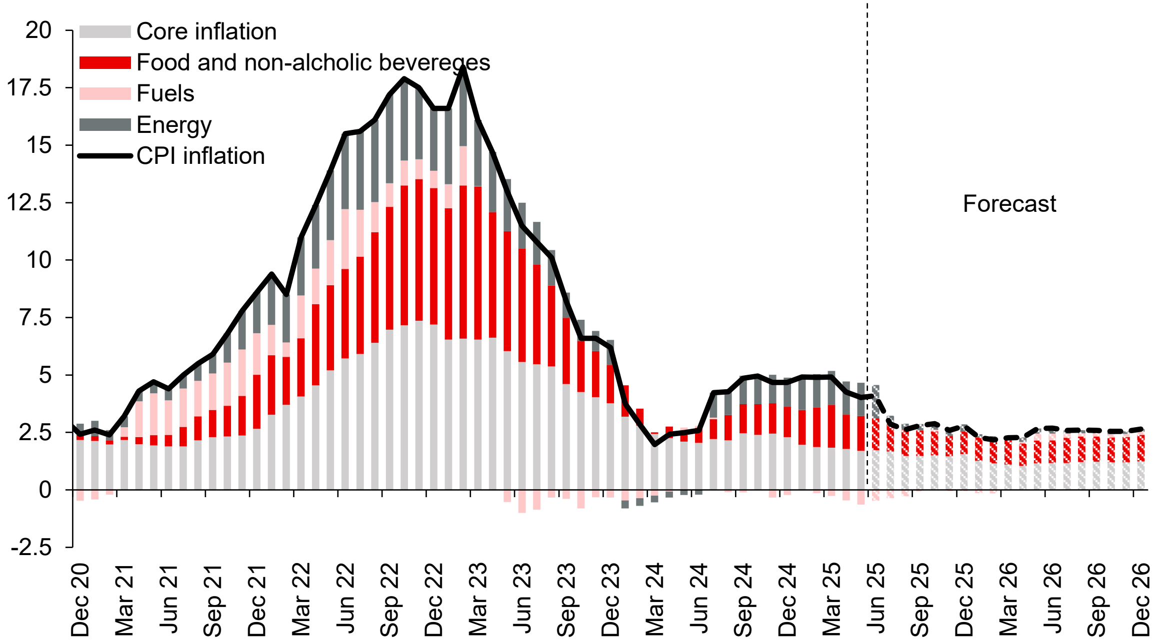
Inflation: the final leap to the band of target deviations

CPI inflation is very likely to return in July to the band of deviations around the NBP's inflation target, equal to 2.5% ± 1 pp. Its decline will result in a significant part from a high statistical base, caused by the increase in energy prices in July 2024, and will be further supported by the decrease in gas prices announced by the Energy Regulatory Office (p. 26). We estimate that these factors should bring inflation slightly below 3% y/y. **For the remainder of the year, price growth will likely remain relatively stable, fluctuating between 2.6% and 3.0% y/y, and in 2026 we see a good chance of CPI anchoring in a narrow range around the target (2.2-2.7%)**, assuming energy and fuel prices and exchange rates stabilise.

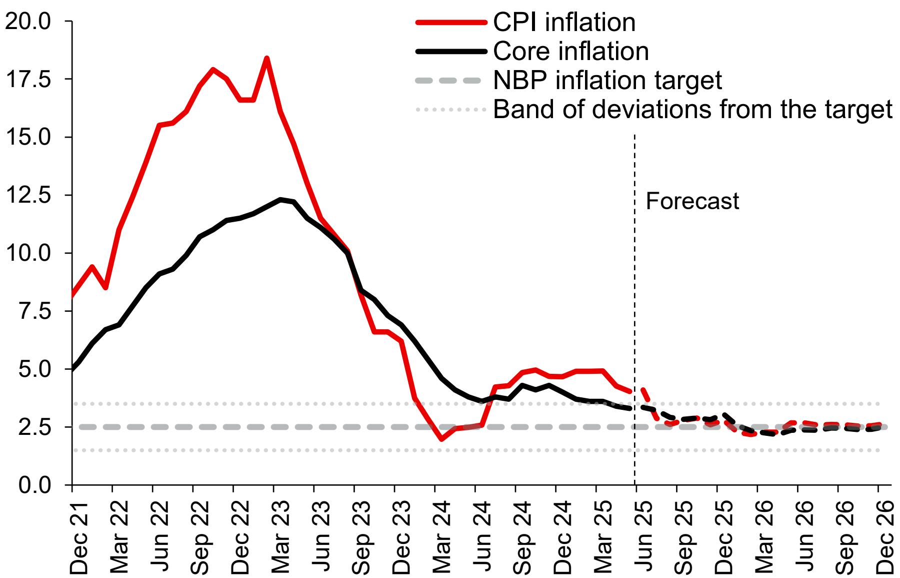
Every 10$ increase in the price of Brent increases domestic inflation by c. 0.15 pp, and every 10% change in the value of PLN may change inflation by nearly a percentage point.

Core inflation will most likely stabilise a bit above 3% y/y in the second half of the year. However, already at the beginning of 2026, core inflation should decline below this level and over a few months return to the target of 2.5% y/y.

Structure of CPI inflation, % y/y



CPI inflation and core inflation, % y/y



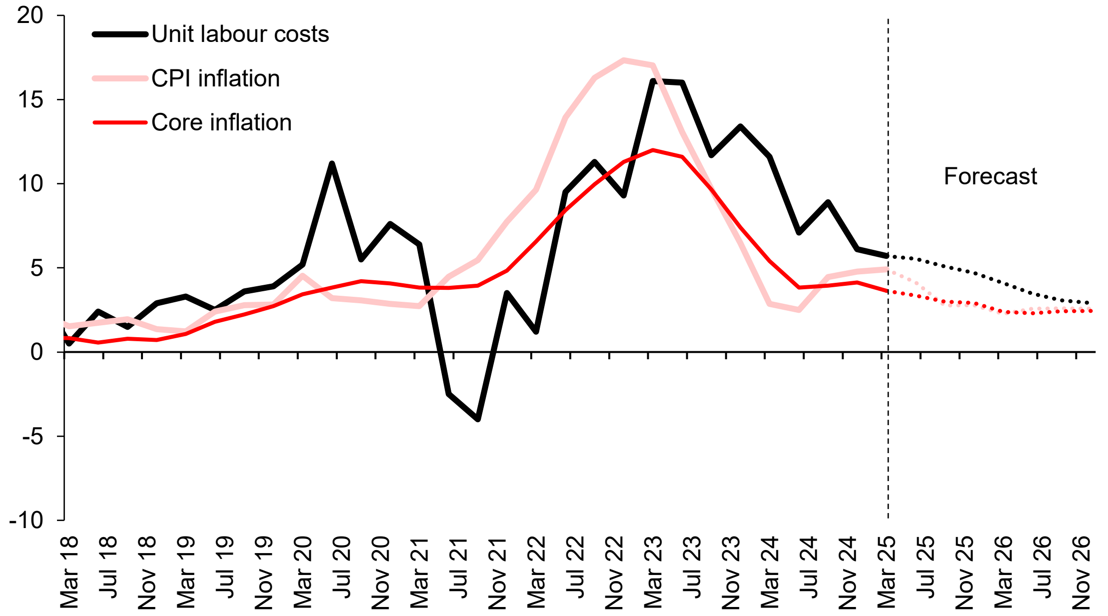
Source: GUS, NBP, Santander

Inflation: slower growth of labour costs

Inflationary pressures should be limited by a slowdown in the growth of unit labour costs, resulting on the one hand from a deceleration in wage growth in the national economy, according to our forecasts from 10.0% y/y in 1Q25 to c. 7% y/y in 4Q26, and on the other hand from labour productivity growth remaining robust, in our view above 3% y/y in the coming quarters.

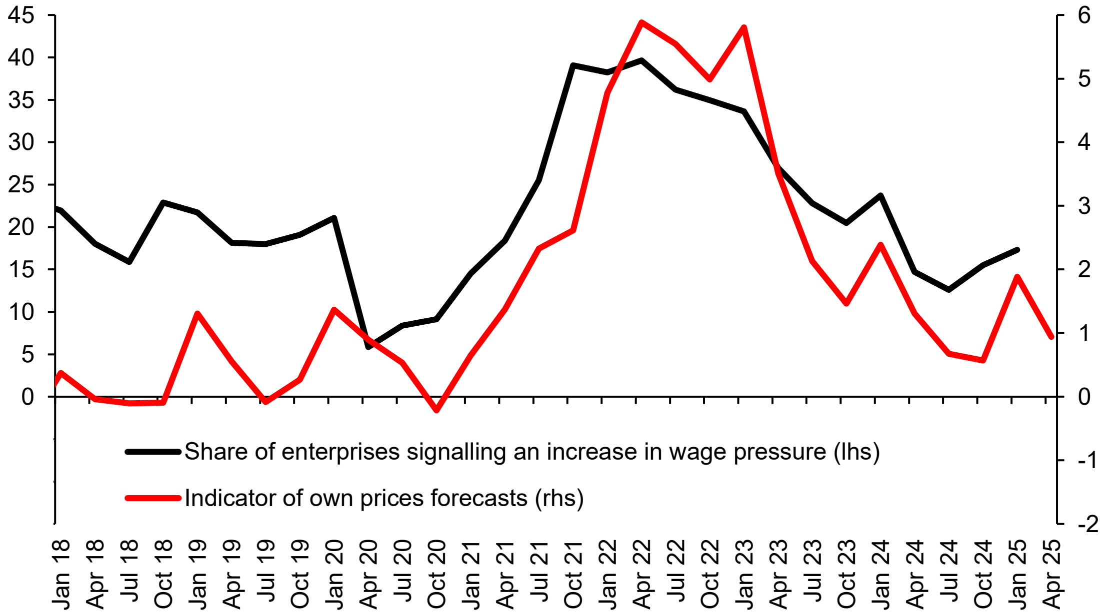
Slower growth in labour costs means slower growth in production costs, which is clearly reflected in companies' pricing decisions, as can be seen, among others, in the Quick Monitoring surveys conducted by the NBP. According to Eurostat data, in 1Q25, unit labour cost growth stood at 5.7% y/y, well below the 11.6% y/y registered in 1Q24 and the 16.1% y/y from 1Q23. Although the declines in labour cost growth in the following quarters are unlikely to be as spectacular, they should nevertheless provide support for further disinflation.

Inflation and unit labour costs, % y/y



Source: Eurostat, GUS, NBP, Santander

Increases in wage pressure and increases in own prices according to the NBP's Quick Monitoring



Source: NBP, Santander

Santander

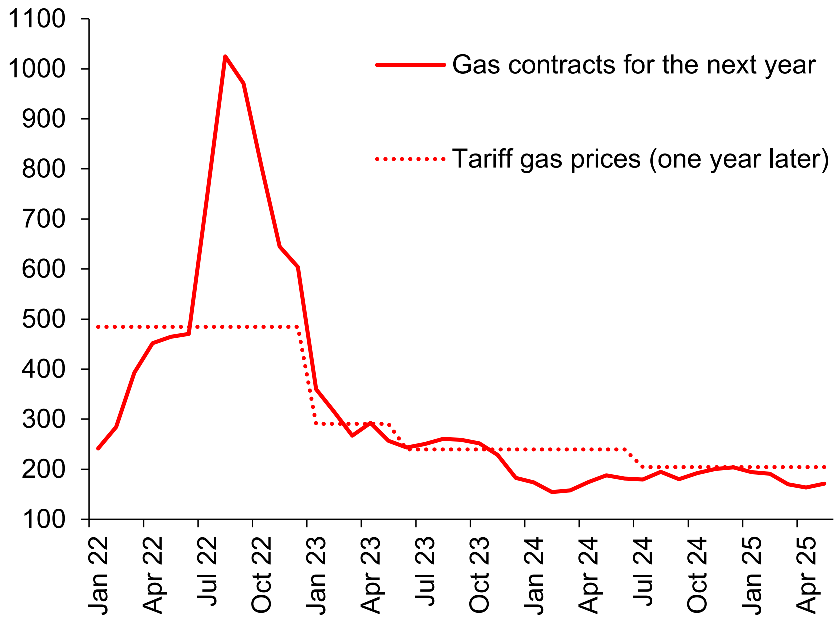
Energy prices: gas down, what about electricity?

According to the URE's decision, **gas prices for households will be reduced to PLN204.26/MWh from PLN239.65 in July**. Although in the baseline scenario we assumed price stabilisation, we suggested a downward risk due to the low run on wholesale gas prices. This decision will translate into a decrease in the average natural gas bill of around 10 per cent and subtract around 0.2 percentage points from inflation. The new tariff is expected to last for one year, i.e. until July 2026.

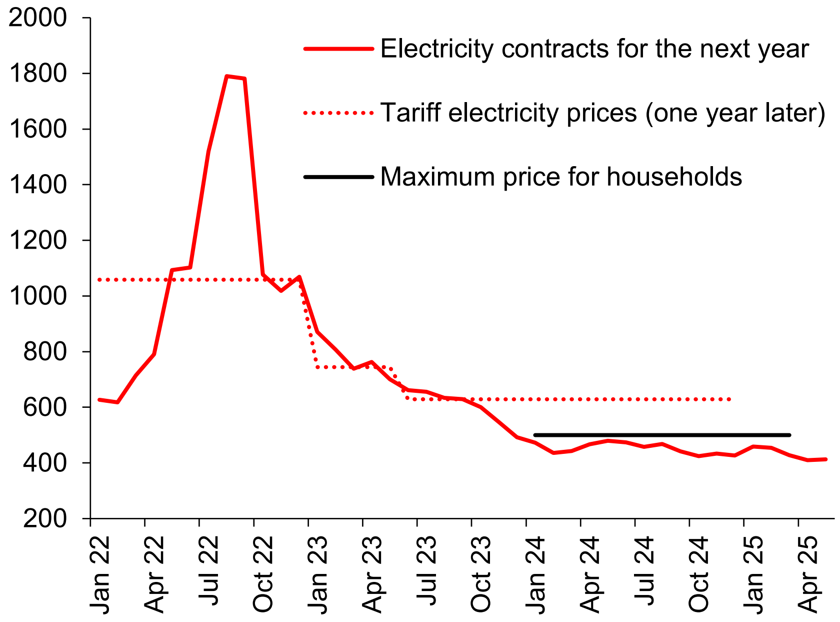
We are still waiting for decisions on the new electricity tariff, which is expected to come into effect in October. We assume that **the new tariffs will be reduced to a maximum price of PLN 500/MWh (currently the tariff price is PLN 622.80/MWh)** and, as with gas prices, we see downward risk. In July, we assume the return of the capacity surcharge, which will raise the average bill by around 8% and add 0.35 percentage points to inflation.

The escalation of the conflict in the Middle East means there is a risk of rising fuel prices. In our baseline scenario, we assume a stabilisation of Brent crude oil prices close to $70/barrel. Every $10 increase in Brent price would raise the CPI by around 0.15pp. It seems that in 2026, fuels will contribute positively to CPI inflation for the first time in several years.

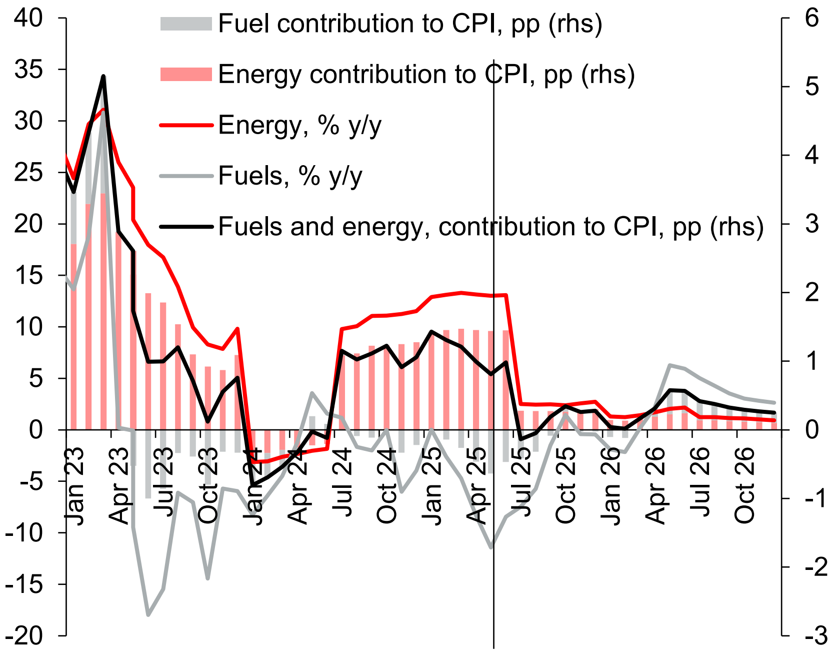
Natural gas prices, PLN/MWh



Electricity prices, PLN/MWh



Energy and fuels in CPI



Santander

Source: TGE, GUS, URE, Santander

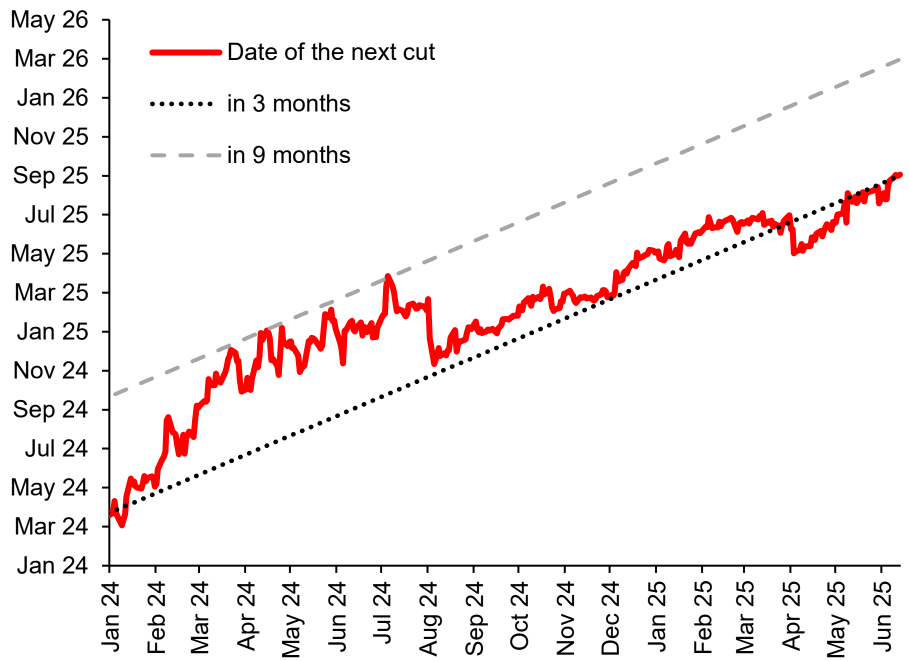
Monetary policy: next cuts after the summer holidays?

The 50 bp interest rate cut in May was described by the Monetary Policy Council not as a start of a cycle, but as an "adjustment" to the lower inflation rate and to the better outlook for the months ahead. In June, when interest rates, as expected, remained unchanged, the tone of the NBP Governor's statements at the monthly post-meeting conference of the MPC changed again to a more cautious one: Adam Glapiński again emphasised above all else the factors of uncertainty and the sources of risk to the inflation outlook in the medium term and suggested that the new NBP, which will be published in July, may not be sufficient to allay the central bank's doubts and only in the autumn (when the draft budget for 2026 will be known and there will be information on what will happen to energy prices at the end of this year) it will be possible to discuss further changes in monetary policy with more conviction.

We expect that NBP interest rates may be cut by further 50 bp by the end of this year, applying another "adjustment" to falling inflation, which will likely stabilise well below 3% y/y starting from July. Given the statements of the NBP Governor and MPC members, it seems to us that interest rates will not be changed until the autumn, especially as the escalation of the conflict in the Middle East and the related uncertainty about energy commodity prices and exchange rates have just been added to the list of risk factors for the inflation outlook, reinforcing the arguments for not hurrying with the decisions.

In 2026, we expect further moderate easing of monetary policy due to the anticipated deceleration in unit labour costs which will allow to keep inflation under control. **In our view, the NBP reference rate could be around 4% at the end of 2026.** The swap market is currently pricing in a slightly higher scale of cuts, to around 3.75%.

Date of the next cut of the NBP's interest rates priced in the FRA rates



Source: LSEG, Santander

Monetary policy: the July projection

Factors which may potentially affect the July projection:

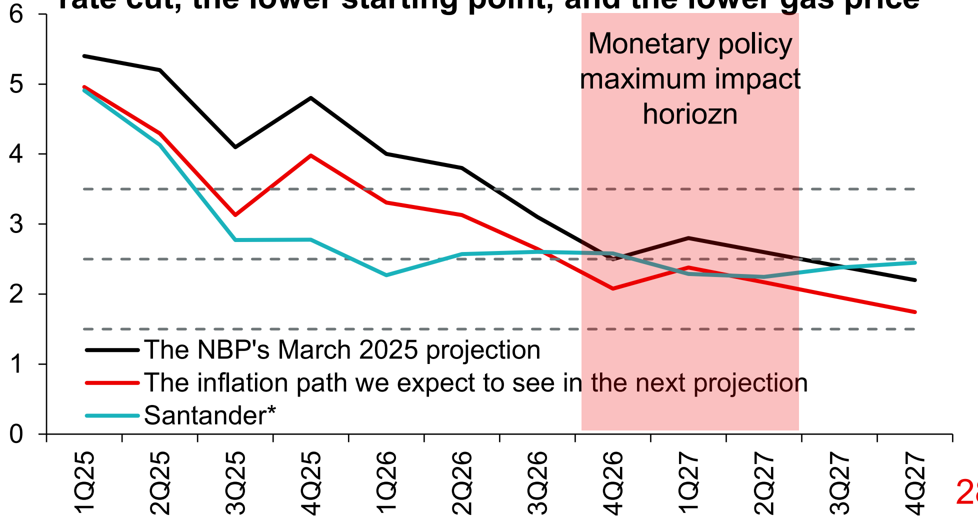
- A clearly lower starting point than March. In 1Q, average inflation was 0.5 pp lower than had been assumed by the central bank and in 2Q (given our forecast for June) the downward deviation from the projection probably widened to 1.1 pp for CPI inflation and 0.8 pp for core inflation. In 1Q, real private consumption growth and overall domestic demand came in 0.8-0.9 pp below the central bank's projections.
- Cheaper gas from July, deducting 0.2 pp from inflation for a year.
- Extension of the period for utilisation of RRF funds - March projection included a clear deceleration of the economy in 4Q26 (from 2.9% y/y to 2.0% y/y) due to RRF-related settlements.
- The 50 bp rate cut in May which will increase inflation in 2H26 and 2027 by 0.2-0.3 pp.
- No formal decision by the government to extend the electricity price cap in 4Q25. However, MPC Member L. Kotecki suggested that two variants of the projection may be shown, one with an assumption of electricity prices rising in 4Q to the current tariff and another with an assumption that the price cup is extended.

It will also be important whether the projection will maintain the strong deceleration of the economy after the end of the RRF and to what extent the pending fiscal loosening in Europe, especially in Germany, will be taken into account. The major central banks also stipulate that the final shape and thus the impact of changes in US trade policy introduce a lot of uncertainty into the projections. The NBP is also likely to include this factor in the balance of risks to the projection rather than in the shape of the paths of inflation and GDP.

In our view, the new projection will support further rate cuts in Poland.

Selected variables from the March NBP projections, their actual values in 1Q, and our forecasts for 2Q.	March 2025 projection		Actual	Santander
	1Q25	2Q25	1Q25	2Q25
CPI inflation, % y/y	**5.4**	**5.2**	**4.9**	**4.1**
Core inflation	**4.0**	**4.1**	**3.6**	**3.3**
Food prices	6.4	5.7	6.1	5.3
Energy prices	8.2	8.0	7.9	5.6
GDP (%, y/y)	3.5	3.4	3.2	3.4
Domestic demand(%, y/y)	**5.4**	**4.8**	**4.6**	**4.9**
Household consumption (%, y/y)	**3.4**	**2.9**	**2.5**	**2.5**
Public consumption (%, y/y)	2.0	3.1	2.0	3.0
Gross fixed capital formation (%, y/y)	6.4	5.9	6.3	4.0
Wages (%, y/y)	**10.1**	**9.0**	**10.0**	**9.8**
Unemployment rate (%)	2.8	2.7	3.1	3.3
Participation rate (%)	58.4	58.4	58.2	58.1
Labour productivity (%, y/y)	3.8	3.2	4.0	3.5
Unit labour costs (%, y/y)	6.2	5.7	5.8	6.1

Inflation path from the March projection adjusted for the May rate cut, the lower starting point, and the lower gas price



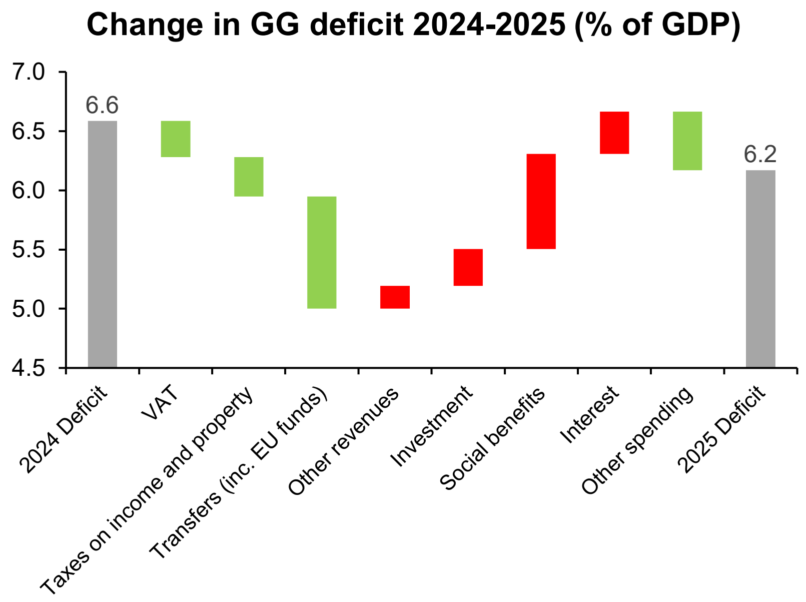
* Our CPI forecast, assuming 50 bp of cuts in 2025 and 75 bp of cuts in 2026

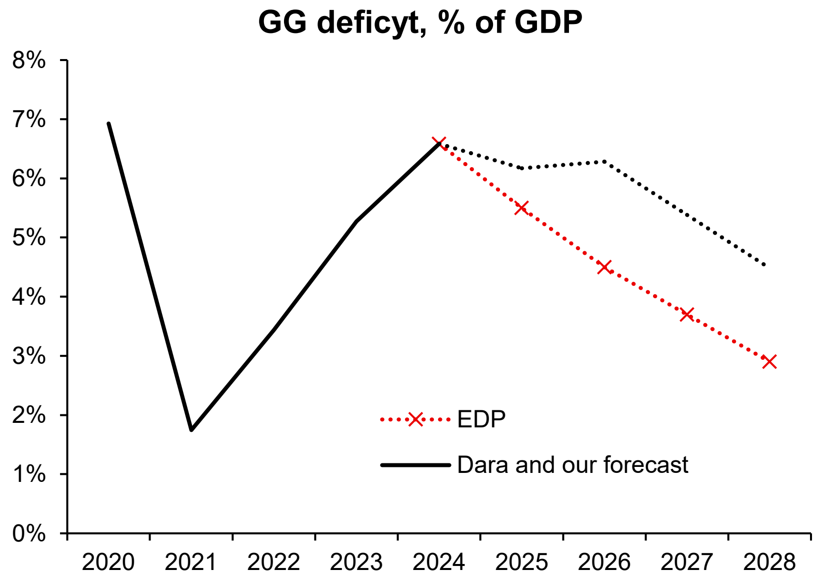
Source: NBP, Santander

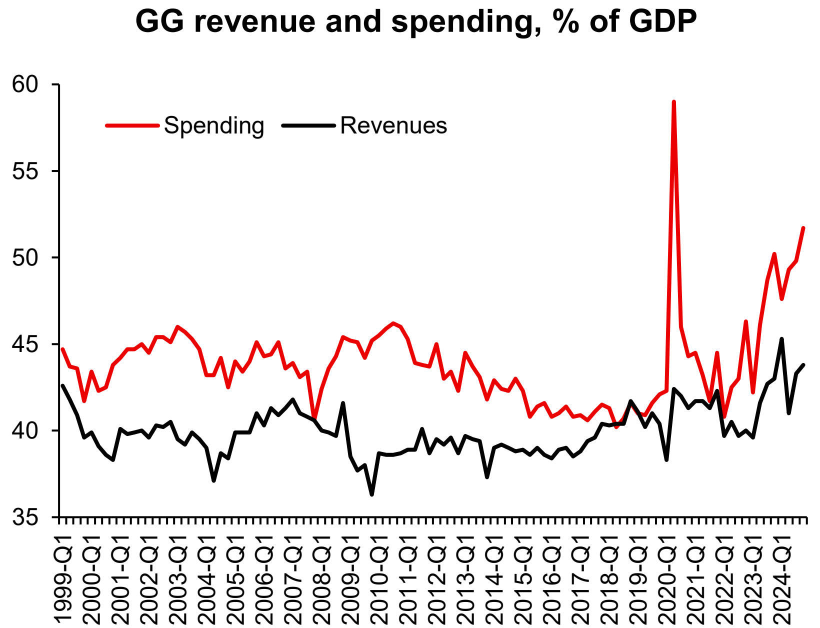
Fiscal policy: get used to 6%+ deficits

At the end of April, the government presented projections according to which the public finance deficit will be 6.3% of GDP this year, clearly higher than the 5.5% assumed in the Budget Act. Already in our comment to the initial budget draft, we expressed our doubts about the realism of the revenue assumptions, especially reagrding VAT. In the updated forecast, the government showed a decline in revenues from taxes on production and imports (including VAT) to 14.3% of GDP from 14.5% of GDP in 2024. In our view, such a forecast is even slightly too conservative, given that in 1Q25, VAT revenues grew by about 13% y/y (and about 9% y/y after adjustment related to normalisation of VAT rates on food). We assume that VAT revenues will increase to 8.3% of GDP in 2025 from 8.0% of GDP in 2024.

We expect the public finance deficit to fall to 6.2% of GDP in 2025 and to remain at a similar level in 2026. This will be markedly higher than set under the EDP (5.5% and 4.5% of GDP, respectively) and, in our view**, consolidation down to 3% of GDP in 2028 is highly unlikely**. On the other hand, we do not rule out that EDP targets will be met - according to the government's projections, in 2025, net primary expenditure will grow by 5.8%, which is less than the 6.3% agreed with the European Commission; in addition, defence spending will be partially excluded from the EDP, which in the case of Poland generates about 1 percentage point of "fiscal space" in 2025.The upcoming parliamentary elections in 2027 mean, in our view, that the government will be inclined to use this additional room.





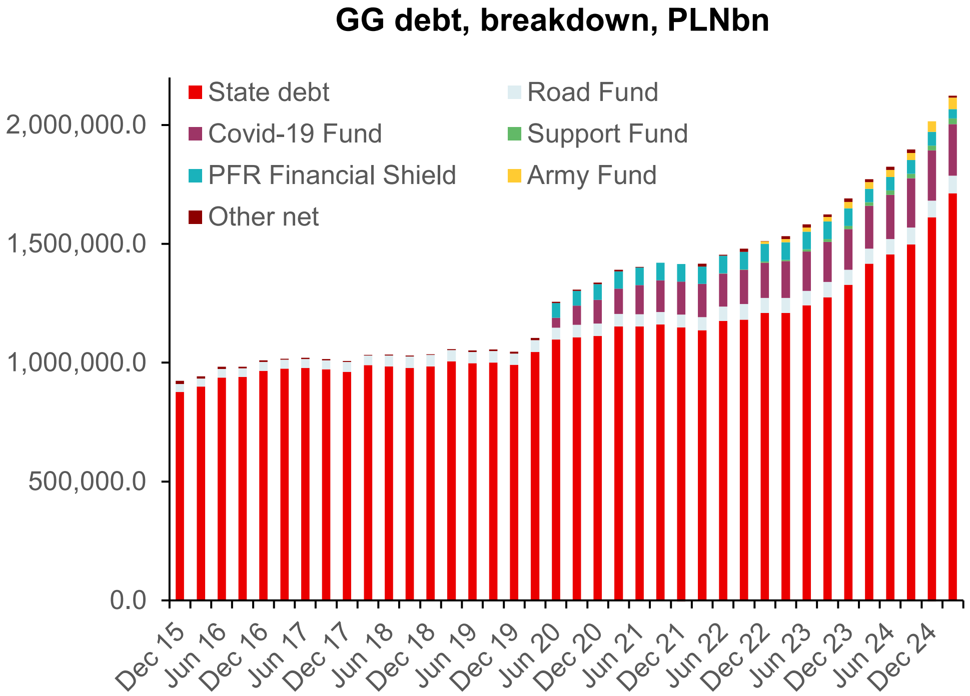


Source: Eurostat, MoF, Santander

Fiscal policy: public debt rising

Maintaining public finance deficits at high levels amid relatively low nominal GDP growth will mean **a rapid increase in public debt in the coming years**. We assume that debt will exceed 58% of GDP this year, a record high (the previous record was 56.8% of GDP in 2013), and **60% of GDP in 2026**. In our view, such a debt trajectory will translate into an increase in the premium for Polish bonds on financial markets.

Despite the government's decision to redeem PFR bonds at the expense of the state budget, data for 1Q2025 show a further increase in non-budgetary debt, albeit at a slightly slower rate than for the public debt.



Santander

Source: Eurostat, MoF, Santander

Financial markets

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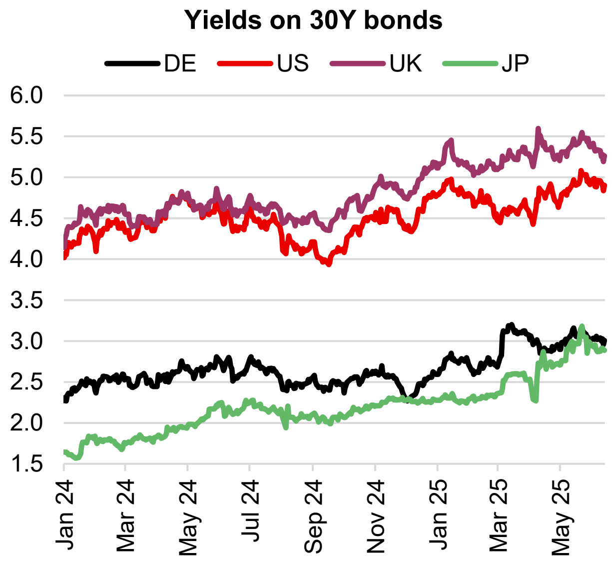
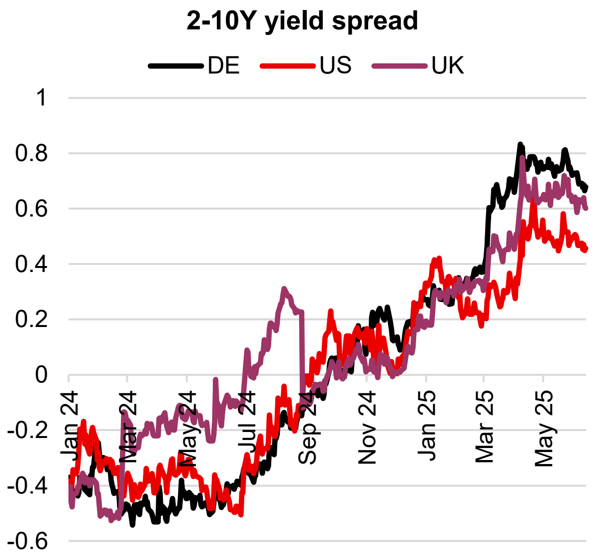
FI market: term premia globally on the rise

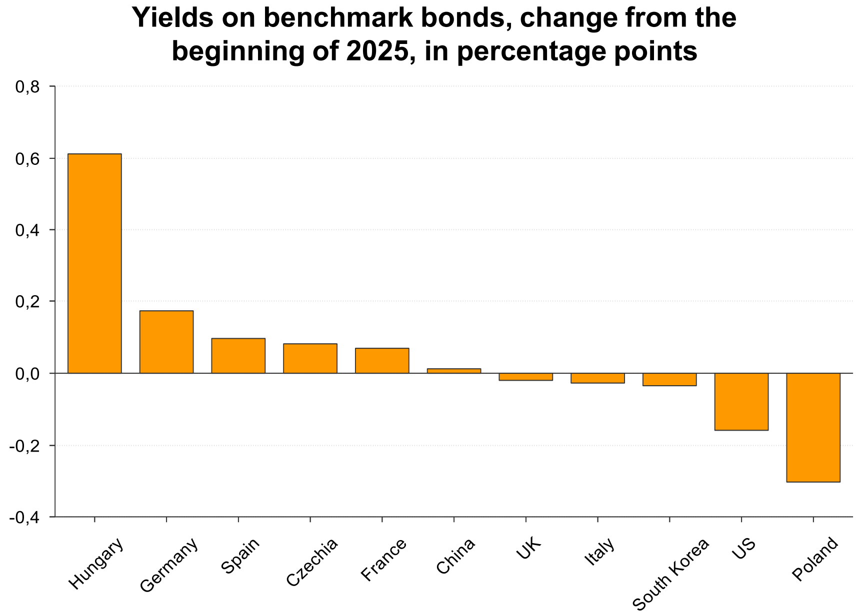
The term premia in major global debt markets remain high, with yields on the longest-dated bonds close to their highest levels in more than a decade and gradually rising, as do also the slopes of the yield curves.

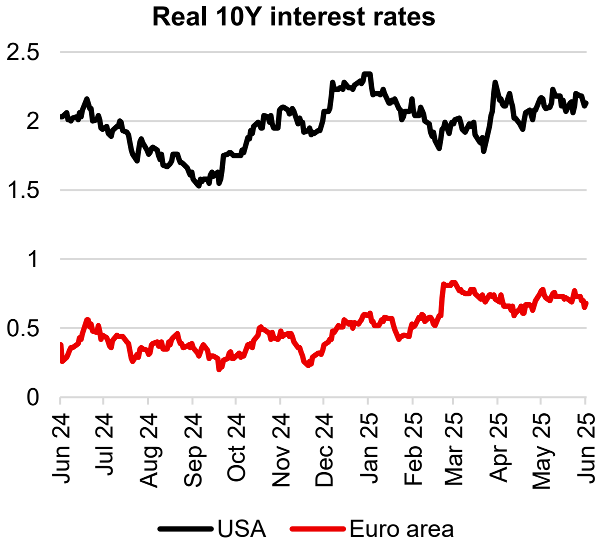
The prospect of expansionary fiscal policies in many countries, and thus a growing supply of debt, with fewer interventions of the major central banks in bond markets, creates conditions in which it may be difficult for yields to fall significantly. This is all the more so given that the room for interest rate cuts by the major central banks does not seem particularly large: the ECB has already approached a level of interest rates considered neutral, the space for Fed rate cuts is limited by the risk of inflationary effects of tariff hikes, Japan is in a tightening rather than easing phase of monetary policy.

As a result, we expect that in the core debt markets, the next quarters could see further increases in yields at the long end of the curve (10Y+), with yields on shorter-dated paper stabilising or falling only slightly.







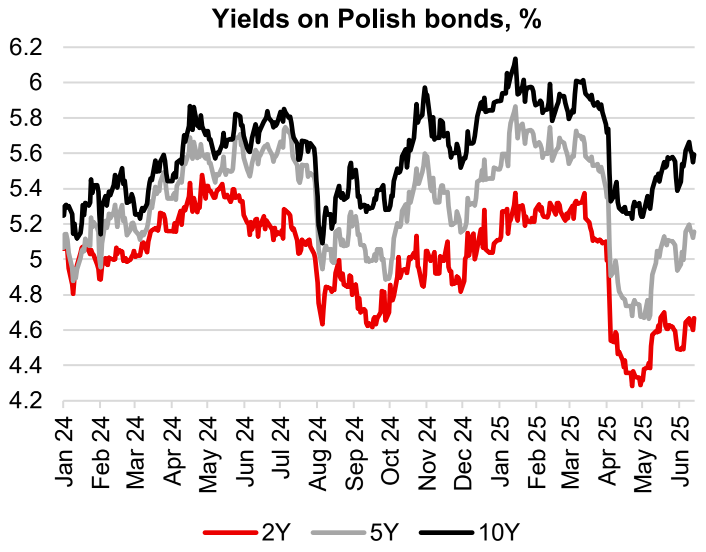


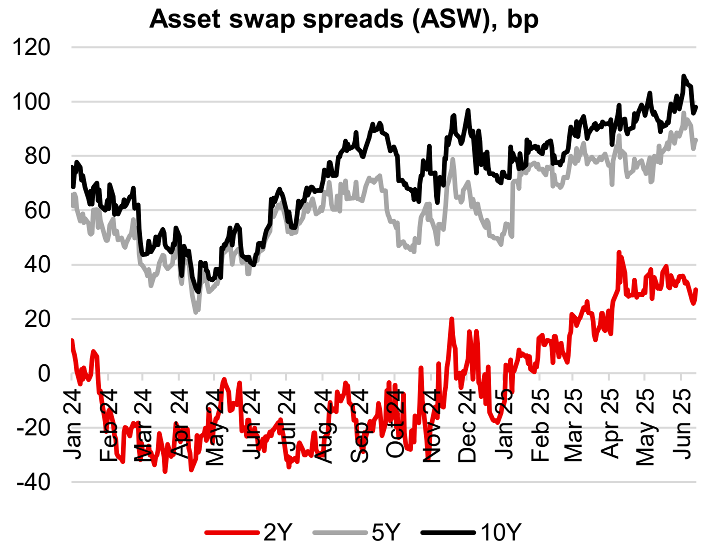
Source: LSEG Datastream, Santander

FI market: the good times are over

The dovish pivot of the NBP Governor in April triggered a sharp downward shift in domestic curves that exhausted virtually all the potential for yields and swap rates decline that we had assumed for the year.

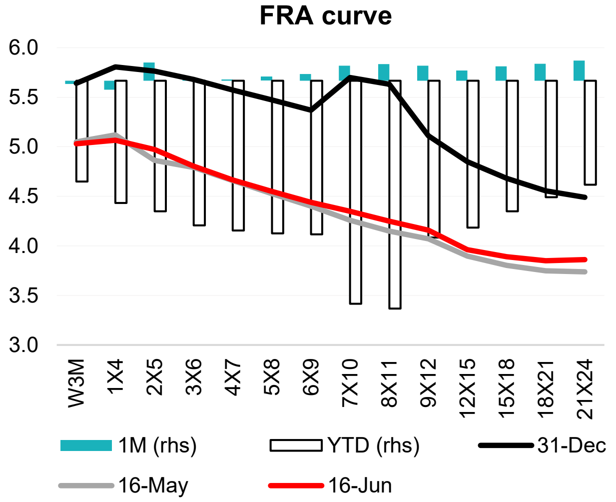
The unfavourable global environment for debt markets, the rise in local political risk and the prospect of looser fiscal policy after the presidential election, as well as the central bank's renewed turn towards communicating a lesser propensity for rapid rate cuts, mean that there is little room for yields to fall in the coming months, in our view. On the other hand, room for upside also seems to be running out - ASW credit spreads are close to exceptionally high levels (they were higher only during the 2008-09 global financial crisis), so a further increase would require a crisis scenario, which we do not assume.

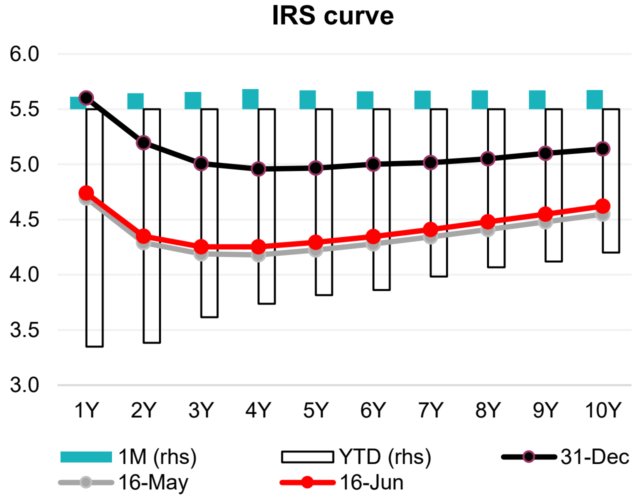


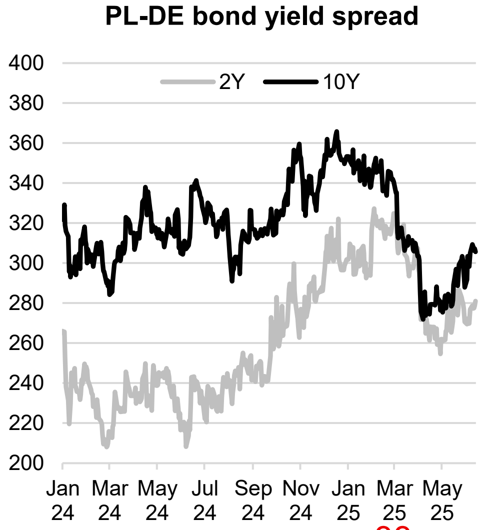


We have revised upwards our bond yield and swap rate forecasts for 2H25.

We see room for a moderate decline in yields in 2026, supported by the completion of the cycle of rate cuts by the MPC and the trajectory of solid GDP growth.







Santander

Source: LSEG Datastream, MoF, Santander

Record debt issuance on the domestic market

The record scale of debt issuance does not support a decline in yields. In the first five months of the year, net issuance of treasury securities amounted to PLN144bn, almost twice as much as in the same period a year earlier. In the last 12 months, the net issuance of securities stood at PLN255bn.

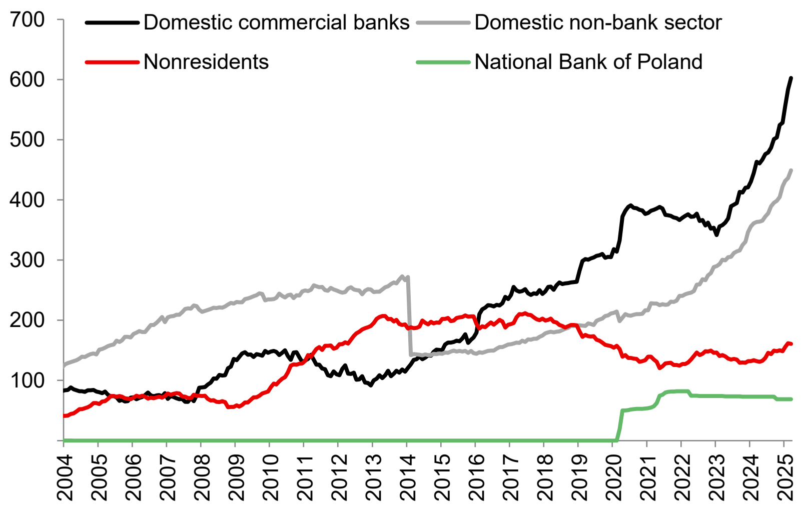
At the end of May, the financing of this year's borrowing needs amounted to around 69% and was similar to the state of financing from the year before.

The banking system remains the main recipient of domestic debt. At the end of April, banks had treasury securities worth around PLN673bn in their portfolios, increasing their exposure by more than 26% y/y. Together with other public sector debt instruments (BGK, PFR), banks held securities worth PLN762bn at the end of April, i.e. 21% of the banking sector's balance sheet total.

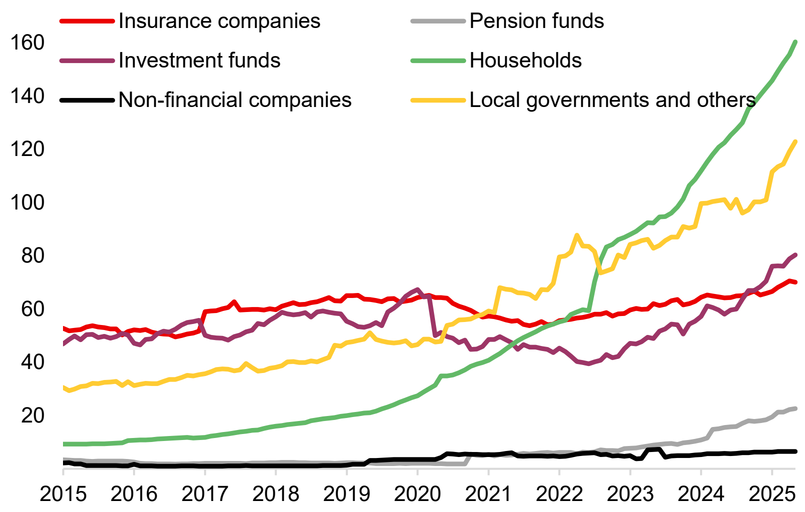
In percentage terms, the portfolio of treasury securities held by pension funds (46% y/y), investment funds (38% y/y) and households (31% y/y) is growing even faster, but in terms of amounts, the total increase in their portfolios is only half of the increase in banks' exposure.

The capacity of the domestic sector to absorb high debt supply is not yet exhausted.

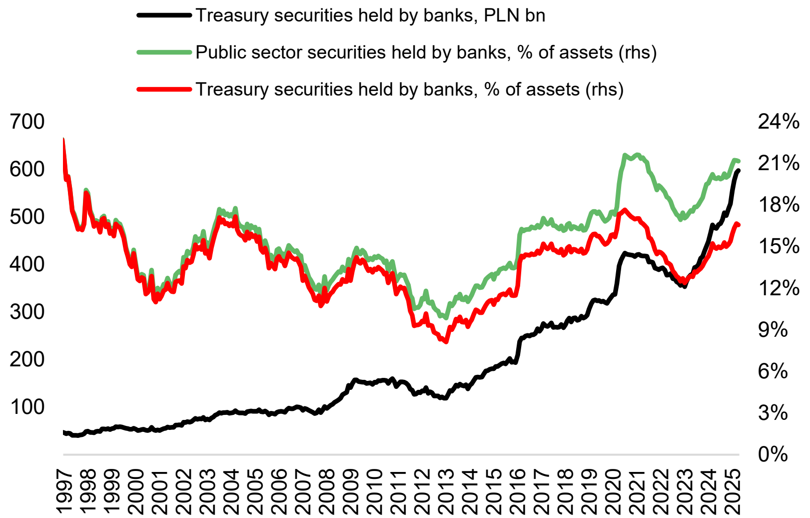
Treasury securities by their owners, PLN bn



Treasury securities in the non-bank sector, PLN bn



Treasury securities held by banks



Santander

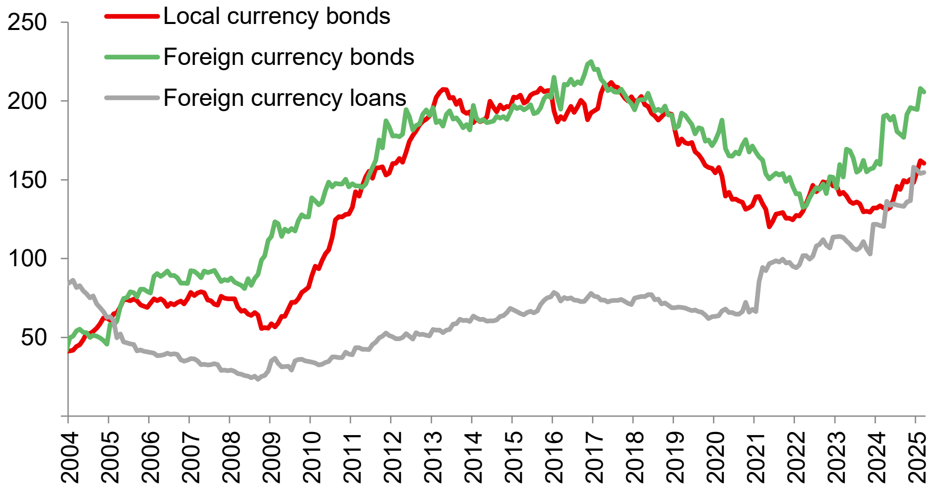
Source: MoF, Santander

Households overtook non-residents

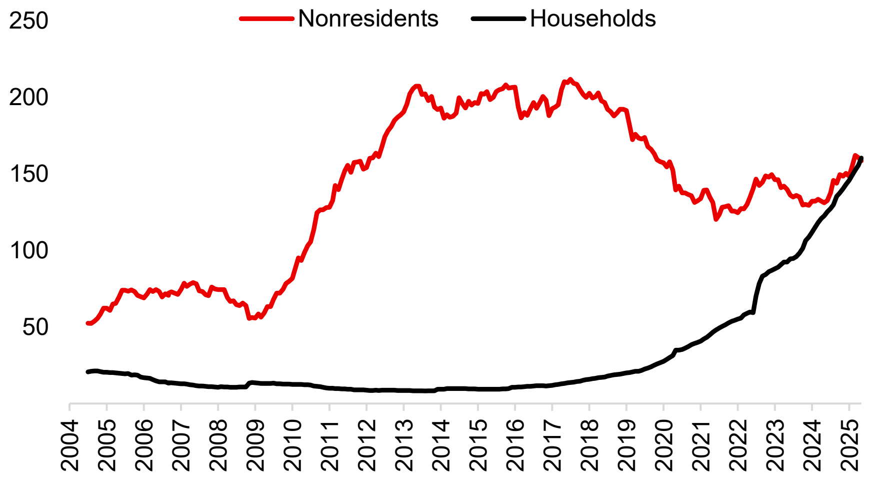
The share of foreign investors in financing domestic borrowing needs has been steadily declining - at the end of April, they held just 12% of domestic government securities, the least in more than two decades. Nonetheless, non-residents' share of total Treasury debt is more than double, at around 30%, due to their increasing exposure to foreign securities and loans over the past few years.

In April, for the first time ever, households overtook foreign investors in terms of the value of government bonds held (PLN 160 billion). Households are mainly buying savings bonds, aimed at individual investors, encouraged by interest rates that are competitive with banks' deposit offers. Their role in financing borrowing needs will, in our view, continue to gradually increase.

Poland's local and foreign currency debt held by nonresidents, PLN bn



Local currency debt held by nonresidents and households, PLN bn

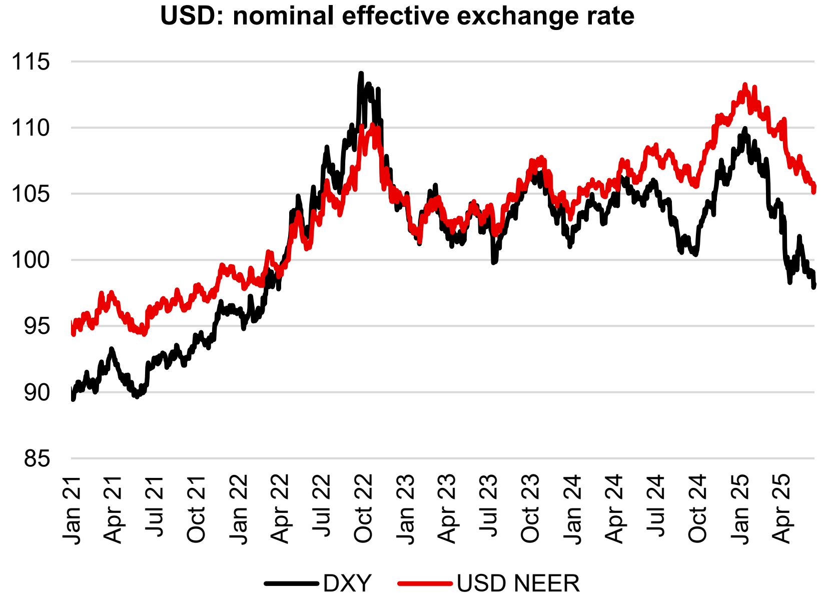


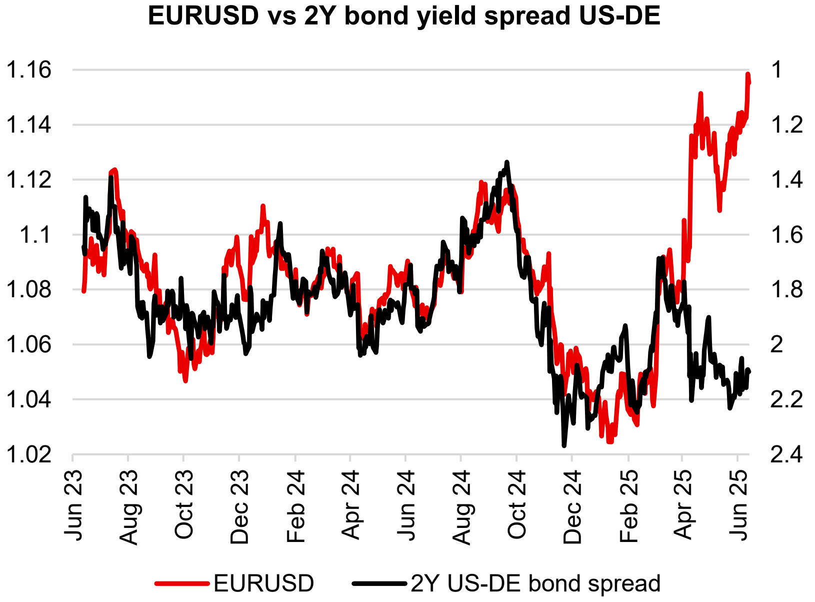
Source: MoF, Santander

FX market: US dollar on the back foot

Most emerging market currencies have been strengthening against the US dollar in recent weeks, driven in part by a reduction in fears of an escalation of global trade wars following their unprecedented rise in early April, but also by the continuing overall weakness of the US dollar, which has been losing ground against all other major currencies.

The erosion of international investors' confidence in US assets as a safe and reliable haven appears to be structural. Admittedly, it is difficult to expect the US dollar to suddenly lose its status as a major reserve currency, not least because of the insufficient depth and liquidity of other markets that could potentially aspire to this role. Nevertheless, a further gradual diversification of global reserves leading to a reduction in the dollar's dominance is quite likely and could negatively affect its exchange rate.





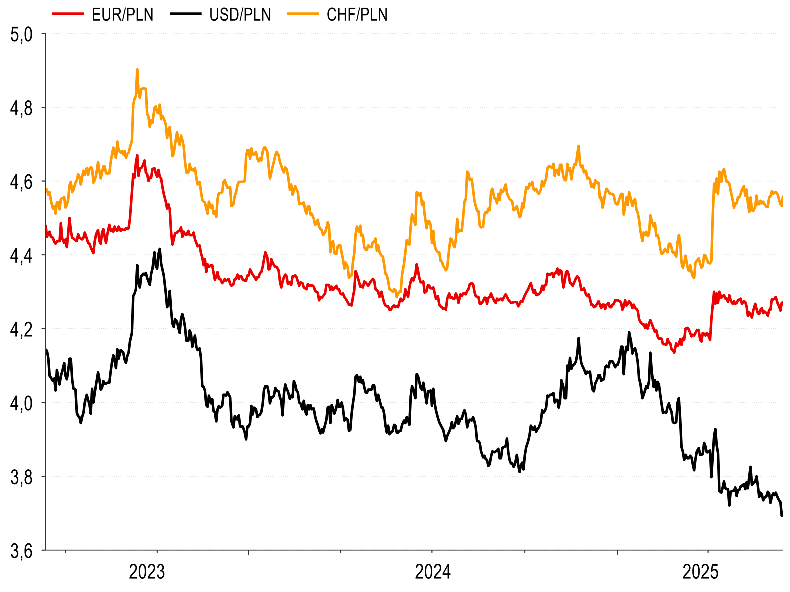
Source: LSEG Datastream, Santander

FX market: zloty remains strong

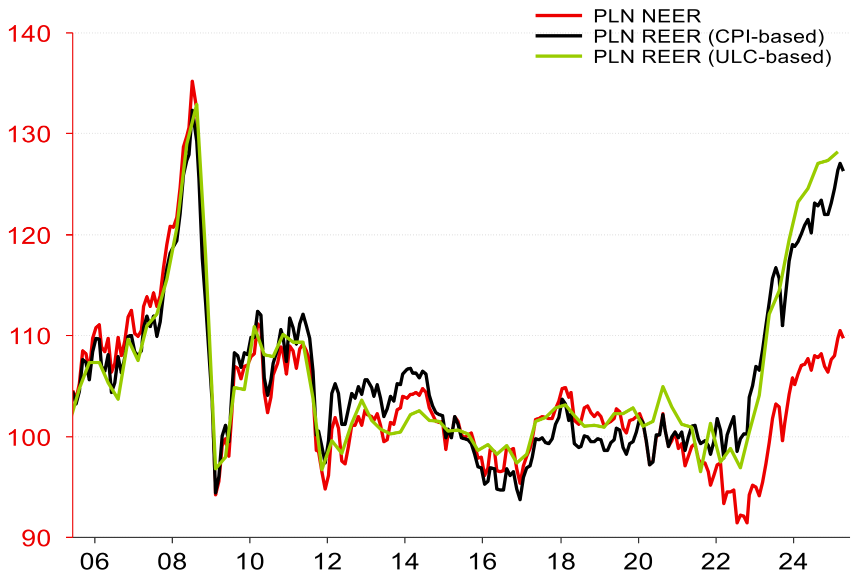
Fluctuations in global financial market sentiment, volatile rhetoric of the Monetary Policy Council, ambiguous macroeconomic data and political uncertainty in the context of the presidential election, have influenced the behaviour of the PLN exchange rate in recent weeks. After the sudden weakening of the zloty against the euro at the beginning of April, to which the increase in global risk aversion and the simultaneous “dovish pivot” of the MPC contributed, the EURPLN exchange rate stabilised in a rather narrow range slightly below 4.30.

The zloty is still strong in our assessment – its nominal and real effective exchange rate remains close to the local peaks reached in the first quarter of this year, the highest in a dozen years. The zloty's exchange rate against the euro remains above the break-even point for exporters (4.10 according to the NBP survey), but the rate against the dollar has just slipped below the break-even level (3.7). From the point of view of the economy, however, we believe that the rising EURUSD exchange rate is generally favourable, giving some relief to exporters who settle mainly in euro and limiting the inflationary impulse (raw material imports mainly in dollar).

Zloty exchange rate vs EUR, USD, CHF

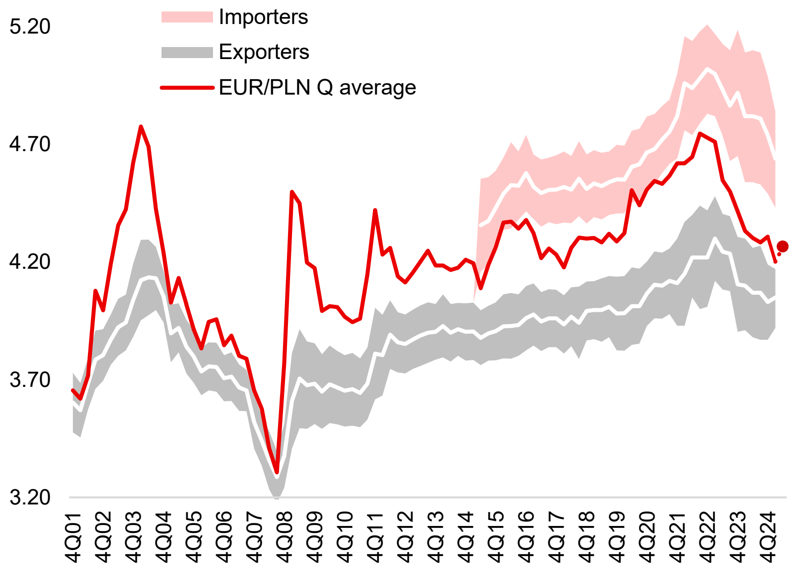


Indices of nominal (NEER) and real (REER) effective exchange rate of the zloty



Source: LSEG Datastream, Santander

EURPLN and profitability thresholds for exporters and importers

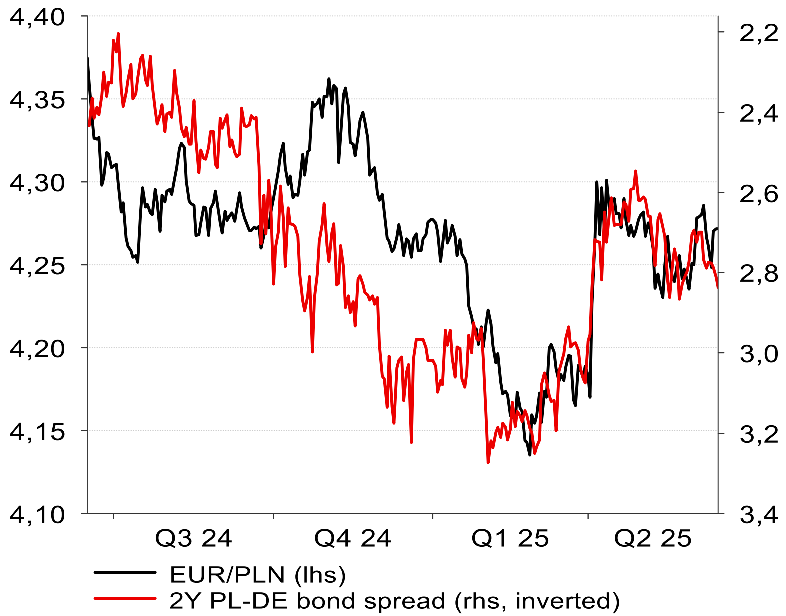


Source: NBP, Santander

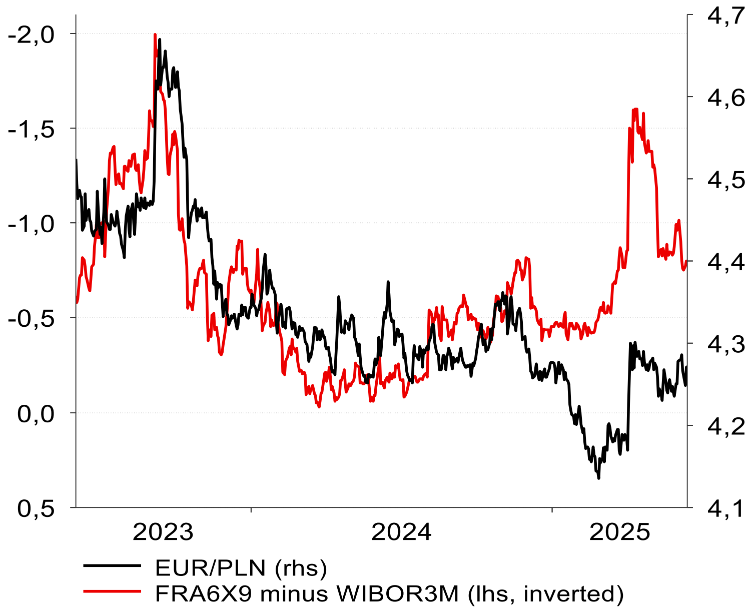
FX market: stabilisation ahead ?

We expect that the EURPLN exchange rate to stabilise in the coming months in a horizontal trend around 4.28. The domestic currency may again be supported by the more hawkish rhetoric of the central bank, postponing the expected rate cuts, a continuation of the acceleration of economic growth that we expect to see, increasingly driven by rising investments and, potentially, further increase in stock indices. Against a significant appreciation of the zloty, in our opinion, will be the lack of significant progress in the Russia-Ukraine peace talks, a slightly higher level of uncertainty about domestic political stability and the fiscal trajectory after the presidential elections, gradually deteriorating current account balance. An additional risk factor in the short term is a possible renewed increase in global risk aversion at the beginning of July, if the threat of escalating trade tensions reappears 90 days after D.Trump suspended increased tariffs (although we think an extension of the status quo is more likely), and a possible escalation of conflict in the Middle East.

EURPLN vs 2Y PL-DE bond yield spread

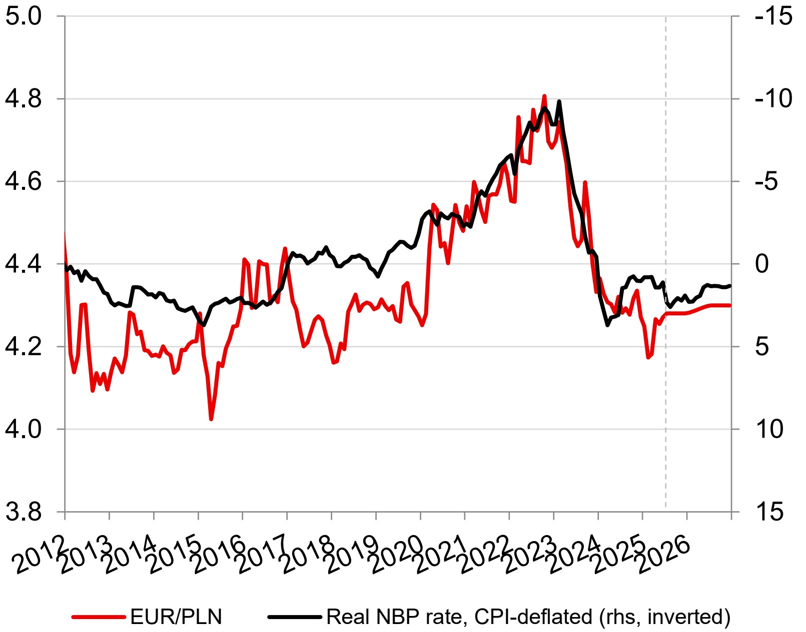


EURPLN vs interest rate expectations



Source: LSEG Datastream, Santander

EURPLN vs NBP real interest rate



Source: LSEG, NBP, Santander

Santander

Forecasts

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Economic Forecasts

		2023	2024	2025	2026	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
GDP	PLNbn	3,415.3	3,641.2	3,898.2	4,146.2	892.9	929.6	970.8	1,104.9	959.3	988.0	1,029.8	1,169.0
GDP	% y/y	0.1	2.9	3.5	3.7	3.2	3.3	3.4	3.9	3.7	3.7	3.8	3.8
Domestic demand	% y/y	-3.1	4.1	5.3	5.2	4.6	4.9	5.3	6.3	6.1	5.1	4.9	4.7
Private consumption	% y/y	-0.3	3.1	2.9	3.1	2.5	2.5	2.9	3.5	3.3	3.0	3.0	3.0
Fixed investment	% y/y	12.7	-2.2	8.3	9.2	6.3	4.0	8.0	12.0	11.0	10.0	9.0	8.0
Industrial output	% y/y	-2.1	1.1	3.0	4.7	-0.1	3.1	4.3	4.8	7.0	4.6	3.9	3.3
Construction output	% y/y	4.8	-7.6	1.3	10.8	0.9	-1.5	2.3	2.9	8.5	13.9	11.0	9.6
Retail sales (real terms)	% y/y	-3.6	3.2	5.4	4.9	1.1	5.2	7.1	7.8	4.7	5.8	5.5	3.6
Gross wages in national economy	% y/y	12.8	13.7	9.6	7.8	10.0	9.8	9.5	9.2	8.5	7.9	7.5	7.1
Employment in national economy	% y/y	0.6	0.2	0.0	0.5	-0.4	-0.1	0.3	0.5	0.6	0.5	0.4	0.4
Unemployment rate *	%	5.1	5.1	5.0	5.0	5.3	4.9	4.9	5.0	5.2	4.9	4.9	5.0
Current account balance	EURmn	13,485	1,710	-10,419	-20,260	-938	-2,208	-6,050	-1,223	-2,633	-5,485	-8,446	-3,695
Current account balance	% GDP	1.8	0.2	-1.1	-2.1	-0.4	-0.7	-0.9	-1.1	-1.3	-1.6	-1.9	-2.1
General government balance (ESA 2010)	% GDP	-5.3	-6.6	-6.2	-6.3	-	-	-	-	-	-	-	-
CPI	% y/y	11.6	3.6	3.6	2.5	4.9	4.1	2.7	2.8	2.2	2.6	2.6	2.6
CPI *	% y/y	6.2	4.7	2.8	2.6	4.9	4.1	2.8	2.8	2.3	2.7	2.6	2.6
CPI excluding food and energy prices	% y/y	10.2	4.3	3.2	2.4	3.6	3.3	3.0	2.9	2.4	2.3	2.4	2.4

* End of period; other variables – average in period
All shaded areas represent Santander's estimates

Source: GUS, NBP, Santander

Santander

Market Forecasts

		2023	2024	2025	2026	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
Reference rate *	%	5.75	5.75	4.75	4.00	5.75	5.25	5.00	4.75	4.25	4.00	4.00	4.00
WIBOR 3M	%	6.52	5.86	5.35	4.32	5.86	5.35	5.22	4.98	4.59	4.28	4.20	4.20
Yield on 2-year T-bonds	%	5.67	5.05	4.79	4.40	5.24	4.54	4.70	4.66	4.55	4.45	4.36	4.25
Yield on 5-year T-bonds	%	5.66	5.33	5.21	4.64	5.63	4.98	5.19	5.05	4.80	4.60	4.58	4.60
Yield on 10-year T-bonds	%	5.83	5.55	5.63	5.26	5.92	5.46	5.64	5.53	5.48	5.38	5.18	5.03
2-year IRS	%	5.63	5.22	4.56	4.24	5.13	4.23	4.50	4.39	4.32	4.27	4.23	4.15
5-year IRS	%	5.01	4.80	4.43	4.04	4.90	4.15	4.44	4.25	4.10	3.98	4.00	4.08
10-year IRS	%	5.10	4.90	4.74	4.46	5.08	4.49	4.81	4.60	4.60	4.55	4.40	4.30
EUR/PLN	PLN	4.54	4.31	4.26	4.30	4.20	4.26	4.28	4.28	4.29	4.30	4.30	4.30
USD/PLN	PLN	4.20	3.98	3.85	3.91	3.99	3.77	3.79	3.86	3.88	3.91	3.93	3.94
CHF/PLN	PLN	4.68	4.52	4.42	4.24	4.44	4.55	4.39	4.30	4.26	4.25	4.24	4.22
GBP/PLN	PLN	5.22	5.09	5.04	5.07	5.03	5.03	5.07	5.04	5.07	5.08	5.06	5.06

* End of period; other variables – average in period
All shaded areas represent Santander's estimates

Source: NBP, Bloomberg, Santander

This analysis is based on information available until **16.06.2025** has been prepared by:

ECONOMIC ANALYSIS DEPARTMENT
SANTANDER BANK POLSKA S.A.
al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
Web site: https://www.santander.pl/en/economic-analysis

Piotr Bielski, Director	+48 691 393 119
Bartosz Białas, Economist	+48 517 881 807
Marcin Luziński, Economist	+48 510 027 662
Grzegorz Ogonek, Economist	+48 609 224 857

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