MACROscope

Warsaw, 12 September 2025

Testing frontiers

Poland

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Santander

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Executive Summary (macro)

Since the publication of our previous report before the summer holidays, the macroeconomic scenario has not changed much. The Polish economy remains on a path of moderate recovery, which should result in GDP growth of 3.5% this year and 3.7% next year. However, the composition of this growth will be slightly different than we had assumed. Due to the protracted delay in spending funds from the RRF, the investment impulse is shifting more and more towards 2026. Nevertheless, we are already seeing early signs of this cycle, in the form of growing investment expenditure by local governments and large companies. This year's slightly weaker-than-expected investment will be offset by stronger household consumption, which, in addition to solid real income growth, is being driven by a credit revival and a normalisation of the savings rate from the exceptionally high level reached last year.

The labour market is doing fine – demand for labour remains solid, and the increase in the registered unemployment rate in recent months was mainly due to the impact of regulatory changes rather than an actual deterioration in the market conditions. Wage growth remains elevated, but we maintain our view that it should slow down to 6-7% y/y in the coming quarters, which, with productivity growth of 3-4% y/y, would mean increasingly favourable conditions for inflation to stabilise close to the target.

That said, for the first time in several quarters, we are revising our inflation forecasts slightly upwards. This is related, among other things, to increases in heating prices and other housing costs, whose impact on the CPI in the autumn may be greater than we had previously assumed. The slightly higher inflation and core inflation forecast for the coming quarters is also justified by economic growth based to a greater extent on consumption and by a more expansionary fiscal policy this year and next. We expect that CPI growth, which fell to 2.8% y/y in August, will return above 3% y/y in September, where it will remain until the end of this year, and next year it may fall slightly below that level again, while remaining in the upper band of tolerated deviations from the 2.5% target. In our forecast, we assume that the regulations setting price cap for electricity will be extended until the end of this year and that energy tariffs to be approved for next year will not imply an increase in energy costs for households.

This outlook does not mean that the door is closed to further interest rate cuts. In our opinion, the current NBP reference rate (4.75%) is still above the terminal rate, which we see at around 4.00%. The financial market is pricing in even deeper possible rate cuts – to around 3.50% over the next 12 months, but in our view the MPC will be more cautious due to the continuation of loose fiscal policy and decent GDP growth in the coming quarters. Our expected CPI growth above 3% in September will likely be an argument for postponing another 25 bp rate cut until November, even if information about the extension of electricity price cap until the end of this year is already known at the October MPC meeting. At the beginning of 2026, we expect two further cuts, still in cautious steps of 25 bp, following a renewed decline in CPI below 3%.

The government's draft budget for 2026 means maintaining a fiscal policy of high deficits and rapid debt growth. The public sector deficit (GG) will exceed 6% of GDP for the third year in a row, public debt according to EU methodology will rise to 66.8% of GDP, and according to domestic methodology it will approach 53% of GDP, which Prime Minister Tusk himself described as testing the safety frontier. The deterioration in the fiscal outlook has already led Fitch Ratings to change Poland's rating outlook to negative, and we see a high probability that other agencies will follow suit, which in turn may test the limits of investors' patience. We do not expect a sharp reaction from the EC to the less ambitious fiscal consolidation path in Poland, as the Commission's assessment focuses mainly on the expenditure path, which does not exceed the set targets.

Executive Summary (markets)

FX market

Since mid-April, the EURPLN exchange rate has been moving sideways within a fairly narrow range of 4.24-4.28. We expect the exchange rate to move towards the upper limit of the current channel, i.e. 4.28, at the end of September and stabilise near this level in 4Q25, influenced by, among other things, further decisions by rating agencies pointing out the deteriorating fiscal outlook, as well as a potential change in investors' perception of geopolitical risk in the region. The recent incident involving Russian drones violating Polish airspace points to the risk of increased tension in relations with Russia, rather than a possible de-escalation of the conflict or an imminent ceasefire in Ukraine.

FI market

In recent months, the Polish bond market has performed significantly better than most of its European counterparts and has shown remarkable resilience to the deterioration in fiscal situation which led Fitch to lower Poland’s rating outlook. We assume that in the coming weeks, sentiment may worsen, due to – as in the case of the currency market – further decisions by rating agencies and a potential increase in geopolitical risk premium should incidents near the Polish border keep repeating. In addition, CPI growth above 3% in September, which we expect, may weaken expectations for NBP rate cuts. We still see room for a moderate decline in yields in the coming quarters.

2025: Our forecasts and main risks

Indicator	Summary of our forecasts in December 2024	Summary of our forecasts in September 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 domestic economy remains on a path of gentle recovery, although the structure of growth is slightly different than we had anticipated.
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.	The investment recovery is delayed, partly due to the slow absorption of funds from the RRF. Most of the investment impulse will shift to 2026, but this year there is a chance for better-than-expected consumption results. Behaviour of inventories and foreign trade balance are more or less in line with assumptions.
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.	Forecast still valid. Demand for labour is good, wage growth is gradually slowing down but remains elevated.
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.	In previous quarters, we lowered our inflation forecast, but now we are moving it slightly upwards, partly due to the cost of housing maintenance and a less disinflationary macro scenario (greater role of consumption in GDP growth, more expansionary fiscal policy).
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 Monetary Policy Council began cutting interest rates in May, earlier than we had anticipated, but the total scale of easing this year may be consistent with our assumptions. So far, rates have already fallen by 100 bp, and we expect another 25 bp cut in November this year. In 2026, we expect two more cuts, to a target level of 4.0%.
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.	Fiscal deficits and debt increase in 2025-2026 will be even greater than we had anticipated, even though we were not optimistic about possible fiscal consolidation. This scenario is beginning to be reflected in the ratings agencies' assessments.
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.	In Q3, the domestic debt market once again surprised us with a decline in yields, despite continuing negative trends in the core markets. Increased fiscal risk and border tensions may temporarily dampen sentiment, but we see room for a gradual decline in yields in the coming quarters.
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.	So far, the zloty has been stronger than we expected. We expect EURPLN to move towards 4.28 at the end of September and stabilise close to this level in Q4, partly due to greater concerns about the fiscal outlook and possible increased tensions in relations with Russia.

Economic growth

1

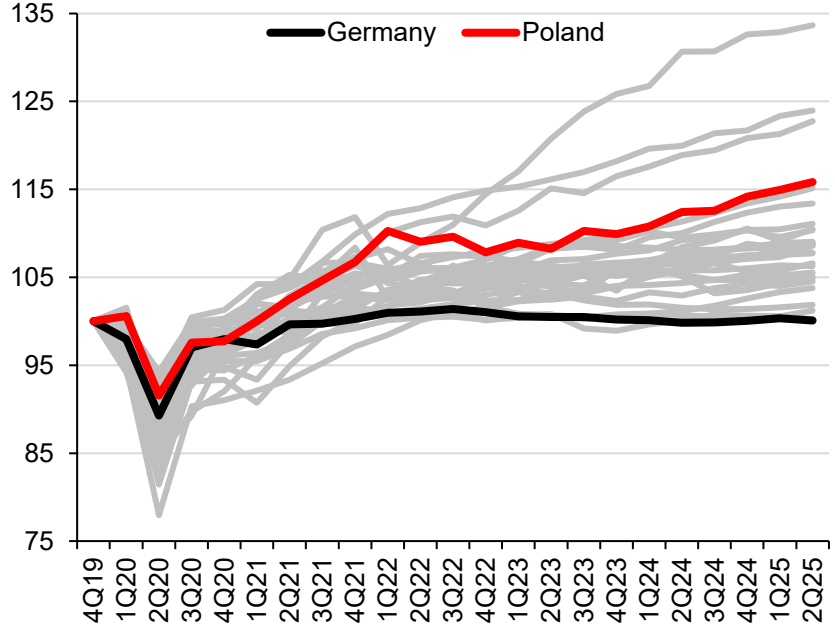
GDP growth still on the upward path

The pace of economic growth has been accelerating slightly from quarter to quarter, remaining on a trajectory consistent with our forecasts. As a result, Poland is one of the fastest growing economies in the EU. In 2Q25, GDP growth accelerated to 3.4% y/y, and seasonally adjusted number was at 0.8% q/q.

However, the breakdown of growth is different from expectations: the surprisingly strong growth in fixed capital formation in 1Q25 was temporary and may have been due to military spending, while a sustained investment recovery is increasingly delayed (which we attribute mainly to the slow absorption of funds from the Resilience and Recovery Fund); at the same time, consumption is performing better than we had assumed, supported by continued high personal income growth and, according to our estimates, a slight decline in the household savings rate.

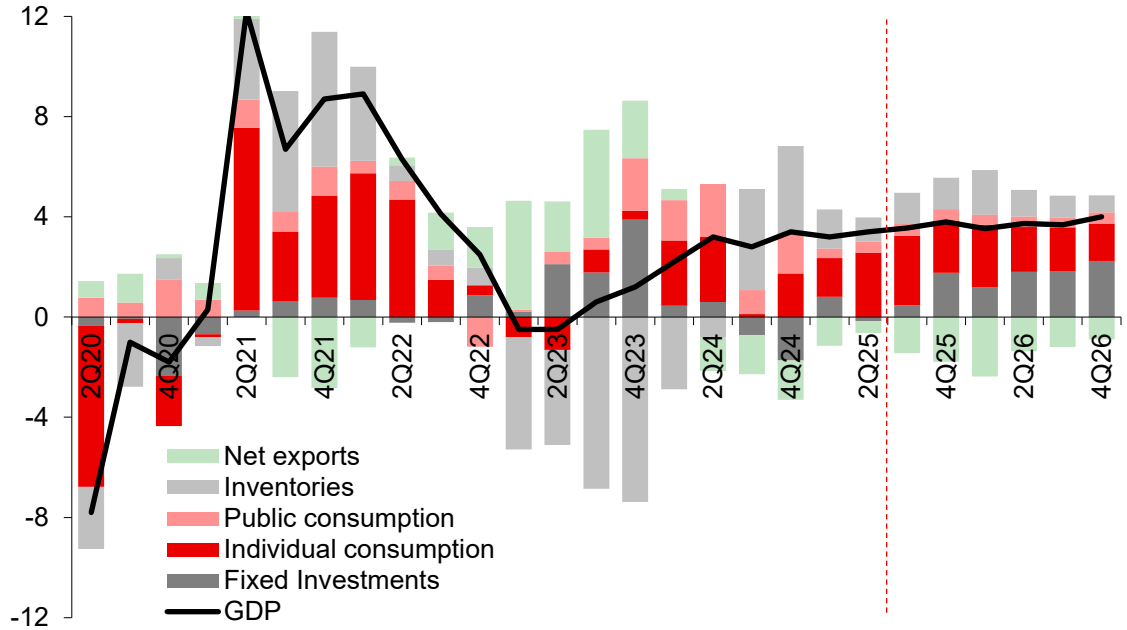
Our forecast for the coming quarters remains largely unchanged – we expect GDP growth of 3.5% on average this year and 3.7% in 2026, with consumption playing a greater role than we had previously assumed this year and investment next year.

GDP volume in constant prices in EU countries, 4Q19=100, sa



Source: Eurostat, Santander

Poland's GDP growth breakdown, % y/y



Source: GUS, Santander

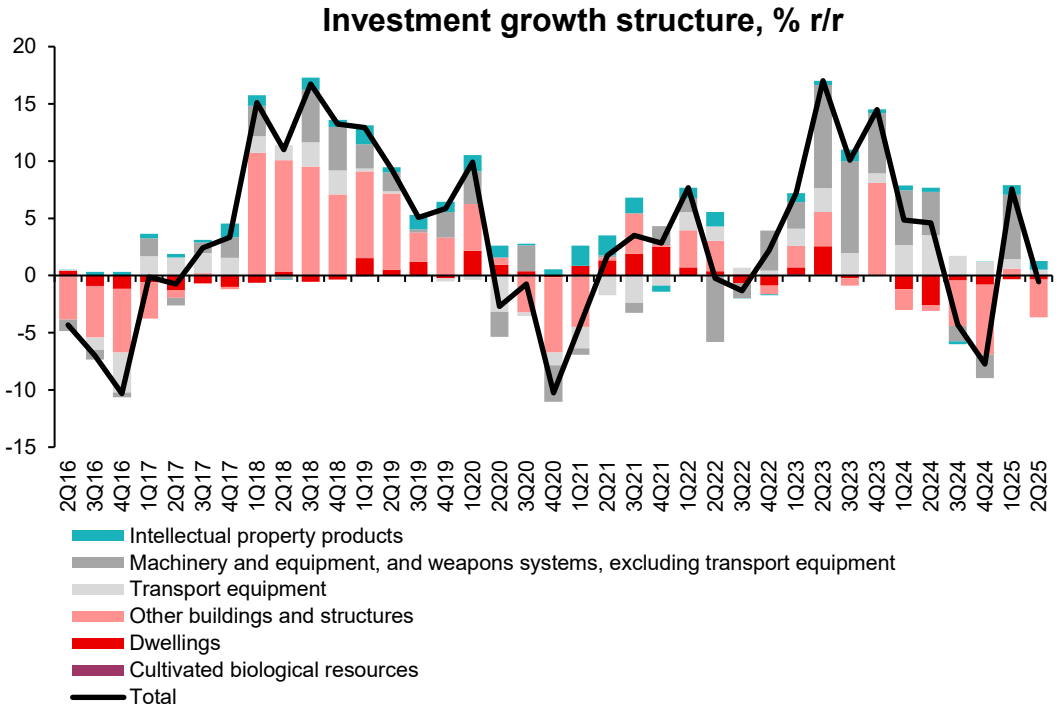
Investment: delayed beginning of a new cycle

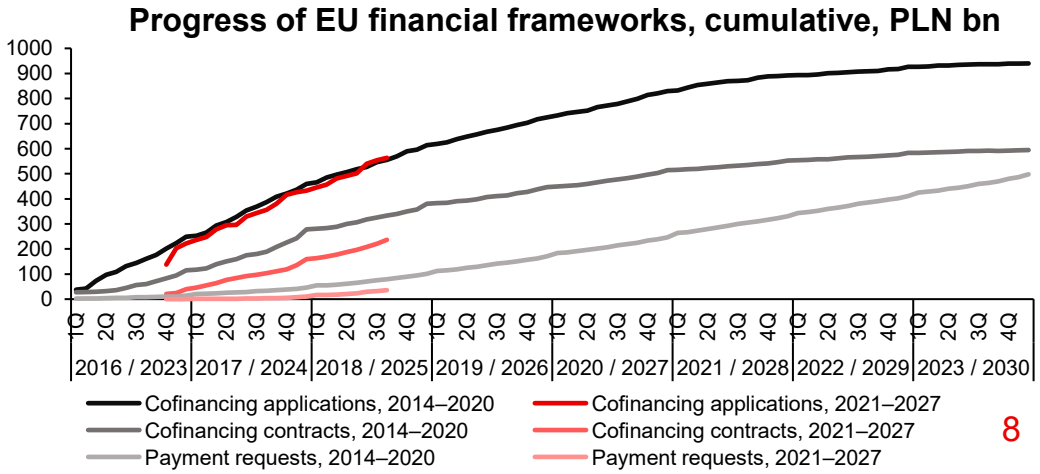
After the unexpectedly strong increase in investment in 1Q, by 6.3% y/y, it seemed that the economy had unmistakably entered a path of investment-driven revival. The 1.0% y/y decrease in investment in 2Q undermined this view.

Already in the previous MARCOscope, we pointed out that the increase in investment in 1Q might have partially stemmed from one-off factors, mainly military expenditure. The deceleration of investment growth in 2Q suggests, however, that the contribution of those factors was not partial, but dominant.

Current data indicate that in the first half of the year, the investment cycle was in a phase similar to that from the first half of 2017. As in 2025, the investment cycle which was beginning in 2017 was related to a new EU financial framework. The volume of signed contracts for cofinancing was already quite big then, but it did not yet lead to a significant increase in expenditure from the EU funds budget. As a result, although investment was not falling as strongly as in 2016 anymore, it was also not rising. The current situation is similar, especially since the implementation of the Polish Recovery and Resilience Plan (RRP) is slower than we have expected.

As in the previous EU-funds-driven investment cycle, **progress in implementation of the new financial framework, supported additionally by implementation of the RRP, should lead in the coming quarters to an accelerating increase in investment** – according to our estimates, first by c. 3% y/y in 3Q, and then by c. 8% y/y in 4Q and c. 10% y/y over the whole 2026.





Source: Eurostat, Ministry of Funds and Regional Policy, Santander

Investment: delayed beginning of a new cycle

Disappearance of the one-off factors, which, in our view, were responsible for the increase in investment in 1Q, meant that the rate of investment growth declined in 2Q to a level befitting an early stage of implementation of a new EU financial framework – not deeply negative like in the first half of 2024, but not yet positive.

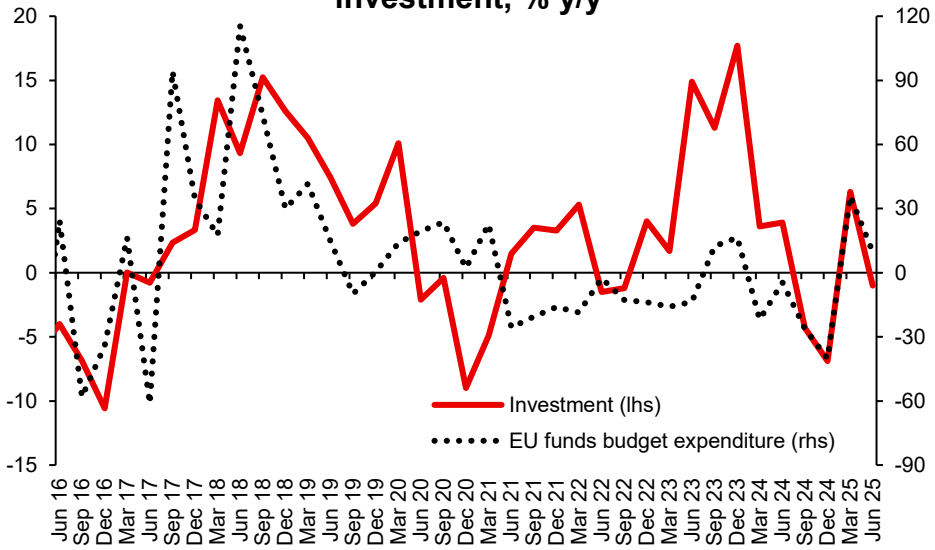
Implementation of the new financial framework is progressing, and expenditure of EU funds is beginning to grow – which is visible, for example, in the operational reports of the Ministry of Finance – but their level is not high yet. Still, the impact of EU funds on the economy is already visible in the data.

Firstly, in 2Q, investment expenditure in big enterprises increased year-on-year for first time since 4Q23, by 1.4% y/y, and investment growth in enterprises which we classify as dependent on EU funding accelerated from 5.3% y/y in 1Q to 16.9% y/y in 2Q.

Secondly, EU-financed investment of local government units rose for the second consecutive quarter by over 100% y/y, because of which the growth rate of overall investment of local government units remained positive, at 4.6% y/y.

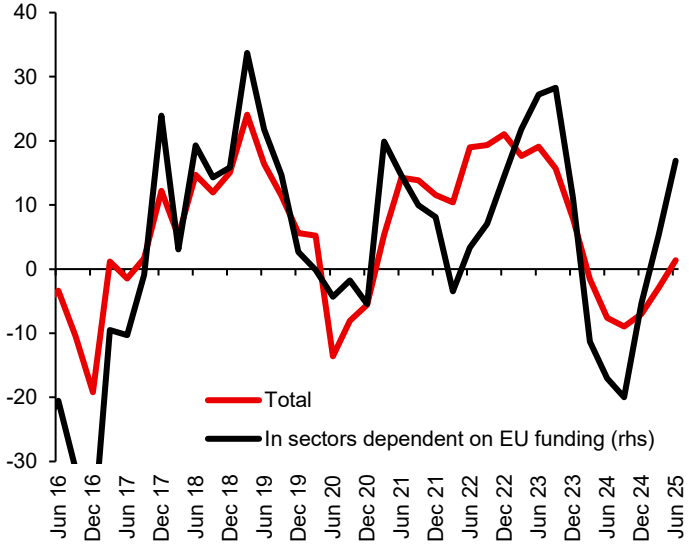
Increases in investment of enterprises and local governments indicate that a new investment cycle has already begun, though it is still young and undeveloped.

Increases in EU funds expenditure and increases in investment, % y/y



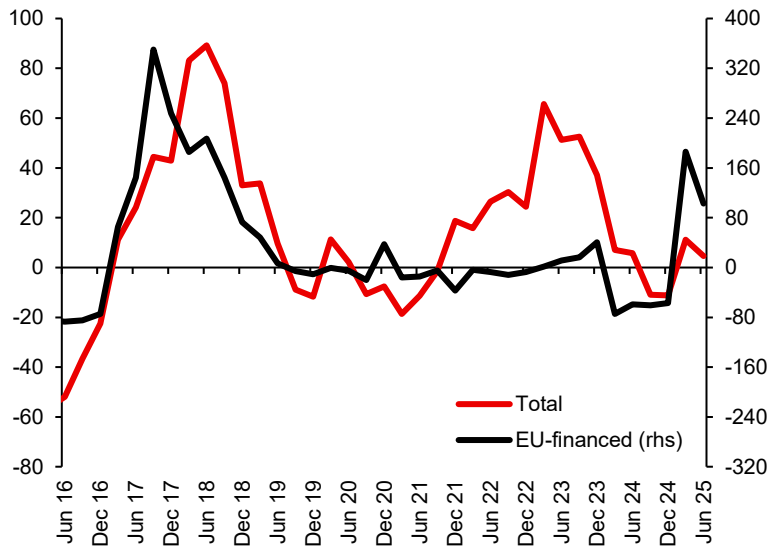
Source: GUS, Ministry of Finance, Santander

Investment in big enterprises, % y/y



Source: GUS, Santander

Investment in local governments, % y/y



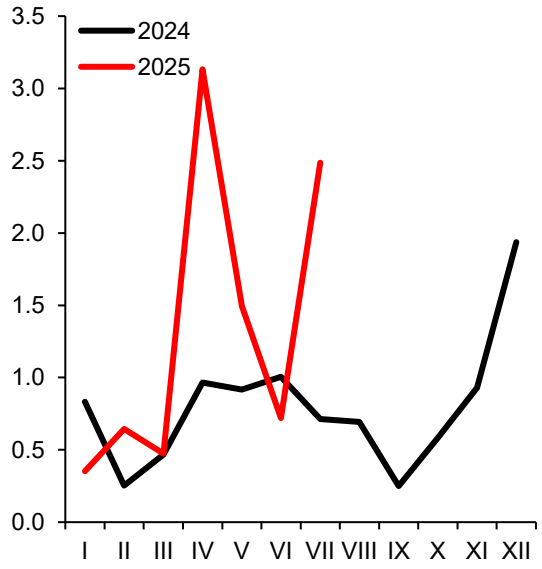
Source: Ministry of Finance, Santander

EU funds: expenditure in 2025

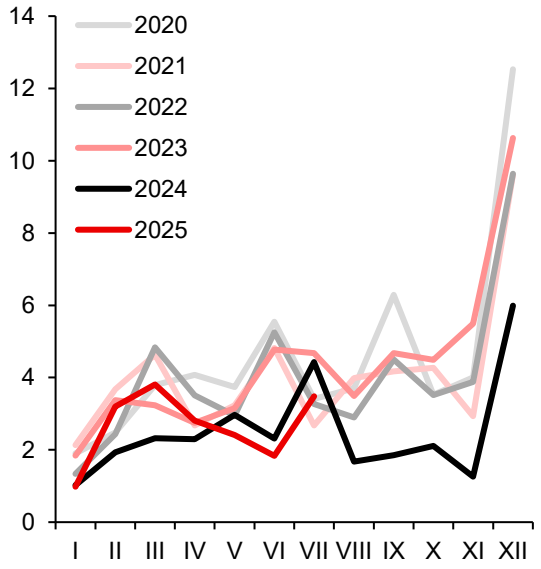
Implementation of the 2021–2027 financial framework is progressing in line with our expectations. According to data of the Ministry of Finance, expenditure from financial framework funds equalled in the first seven months of the year c. PLN18.5bn, which is approximately half of the amount we have assumed for 2025, and c. PLN1bn more than in the corresponding period of 2024.

Implementation of the RRP fares worse. From January till July, expenditure of grants from the Recovery and Resilience Facility equalled only c. PLN9bn, i.e. just PLN4bn more than in the same period of 2024. Moreover, the plan of EU funds expenditure from the draft budget act for 2026 does not indicate that the implementation should accelerate in the second half of 2025. According to the plan, expenditure of RRF grants should equal c. PLN81bn in 2026. Because the whole allocation of grants stands at c. PLN107bn, and c. PLN9.5bn of grants was spent in 2024, expenditure of RRF grants may equal c. PLN16-17bn in 2025, which means it may increase this year by just PLN7-8bn more.

Monthly expenditure of RRF grants, PLN bn

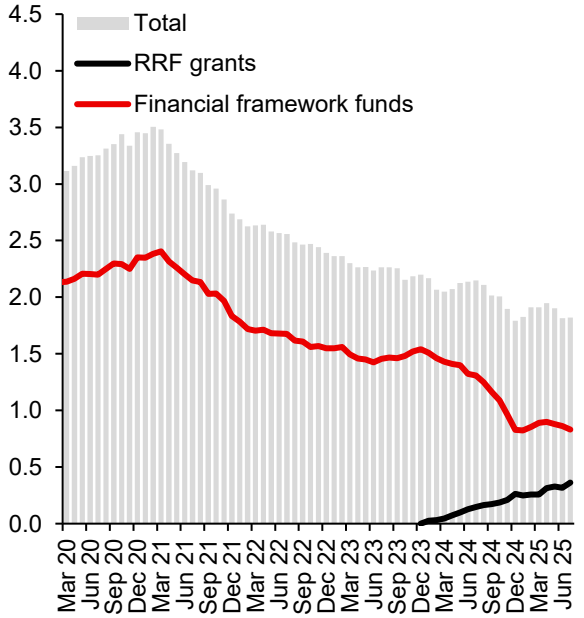


Monthly expenditure of financial framework funds, PLN bn



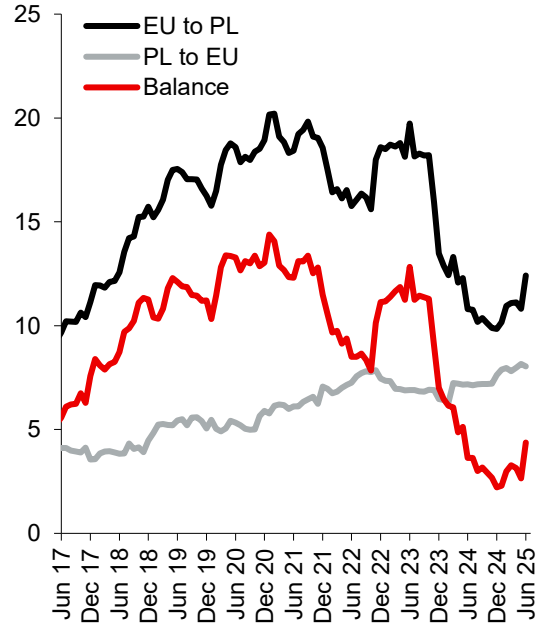
Source: Ministry of Finance, Santander

EU funds budget expenditure, 12-month moving sum, PLN bn



Source: Ministry of Finance, GUS, Santander

Transfers between Poland and the EU, without RRF, 12-month moving sum, EUR bn



Source: NBP, Santander

EU funds: expenditure in 2026

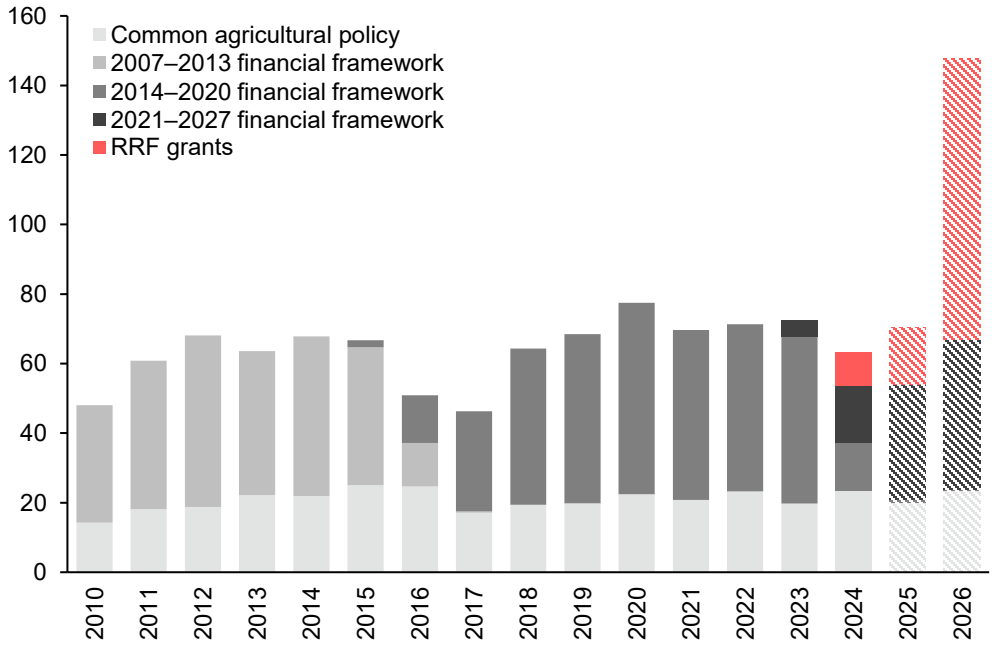
The lower-than-expected expenditure of RRF grants in 2025 should lead to higher expenditure in 2026. It is not certain, however, whether the delay in the implementation of the RRP will allow to spend all the grants.

Assumption of full implementation of the grants is visible in the draft budget act for 2026 – in the draft's rationale, it is stated that the government expects „strong acceleration of investment financed with the RRP", and that an incomplete implementation is one of the sources of risk for the budget's macroeconomic assumptions.

It is hard to assess how high that risk is. From statements of the Minister of Funds and Regional Policy we know that in mid-July, the volume of signed contracts for cofinancing from the grants equalled c. PLN70bn, which suggests that expenditure of RRF grants should reach next year at least PLN40bn. Moreover, full implementation of the grants has been made more probable by the extension of the RRF's deadline to the end of 2026, to which the European Commission agreed in mid-June, and may be additionally supported by the outcome of the ongoing negotiations with the EC, which aim to extend the deadlines for implementation of a few of the RRP's milestones.

According to the plan from the draft budget act for 2026, expenditure of RRF grants should equal next year c. PLN81bn. Expenditure of 2021–2027 financial framework funds is to equal PLN43bn, which is in line with our expectations. **Implementation of the plan from the draft budget act would mean that expenditure from the RRF and the financial framework would be higher by c. PLN70bn in 2026 than in 2025.**

EU funds budget expenditure, PLN bn



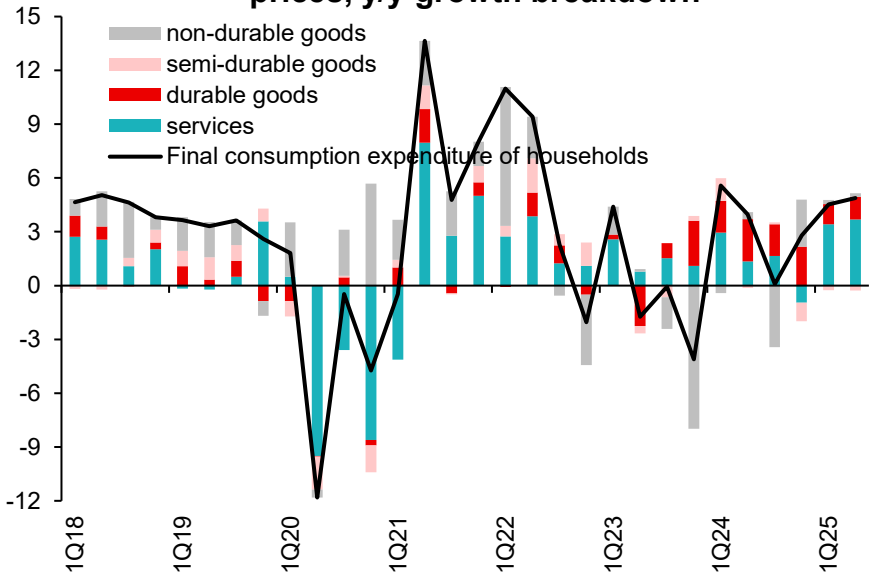
Source: GUS, Ministry of Finance, Santander

Private consumption is still the growth engine

This year was supposed to bring a change of the main economic growth engine, a switch from private consumption to investment. Half a year has passed and no change has occurred, for two reasons: the delay in investment revival and the continuing solid momentum in consumption. The private consumption growth was based mostly on services, which accelerated in 2Q to 9.0% y/y from 7.3%, and on a further increase in household expenditures on durable goods (in 2Q to 12.2% y/y). An improvement in these categories is also reflected in services production data in tourism, catering and accommodation, and in the behaviour of retail sales components related to durable goods (up 13.4% y/y on average in 2Q and 12.9% y/y in July).

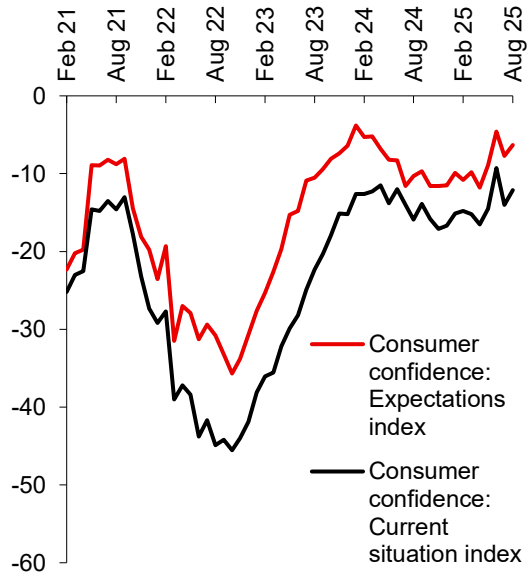
In the June MACROscope we argued that our forecast for this year's consumption growth was conservative due to the assumption of a small further rise in the saving rate. Meanwhile, based on the 2Q data we estimate that the saving rate went down a bit, which is consistent with relatively good consumer confidence and a decline in real interest rates. We have observed something of a breakthrough in consumer sentiment – GUS indicators resumed in recent months the upward trend after a lull in 2H24 and early 025. As a consequence, **we have moved higher our private consumption growth forecast – in the next 2-3 quarters it should stay in the 4-5% y/y range**.

Final consumption expenditure of households, in constant prices, y/y growth breakdown



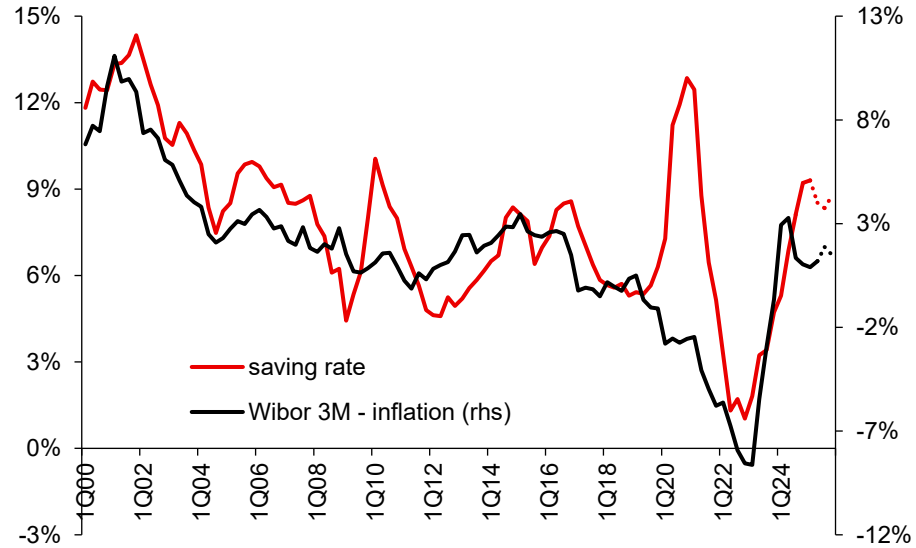
Source: Eurostat, Santander

Consumer sentiment indicators



Source: GUS, Santander

Household saving rate in Poland and real interest rate



Source: GUS, LSEG, Santander

Labour demand is still solid

According to GUS data, employment in companies employing 10 and more persons in 2Q did not grow in y/y terms, for the third quarter running (declines in industry, market services, especially in trade and transport, compensated by growing headcount in non-market services). LFS data, the broadest measure of employment, also did not indicate a change in 2Q25 compared to 2Q24, which is a substantial improvement over the decline by 0.8% y/y in 1Q. What is more, the number of the employed excluding individual farmers rose 0.2% y/y. Agriculture shed 4.7% jobs y/y, which is still an improvement as the four quarters before that all showed double-digit declines. Labour demand increased in both industry and the service sector. When it comes to the form of employment, the employee count was stable y/y (after a 0.4% y/y decline in 1Q) and the overall rise was thanks to higher non-farm self-employment.

According to the results of NBP Quick Monitoring survey, **index of employment expectations went up significantly in 2Q**; there were more companies reporting vacancies and slightly less signals about labour shortages. The employment expectations in the GUS business sentiment survey look less optimistic – the indicator has been going down in recent months in construction and trade, on the other an upside trend in industry is visible, despite some deterioration in August. In turn, according to the BIEC Job Offer Barometer, the number of offers published on the Internet has remained stable for a year and a half, with only slight fluctuations.

According to LFS, the labour force participation rate in the whole economy remained unchanged compared to the previous year. Labour market data for 2Q can therefore be considered a positive sign after a fairly sharp decline in the number of people in employment and an increase in the unemployment rate in the previous quarter. In particular, the slowdown in declines in agriculture and the improvement in the growth rate of salaried employment suggest that **we can expect positive growth in total employment in the coming quarters**.

In the Social Insurance Institution (ZUS) data, we have so far observed a decline in full-time employees, offset by increases in self-employment and civil law contracts – the question arises as to whether this trend will continue. If this phenomenon was caused by cost optimisation by companies, we can expect that the slowdown in inflation and low minimum wage hike in 2026 should help to revive growth in the number of employment contracts. **We therefore expect employment to grow by 0.1% y/y in 2H25 and to gradually accelerate in subsequent quarters, reaching 0.3% by the end of 2026.**

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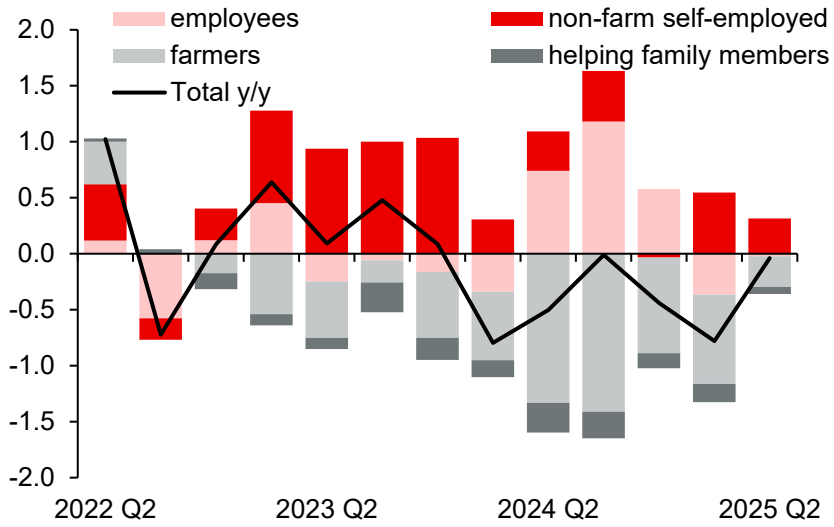
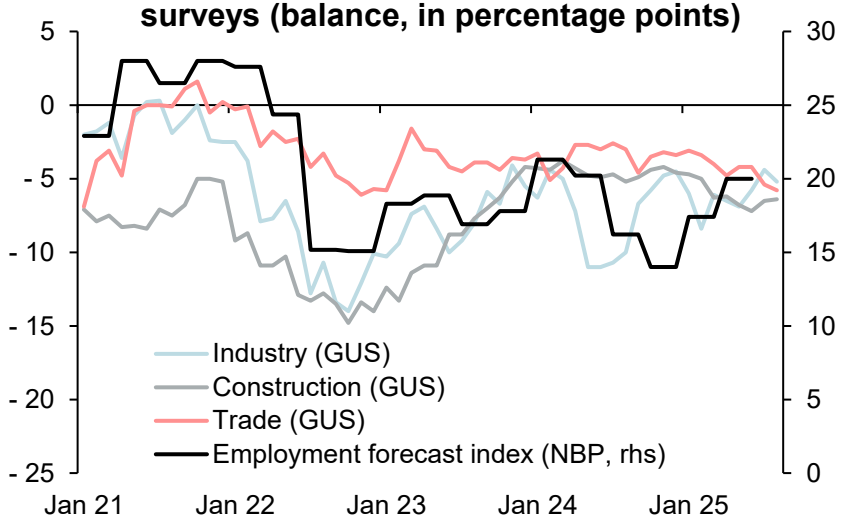
Number of the employed, LFS, %y/y



Indices of employment expectations for the next quarter, according to GUS and NBP business surveys (balance, in percentage points)



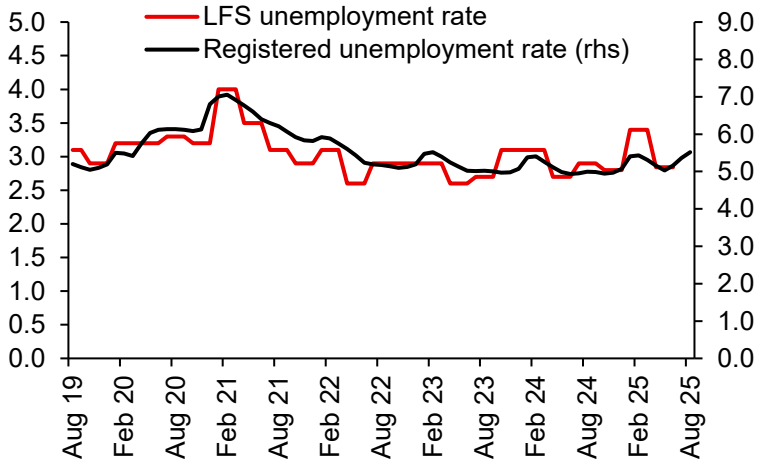
Source: GUS, NBP, Santander

Unemployment remains very low despite disruptions in registration data

Unemployment in Poland remains very low. The unemployment rate, according to the Labour Force Survey (LFS), recorded a seasonal decline in the second quarter from 3.4% to 2.8%, and was a mere 0.1 pp higher than a year earlier. The increase in registered unemployment observed since June of this year is unusual and should be attributed to procedural changes resulting from the new Labour Market Act. Among other things, it introduces the option of registering farmers as unemployed and makes registration with a job office independent of place of residence, which naturally increases the potential pool of unemployed people. The Act also provides for new rules for public institutions regarding the submission of job offers. Among other changes, it has become significant that the unemployed are no longer receiving monthly calls to the office to confirm their availability for work – they will be removed from the register only after three months. This has resulted in a sharp decline in the number of people deregistered from the office, while the number of newly registered unemployed has not changed significantly.

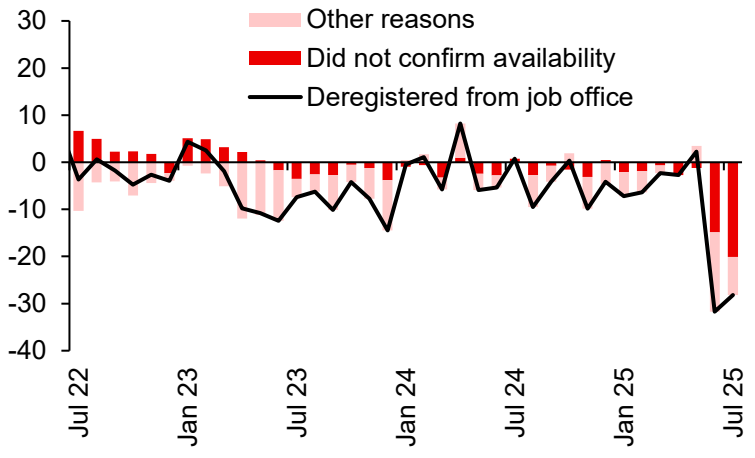
The new procedures also impacted the number of job offers submitted, which fell by approx. half in June compared to May and by 66.5% y/y. In August, despite the new regulations having been in effect for a few months, the number of registered offers is less than half of what it was a year ago. According to the GUS labour demand survey, the job vacancy rate – which measures the number of vacancies relative to the number of jobs – also decreased compared to the previous quarter (from 0.81 to 0.78, or less than 4%), but this is not the sharp decline depicted by the registration data. **We expect the impact of these regulatory changes to gradually fade, but unemployment rates may remain permanently elevated (by approx. 0.5 pp) compared to those observed before June.**

Unemployment rate in registries and in LFS (%)



Job offers in labour offices and vacancy rate from GUS labour demand survey

Dynamics of the number of people deregistered from labour offices (% y/y)



Source: GUS, Santander. Quarterly data from GUS labour demand survey – interpolated between quarter ends.

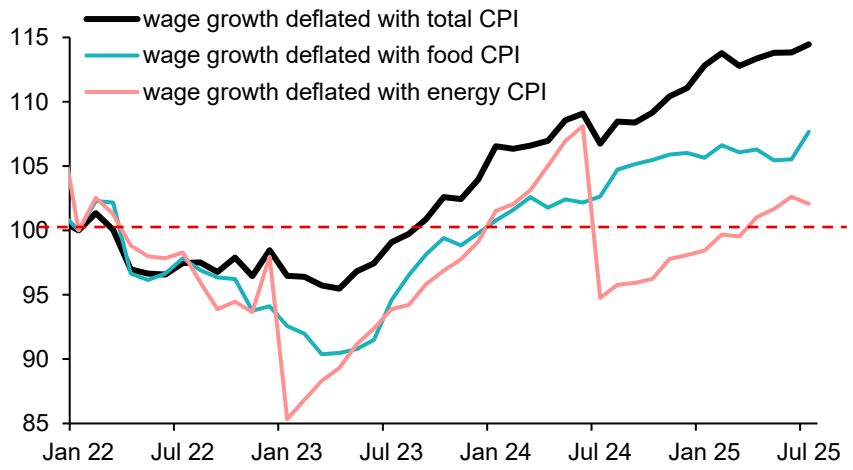
Wages slow down, but wage pressure is still strong

The wage data for 2Q were a surprise in some respects. On the one hand, the corporate sector recorded wage growth significantly higher than we had expected, reaching 9.2% y/y on average in 2Q compared to 8.2% y/y in the previous quarter. On the other hand, the wage reading for the entire national economy fell significantly, from 10.0% to 8.8% y/y, which was due to both a slowdown in the public sector and the wages in micro-enterprises estimated by GUS.

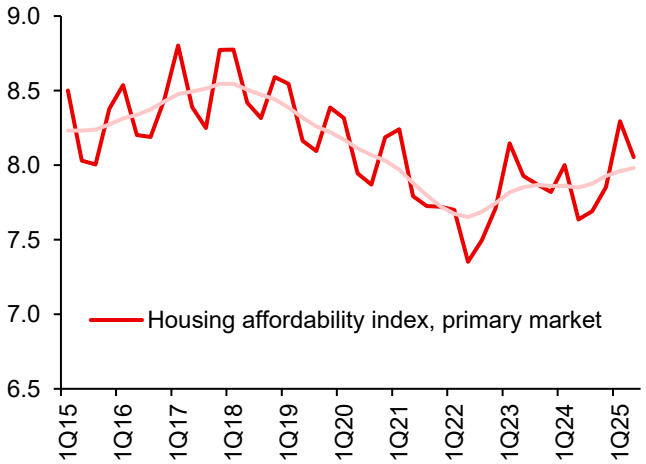
According to NBP survey of enterprises, **wage pressure felt by companies in 2Q decreased only marginally**. The survey also noted a decrease in the propensity to raise wages over the next quarter. Continued high pressure from employees may be caused by lower purchasing power of wages than reflected in the comparison of statistics on average wages and inflation. Real wage growth calculated using the general CPI index between January 2022 and July 2025 was 14.5%, or an average of approximately 4% per annum. **However, when we take into account changes in food prices over the same period, the increase in purchasing power is a half smaller, at only 7.7%.** In turn, the increase in energy prices was so large that it completely offset the nominal increase in wages. The good news is that the housing affordability index we calculate, which measures the ratio of average wages to housing prices on the primary market, is on an upward (albeit slow) trend. Nevertheless, housing prices are reaching historically high levels and are significantly higher than before the pandemic in relation to wages. An additional factor increasing wage pressure is the high level of the minimum wage. From 'typical' (i.e. median) employees' point of view, **the sharp increases in the minimum wage in recent years have significantly weakened their position relative to the least qualified workers**, which raises the wage expectations of higher-skilled workers.

The above considerations lead us to a conclusion that wage growth may remain relatively high, even though it will slow down due to lower inflationary pressure, lower public sector and minimum wage increases. We therefore forecast a decline from 8.8% y/y in 2Q25 to 8.3-8.4% in subsequent quarters of 2025 and 7.1% y/y on average in 2026.

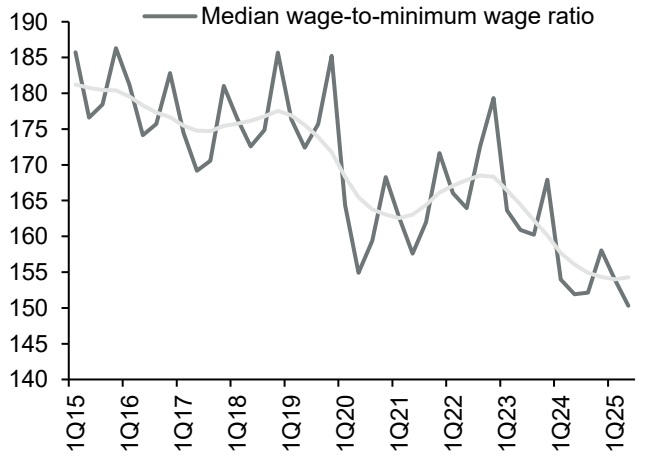
Real wage growth in corporate sector against various CPI measures (Jan 2022= 100)



Housing Affordability Index (pts)



Median and minimum wage (minimum wage = 100)



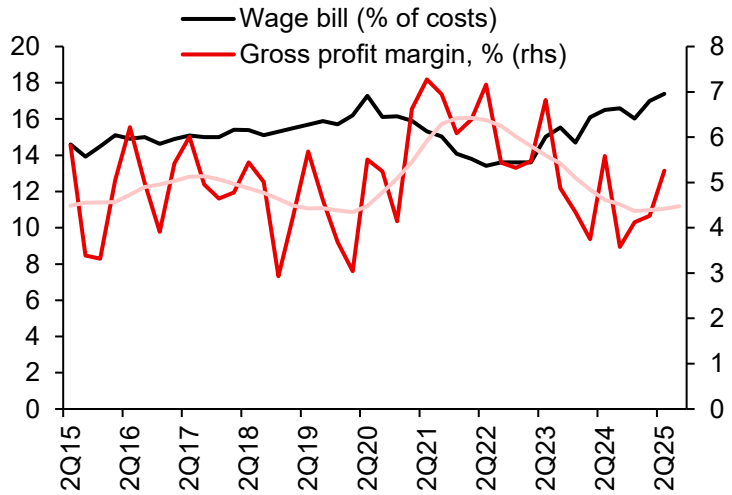
Source: GUS, NBP, Santander

Wage bill increasingly important in companies' costs

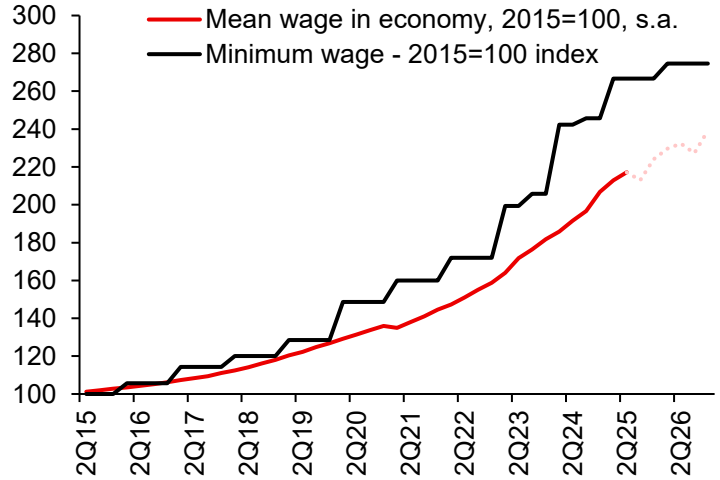
The gross financial result of enterprises employing 50 or more people decreased by 1.0% y/y in 2Q, slowing after the exceptionally high reading in 1Q (+13.9% y/y). Companies' revenues increased by 5.1% y/y, and costs by 5.5% y/y. **Gross margin increased to 5.3% compared to 4.3% in 1Q and, when smoothed, appears to be stabilising at a moderate level between 4 and 5%**. The increase in total costs was largely due to an increase in the costs of materials (1.8% y/y compared to a 3.6% decline in the previous quarter) and external services (9.7% y/y after a 4.1% decline in 1Q). The rate of decline in tax costs slowed to 13.6% after a 22.5% decline year-on-year in 1Q, also contributing to higher total cost growth. In 2Q, investment in enterprises employing 50 or more people increased by 0.8% y/y at constant prices. This is the first positive growth rate after five quarters of declines, including -3.6% y/y in 1Q25.

A significant increase in costs was generated by the **wage bill, which grew by 11.2% y/y after 5.0% in 1Q, and its weight in the total cost structure increased from 17.0% to 17.2%.** A significant factor driving up labour costs for enterprises in recent years has been the minimum wage. While in the years before the pandemic, it grew at a similar rate to average wages in the economy, a rift occurred in 2020, caused by a significant increase in the minimum wage coupled with a simultaneous wage slowdown triggered by the COVID-19 pandemic. Subsequent double-digit minimum wage increases in 2023-2024 have moved the minimum wage growth rate significantly above the average wage. **The government's proposal currently assumes a 3% increase in the minimum wage in 2026, from PLN4666 to PLN4806**, though the final amount may still change slightly. The 3% increase is significantly lower than our forecasted average rate of wage growth in the whole economy, which means the ratio of the lowest wage to the national average will decrease from 52.2% in 2025 to 50.3% in 2026. This will be particularly important for smaller businesses due to their significantly higher exposure to the minimum wage, with the percentage of employees with the minimum wage in micro-enterprises at approx. 50%, compared to a level several times lower among larger entities.

Profitability and the share of labour costs in company costs



Minimum wage vs mean wage growth



Source: GUS, Santander

Complications regarding the legality of stay of immigrants from Ukraine – but the risk of outflow is low

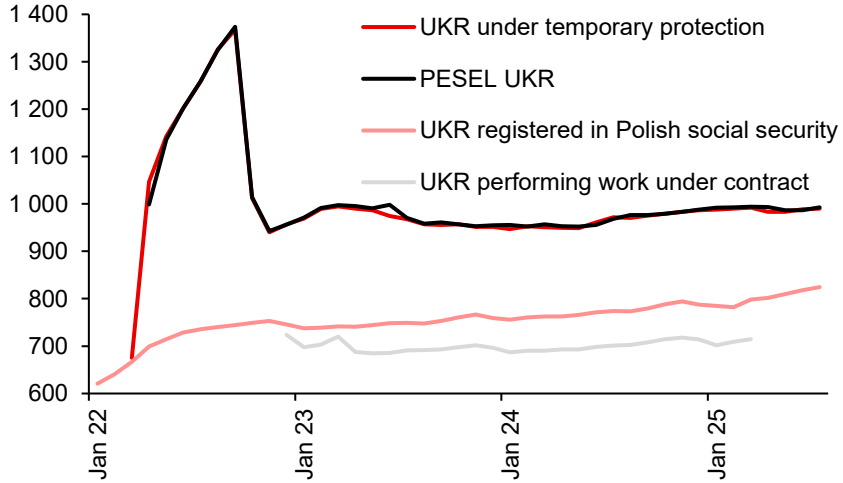
The number of Ukrainian citizens legally residing in Poland currently stands at just over 1.5mn, an increase of approx. 4% compared to 2024. The number of working Ukrainians is also continuing to grow at a rate of several percent. The number of people insured in ZUS in July reached approx. 825k, of whom 715k meet the GUS definition of an employed person. Most of those insured – over 470k – were employed under labour-code contract, thus having stable employment. Data on notifications of assignment of work indicate that non-contributory contracts for specific work are used to a very limited extent.

The President's veto of the amendment to the so-called special act on assistance to Ukrainian citizens has created considerable uncertainty about what this will actually mean for the Ukrainian community. **The legality of war refugees' stay is guaranteed due to protection under a decision of the EU Council, and according to ZUS data, the potential problem of legalizing their stay would affect the remaining approx. 570k people (non-refugees)**. However, the government quickly prepared a bill that partially mitigates the veto's effects. The bill extends the legality of Ukrainians' stay until 4 March 2026, and grants access to social benefits and the healthcare system only to economically active foreigners. However, Ukrainians may lose some of the privileges granted to them under the current law, particularly regarding the ease of receiving social support and accessing the education and healthcare systems. Extension of the legal stay until March of next year – assuming it comes into force soon – will allow more time to obtain the necessary documents (primarily a temporary residence permit or a visa) in the event that the law is not extended further.

It is worth noting that recently, on 1 June 2025, the Act of 20 March 2025, on the Conditions for the Admissibility of Entrusting Work to Foreigners in the Territory of the Republic of Poland, entered into force. The primary goal of the act is to tighten the system: among other things, the scope of grounds for refusal in the procedures for legalizing a foreigner's work has been expanded and the provisions regarding penalties have been tightened. Moreover, official decisions may be issued more efficiently, thanks to, among other things, the digitalization of procedures related to obtaining work permits for foreigners. **Taking all factors into account, we do not forecast an outflow of immigration, but rather a continuation of its moderate growth.**

Data scope	Measure	Period	Level (thous.)	% y/y
Legalization of stay	Number of Ukrainian citizens with legalized residence	as of 1Jul	1565.0	3.9
	including under temporary protection ("special law")	9Sep25	999.1	2.3
	Number of visas issued	1H25	59.4	-0.8
	Temporary residence permits issued	1H25	115.2	3.3
Legalization of work	Number of notifications and declarations of work assignment	1H25	549.1	-5.6
	employment contract	1H25	162.4	-6.2
	mandate contract	1H25	364.6	-6.7
	specific work contract	1H25	3.9	-62.4
	Insured in ZUS (social security), total	Jul25	824.5	6.5
	refugees	Dec24	255	-
	employment contract	Jul25	471.9	5.7
	mandate contract	Jul25	301.8	2.7
	non-farm self-employment	Jul25	54.0	48.2
	Employed according to GUS	Mar25	714.9	3.6

Number of Ukrainian citizens in Poland and on the Polish labour market based, various data sources, in thous.



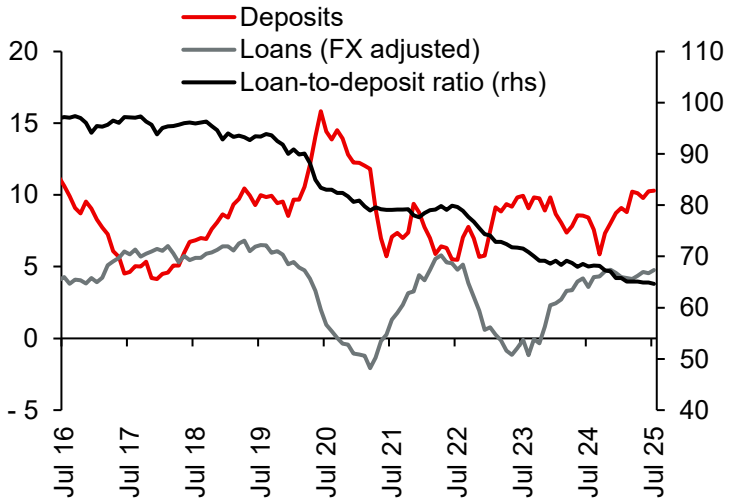
Source: GUS, ZUS, MRPiPS, MSZ, NBP: „Report on inflation– March 2025"

The credit market is gaining momentum

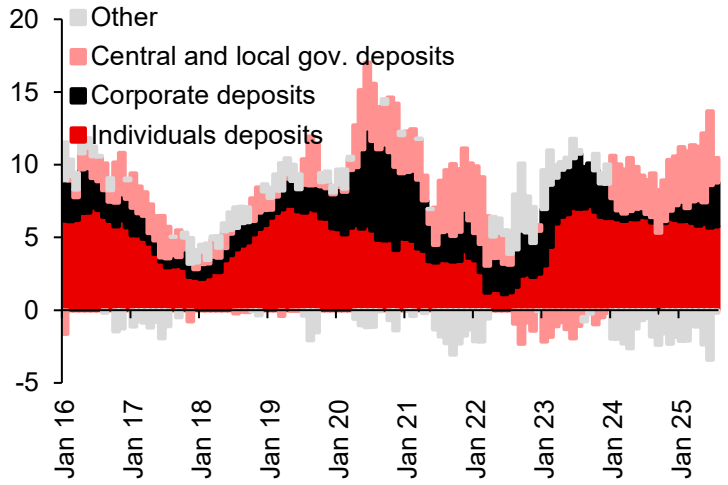
The loan-to-deposit ratio (LDR) has been declining sharply in recent years, as the credit market stabilised first as a result of the Covid-19 pandemic and later following the inflation shock and the outbreak of the war in Ukraine. The downward trend in LDR now appears to be slowing to a relatively low level of around 65%, reflecting ample room for increased lending. Deposit growth has been consistently high, at around 10% y/y since March, reaching 10.3% in July. Growth in retail deposits is slowly declining, while corporate deposits are accelerating; the central and local government sectors have been contributing significantly over the past two years. **We expect deposit growth to remain in the 10-11% y/y range in the coming months.**

As previously expected, the robust economic growth rate, combined with rising real wages, lower interest rates, and expectations of further reductions, is starting to produce an increase in loans origination. After solid growth in the first quarter, subsequent months brought even greater growth in both consumer and mortgage loans. **The number of new consumer loans increased from PLN10.5bn in January to nearly PLN13bn in July**. Meanwhile, housing loans have already reached last year's local peak, when the government's borrower support program was in effect – nearly PLN9.5bn in July. Corporate lending activity has remained stable this year at between PLN13bn and 14bn per month. These results have not yet translated into accelerated growth in the overall loan volume due to simultaneous increases in loan repayments. **In the face of rapidly growing consumption, we expect a further increase in the number of loans origination**, and the increased demand for apartments may translate into a revival of the real estate market, which has recently been in a downturn. **We think that the loan growth will stay close to 6% y/y in the months to come.**

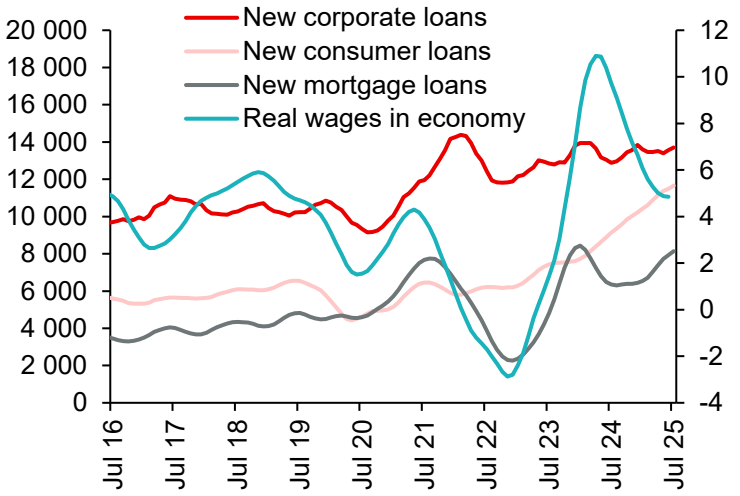
Deposits vs. loans – total volumes (% y/y, lhs) and LDR ratio (%, rhs)



Contribution to deposit dynamics by sector (pp. y/y)



Value of new loans (PLNmn) and real wage growth (% y/y)*



* Data smoothed with moving average

Source: NBP, GUS, Santander

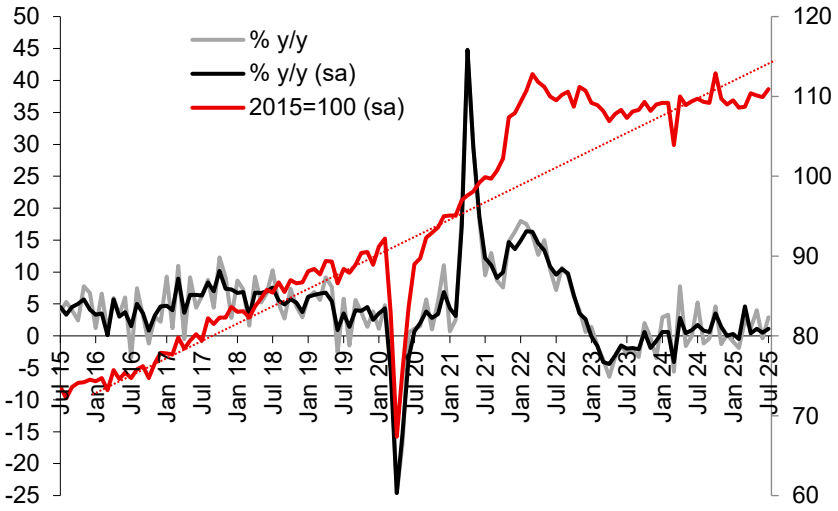
Industry remains stable

Industrial production has fallen below its pre-pandemic trend this year. This is a consequence of weakness in consumer durables and energy-related goods. On the other hand, a positive contribution was secured by investment goods, with a slight help from non-durable consumer goods. Manufacturers of intermediate goods need a more pronounced rebound in Europe (PMI indices suggest that it is already close) in order to move from stagnating production into growth.

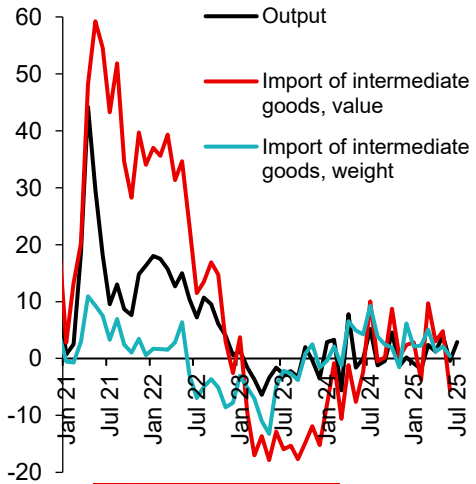
While industries focused on the domestic market were clearly better off in 2024, in 2025 the exporting industries are in the lead. This is a rebound from a low level, but it outlines the prospect of further moderate growth in overall production and opportunities for acceleration as the economic situation in Europe improves.

For now, we think that the numbers on intermediate goods import do not show any signs that the industry is ready to move to higher growth rates. On the other hand, surveys show an improvement in both the assessment of current production trends and expectations. **We expect average production growth in the second half of the year to be 2.4% y/y, compared to 0.7% y/y in the first half of the year.**

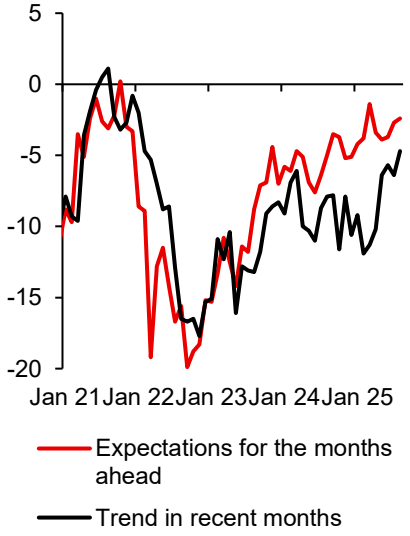
Industrial output



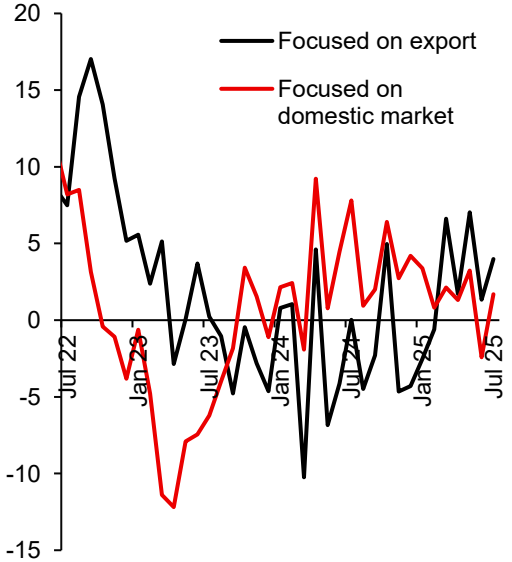
Industrial output vs intermediate goods import, % y/y



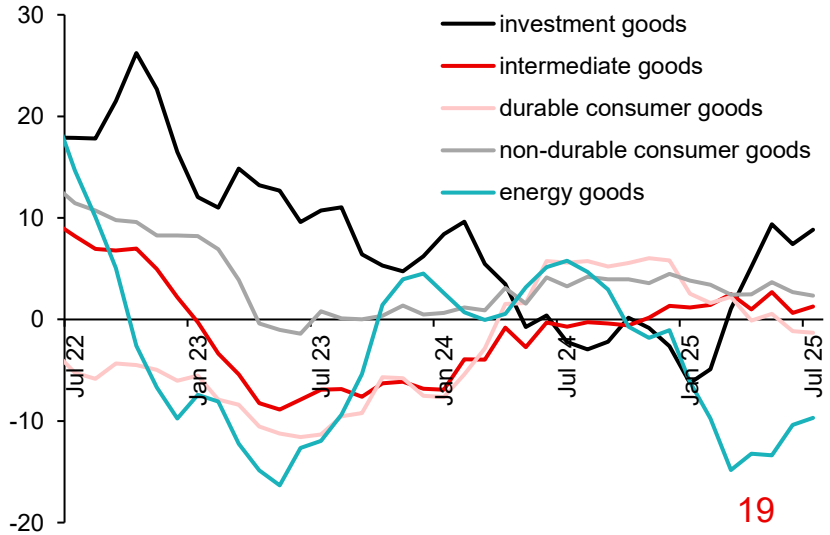
ESI-industry, production level



Output, industries focused on export and domestic market, % y/y



Output in main groupings, % y/y, 3-month moving average



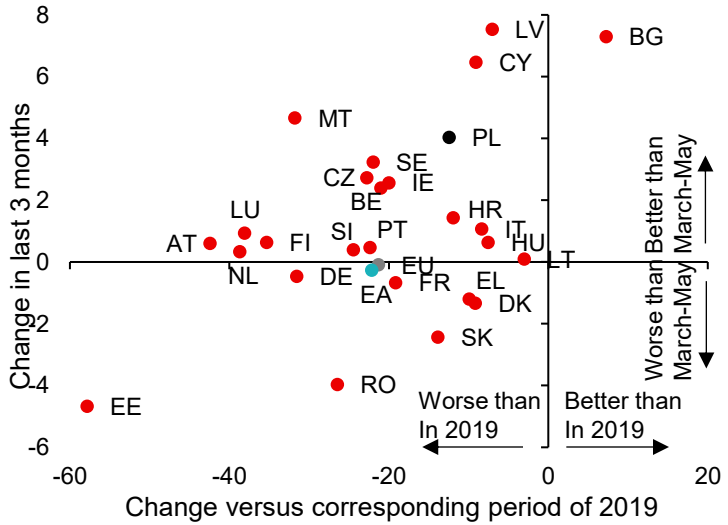
Source: GUS, Eurostat, Santander

Output: uneven rebound

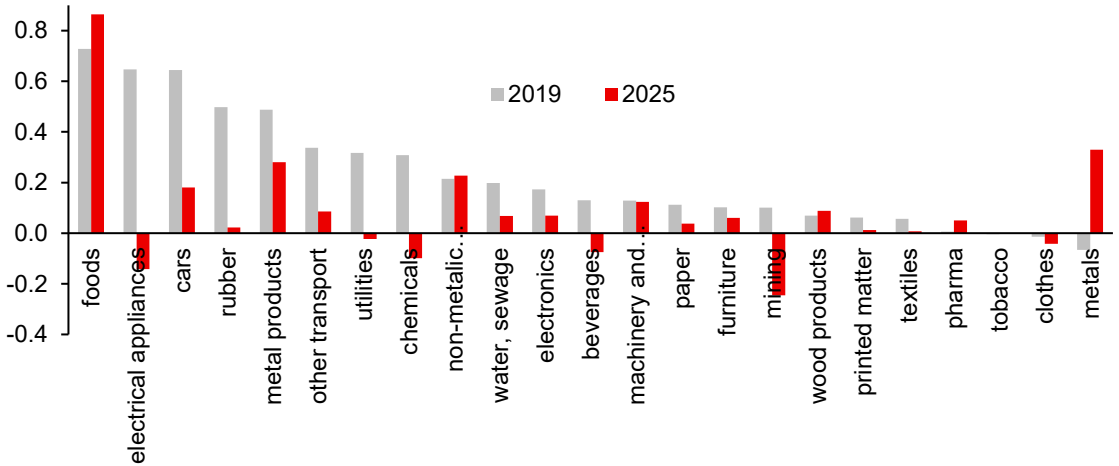
In terms of contribution to overall production growth, some industrial sectors have already reached 2019 levels (a period without disruption, albeit with already weakening growth in the euro zone), e.g. food products, metal production and metal products, equipment. This year, the automotive industry has ceased to put a drag on the overall industrial growth. On the other hand, sectors such as electrical equipment, rubber and plastic products, and chemical products, which significantly supported growth in undisturbed economic cycles, are now not helping at all. As a result, total production growth in the January-July period of this year was 1.1% y/y, compared to 5.5% y/y in the same period of 2019.

It is not obvious that these missing drivers of production growth will be activated. Companies in many industries still report operating in conditions of a strong competition from abroad (although, according to a survey by GUS, this pressure has eased in the manufacturing sector as a whole). Manufacturers of audio/video equipment and household appliances are struggling with continued low demand, as Europeans' propensity to make large purchases remains much lower than before the pandemic. The improvement in the indicator in recent quarters in most EU countries is offset by its continued weakness in Germany and France.

ESI, current consumer sentiment towards big purchases, average Jun-Aug

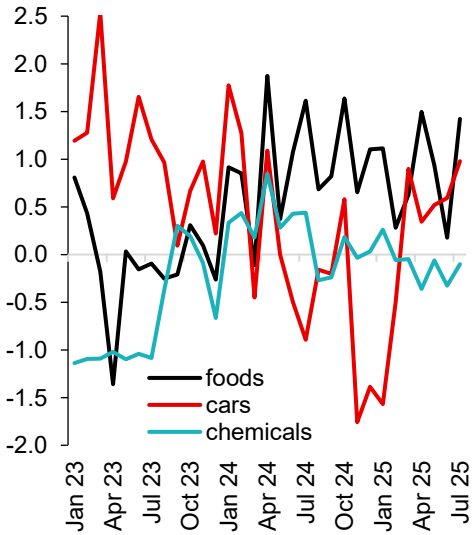


Contribution of industries to total output, % y/y, January-July

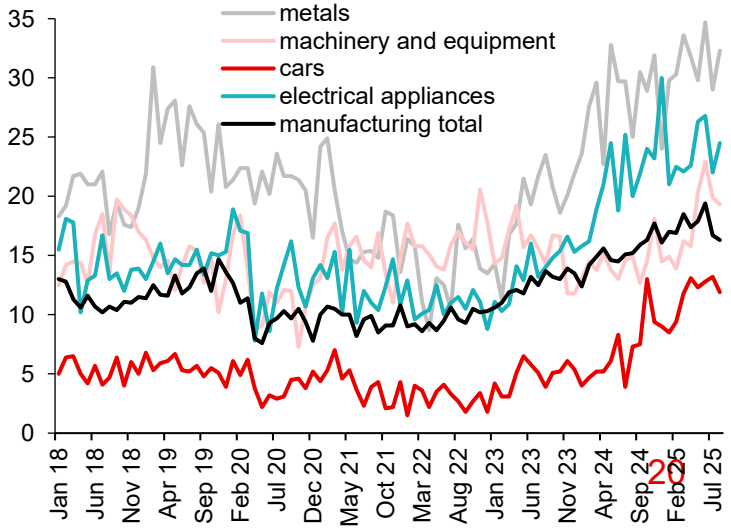


Source: GUS, EC, Santander

Contribution of selected industries to total output



Industry, % of companies reporting competitive import as business barier



Export: we are counting on Europe

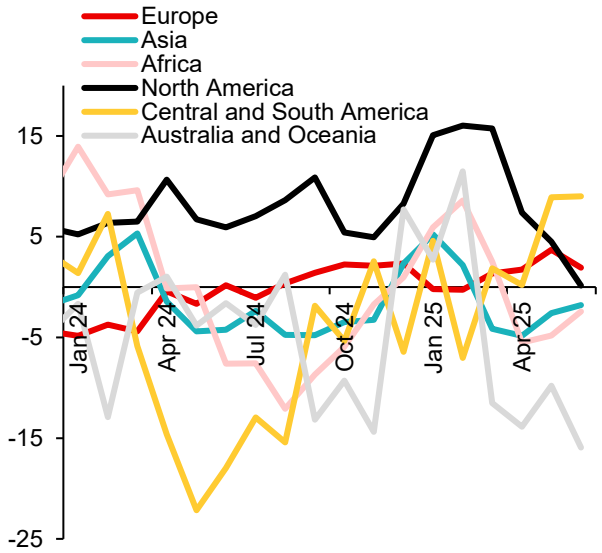
Polish export is affected mainly by the gradual revival in Europe and the global shock caused by the changes in the US tariff policy. The first of these factors should lead to an **acceleration of Poland's export growth to 5-10% y/y in 2H25**. This view is supported by the rebound in euro area's PMIs and the upward tilt of the market's 2025 GDP growth forecasts for Poland's main European trading partners (especially Germany, from 0.0% in May to 0.3% currently).

The second factor has led to a temporary increase in activity of exporters, but in the end, it will undermine the overall export result. Over the previous years, Poland's trade with the US has been increasing, but this year this trend is turning due to the prevailing uncertainty about rules of trade and tariff rates for specific goods shipped across the ocean, both directly and as components of goods exported by other EU countries.

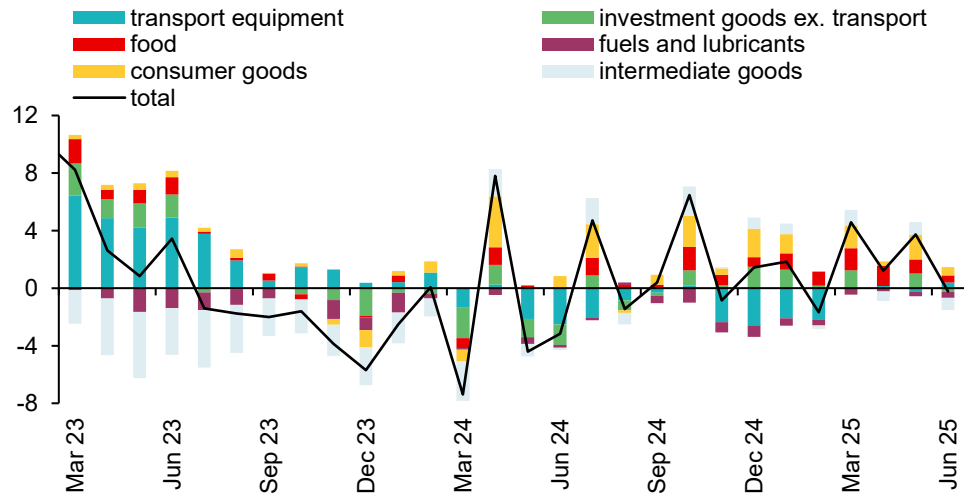
The increase in export over the last year has been based on consumer goods: processed food and industrial goods, mainly semi-durable and nondurable. Due to competitive pressure from China, export of automotive goods has little chance to support growth as in the pre-pandemic years, but in 2Q it at least stopped weighing down on the overall result.

Rivalling China in the European markets is proving challenging – since 2019, Poland has managed to increase its share in EU's import by 0.5 pp to 3.9% (mainly due to expansion of export of Polish food for households), while China has increased its share to 8.5%, overtaking Poland as a supplier of passenger cars and their parts.

Merchandise export, 3-month average, % y/y

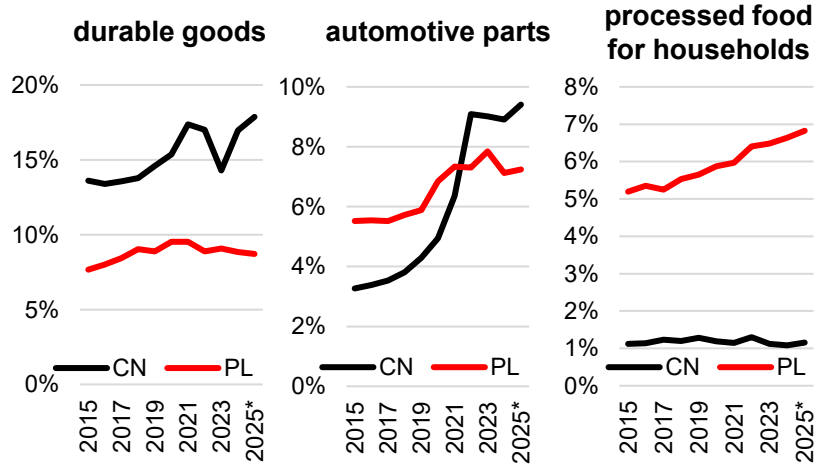


Structure of y/y export growth, broad economic categories, in EUR



Changes in growth forecasts for the main recipients of Poland's export

Poland's and China's shares in EU's import:



* 12-month sum over June 2024 – May 2025

Source: GUS, Eurostat, Bloomberg, Santander

Inflation: stabilisation near the target

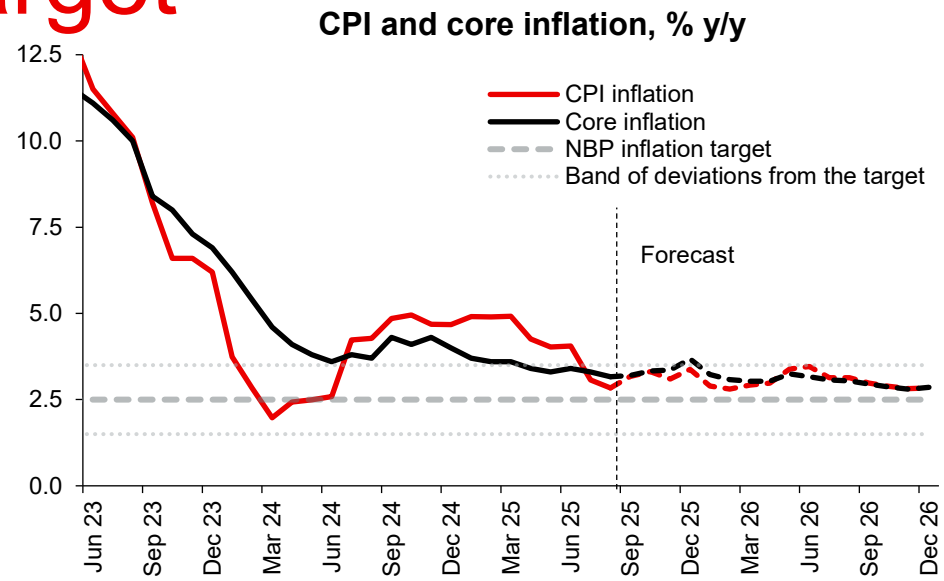
Each of our recent MACROscopes came with a downward revision of our CPI inflation forecast for this year: from 4.9% in December, through 4.1% in March, to 3.6% in June. In this edition, we break this cycle, as we increase our forecast to 3.8%.

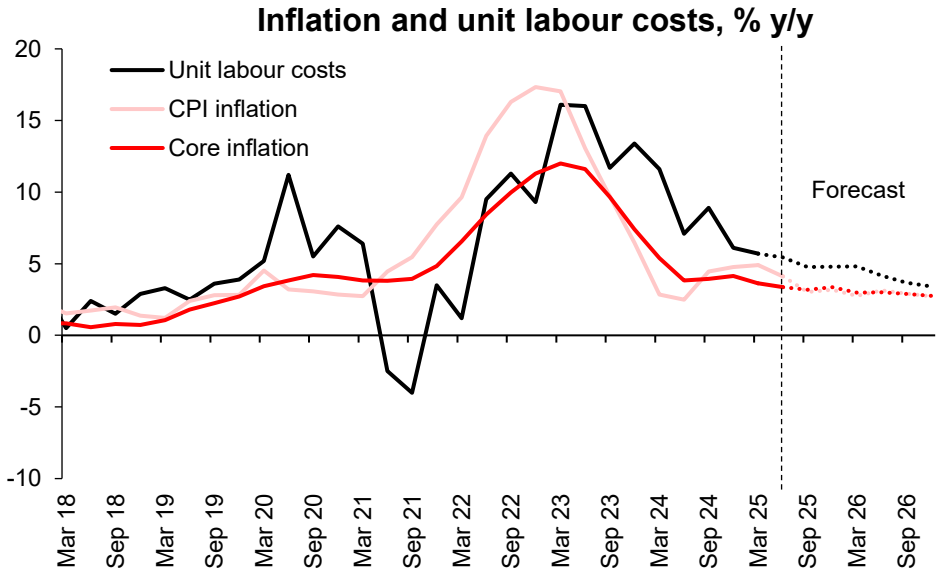
The upward revision is motivated by three factors – slightly higher path of core inflation in recent months, macroeconomic scenario which is less supportive for further disinflation (due to greater role of private consumption and more expansive fiscal policy), and the expiration of the heating price cap at the end of June. In the July and August data, heating prices were still stable, but we think that the expiration of the cap will become visible in the statistics in the next months and will increase the inflation rate by c. 0.2 pp – more strongly than we had expected before. Uncertainty about the heating prices is, however, considerable. According to information from the stats office, the increase will be incorporated in the data when fees paid in housing associations begin to increase, which is hard to precisely monitor. However, we assume that already in September, fees should begin to rise.

Preliminary data on the size of this year's harvests and the current meteorological data suggest that this year, there is little upward risk for food. Therefore, our forecast for a 5% increase in food prices (which we have been keeping since December 2024) has a high change to hit the mark.

In the case of energy prices, we have been expecting stabilisation. The energy price cap will likely be extended to 4Q – legislative work on this issue is ongoing. In 2026, we assume that electricity prices will stabilise thanks to the expected reduction in tariffs to a level consistent with the current maximum price.

We assume that inflation will return to above 3% y/y in September and will be slightly below 3.5% at the end of the year. In the case of core inflation, we expect it to remain slightly above 3% in the coming months, with a slight increase possible in December. In 2026, we believe that both CPI and core inflation will oscillate around 3%.





Source: GUS, NBP, Santander

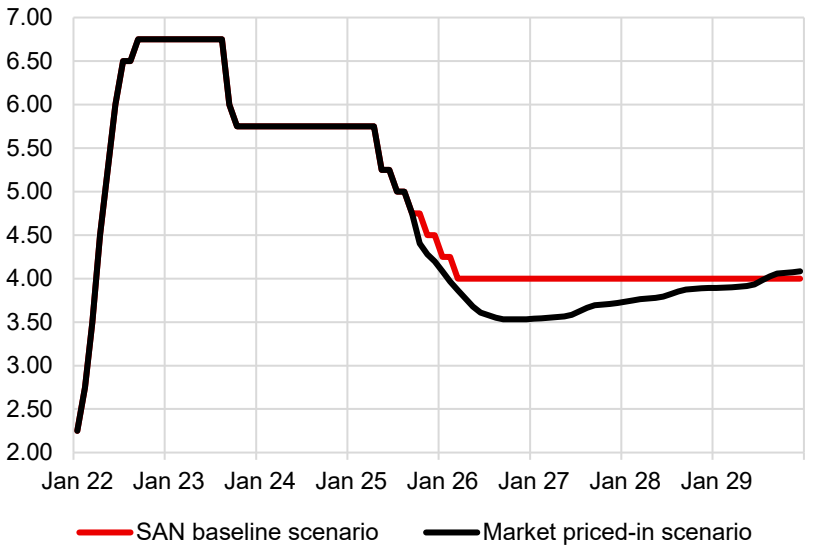
Monetary policy: the MPC intends to remain cautious

The Monetary Policy Council's decision to cut interest rates by 25 basis points in July was motivated with better-than-expected inflation and wage data (although the last CPI inflation print known before the meeting showed a slight increase, to 4.1% y/y). The justification for another reduction in rates by 25 bp in September was only 'the inflation path' (since the July meeting, there have been two significantly lower CPI prints, including inflation falling below 3% y/y in August), while wage growth, which had slowed further in the meantime to below 8% y/y, was described by NBP Governor Adam Glapiński as still too high and generating risks for further disinflation. Moreover, the NBP Governor's press conference after the September MPC meeting was, in our view, more hawkish in tone than in previous months. Glapiński emphasised that inflation had not been definitively tamed, pointed out that the stabilisation of core inflation at around 3% y/y generated the risk of CPI deviating from its target, and focused primarily on the risks to a sustained reduction in inflation, which he said included, above all, overly loose fiscal policy, good economic situation and the situation in the labour market. He also cited continued uncertainty about energy prices as a factor limiting the possibility of further rate cuts.

In our opinion, the current reference rate (4.75%) is still far from the target rate, which we see at around 4.00%. The financial market is pricing in even deeper cuts – to around 3.50% over the next year – but in our view the MPC will be more cautious due to the continuation of loose fiscal policy and our expected scenario of further GDP growth recovery. At the September conference, Governor Glapiński pointed out that the MPC wanted to avoid a situation where excessive rate cuts would require a policy reversal within a few quarters, citing the example of Czechia (where interest rates were recently cut to 3.50%).

It remains extremely difficult to clearly define the MPC's policy function. Nevertheless, it seems that the Council remains sensitive to incoming data, particularly those concerning inflation. In this context, our expectation that CPI will rise above 3% again in September will likely be an argument for postponing another 25 bp rate cut until November, even if information about the extension of the electricity price cap until the end of this year is already known at the October meeting. At the beginning of 2026, we expect two further cuts, still in cautious steps of 25 bp, following a renewed decline in CPI below 3%.

NBP reference rate according to market pricing (12/09/2025) and Santander's forecast, %



Source: Bloomberg, Santander

MPC seen as more hawkish

According to the latest PAP survey, analysts believe that MPC members have shifted to slightly more hawkish positions compared to the end of April, when the last survey was conducted.

The biggest change concerns the assessment of Adam Glapiński and Przemysław Litwiniuk, but overall the changes are minute, at least compared to changes observed in the previous round of this survey.

The analysts' assessment is consistent with market expectations. Although rates have fallen by 100 basis points since April, their valuation at the end of 2026 has risen slightly.

2025 budget: another year of high imbalance

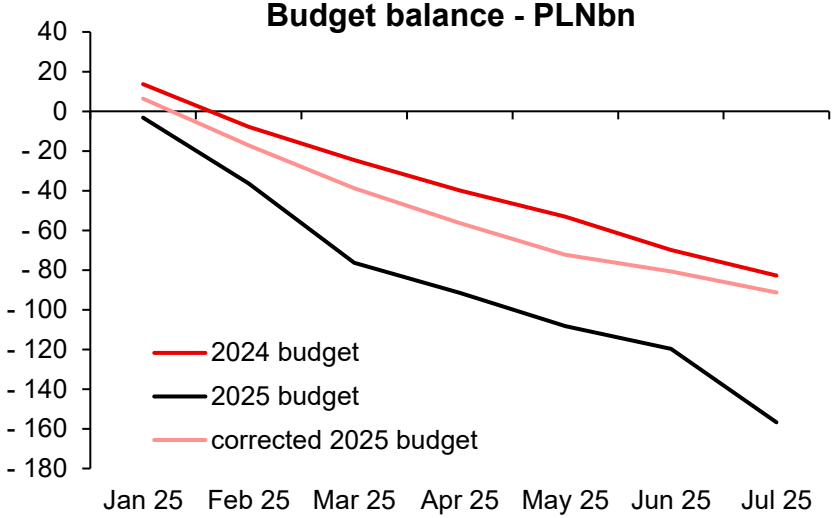
The budget deficit amounted to PLN157bn after July and was the highest ever recorded for that month. However, when analysing this figure, it should be taken into account that this year the budget financed the redemption of PFR0325 and FPC0725 bonds with a total face value of PLN44bn, and that the rules for financing local governments have changed – they now receive a much larger share of PIT revenue – which was expected to increase this year's deficit by PLN 25bn.

We estimate that if this year's deficit was adjusted for these two factors, it would amount to approximately PLN91bn – not much more than the PLN83bn recorded in July 2024.

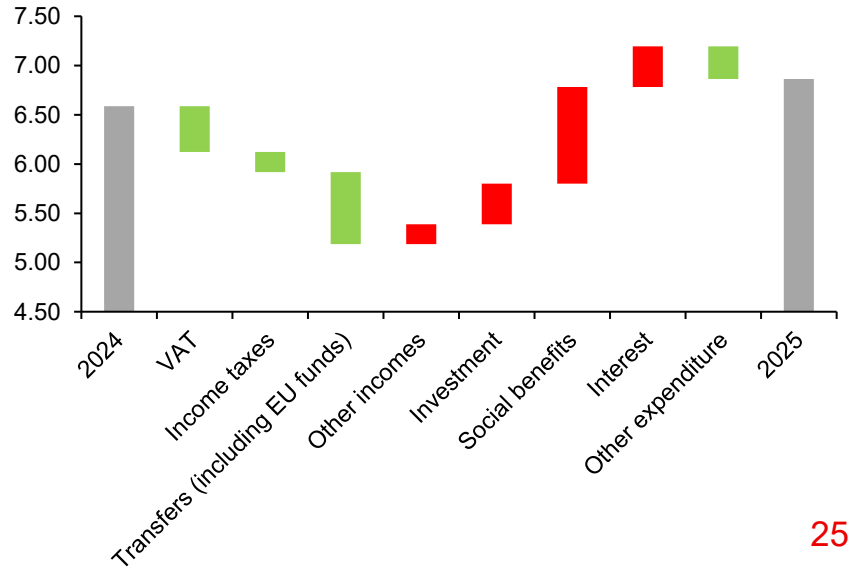
Adding up the budget and local government deficits after 2Q25 and adjusting for the redemption of PFR bonds (which is neutral for the GG result) gives a deficit of PLN61.7bn (1.6% of full-year GDP) compared to last year's PLN48.7bn (1.3% of full-year GDP). **As a result, we estimate that despite a significantly higher budget deficit than last year, the balance of the entire public finance sector this year is likely to close with a result comparable to last year's.**

The government's forecast presented in the draft budget bill for 2026 assumes that the public finance sector deficit will increase to 6.9% of GDP in 2025 from 6.6% of GDP in 2024. We consider this forecast to be slightly pessimistic (we had previously assumed 6.6% of GDP), but we do not have sufficient information to question the government's assumption. Perhaps the motivation for presenting a slightly more pessimistic deficit forecast for this year was that this would allow the 6.5% deficit in 2026 look like a slight improvement.

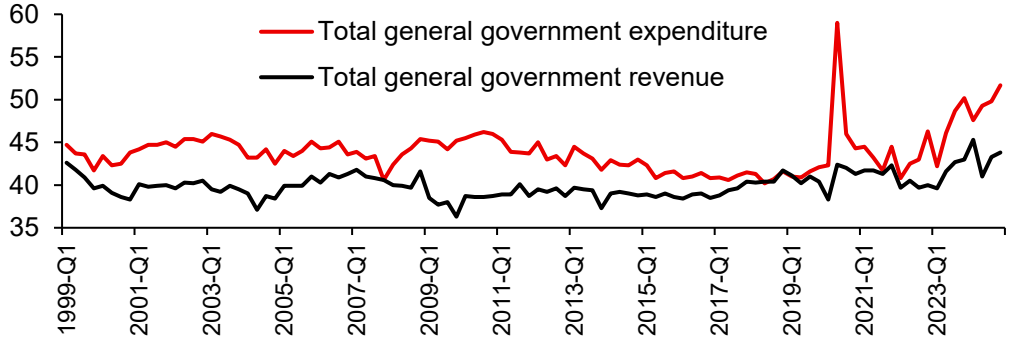
Budget balance - PLNbn



Breakdown of change in GG deficit, % of GDP



GG revenue and expenditure as % of GDP



Source: MF, Eurostat, GUS, Santander

2025 budget: amendment probably not necessary

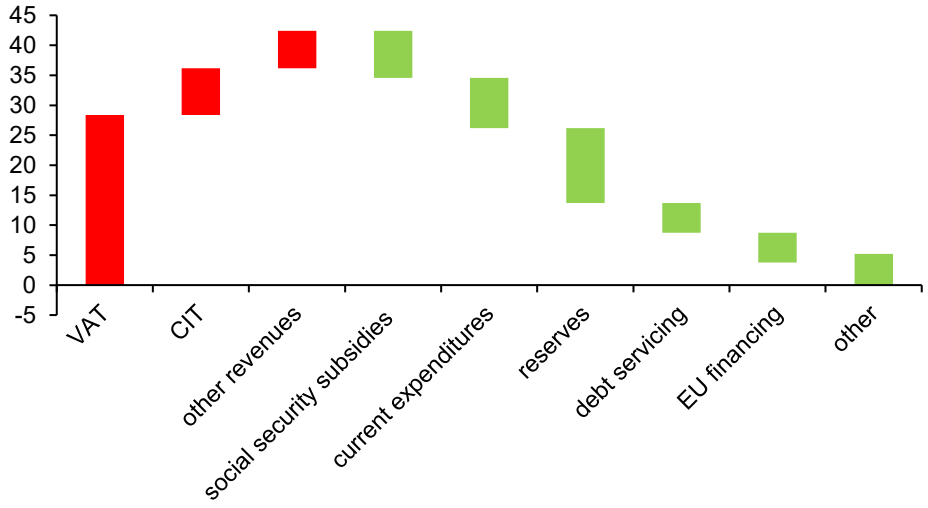
We forecast that this year's budget revenues will amount to PLN595bn, which is significantly below the assumptions in the budget act (PLN632.8bn) and also below the expected 2025 budget execution shown in the 2026 budget draft (PLN603.4bn). The main culprit will be weaker VAT revenues, which, as we estimate, will fall short by some PLN30bn. CIT revenues may also be PLN5-10bn lower.

Meanwhile, the government has reduced its expectations for VAT (by PLN24.5bn), CIT (by PLN4.7bn), PIT (by PLN3.6bn) and excise duty (by PLN3.1bn).

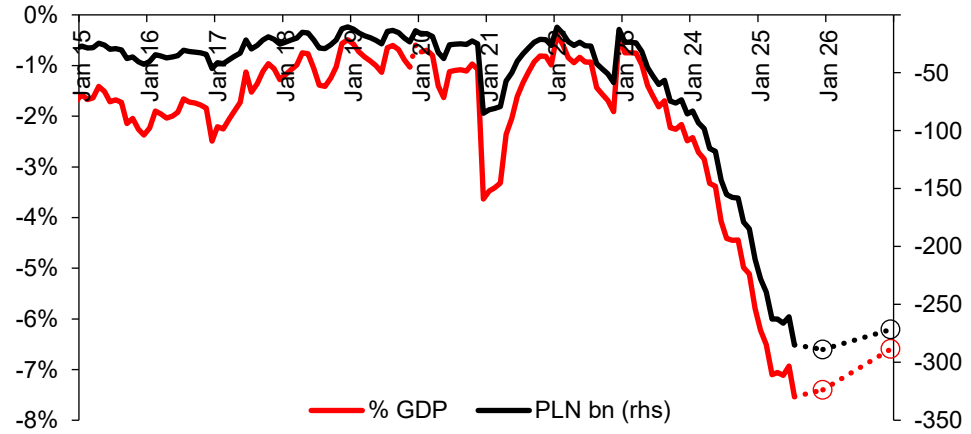
With revenues as above, the budget will accommodate expenditures totalling PLN885bn, compared to PLN921.6bn in the plan. Is this possible? In our opinion, it is, although it will probably require some manoeuvring on the part of the government. The subsidy for social security funds may be c. PLN10bn lower than planned, thanks to the relatively high wage growth and, consequently, higher contribution revenues. In our opinion, some PLN10-15bn may still be taken out from reserves, current expenditure by budgetary units may be approximately PLN10bn lower than planned, and some PLN5-10bn can be saved on debt costs and co-financing of EU projects.

We therefore assume that a budget amendment will be avoided, and suggestions from the Ministry of Finance confirm this claim.

Our estimates of deviations from 2025 revenue and expenditure values planned in the budget act, PLN bn



Budget balance, 12-month moving sum



Source: MF, Eurostat, GUS, Santander

2026 budget: deficit still markedly above 6%

The draft budget for 2026 assumes continuation of Poland's accommodative fiscal policy, with a general government (GG) deficit of 6.5% of GDP, compared to 6.9% of GDP this year.

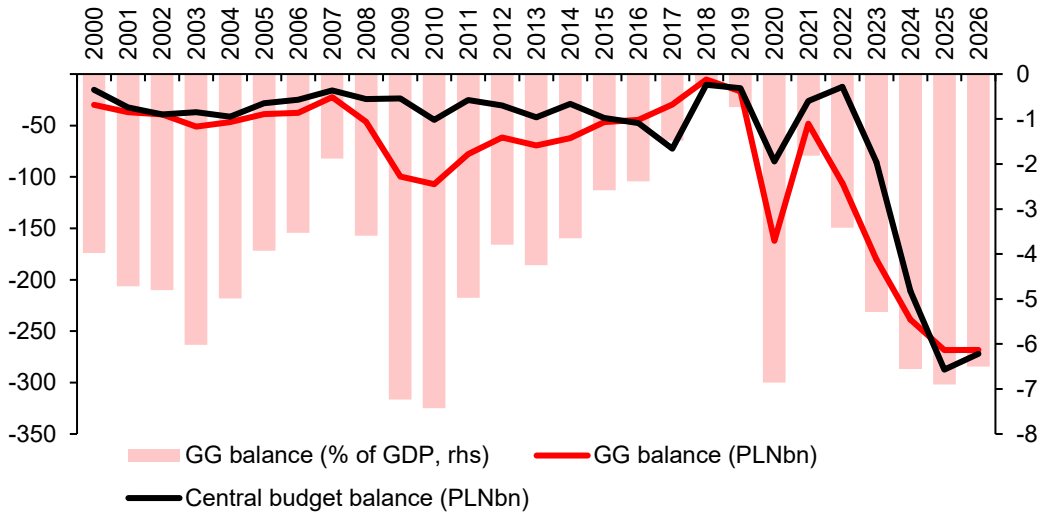
We assess the risk of a fiscal deficit underperformance in 2026 as lower than in the case of the two previous draft budgets, partly due to more realistic macroeconomic assumptions and revenue growth plans. The risk to budget revenues is primarily related to a possible presidential veto on the planned tax increases, but even in the "maximum version" this would generate a shortfall of around PLN10bn, or approx. 0.2% of GDP (PLN6.6bn CIT on banks, PLN2.0bn excise on alcohol, PLN1.5bn sugar tax). We find the outlook for CIT revenues somewhat overly optimistic and would cut them by c. PLN5bn.

Expenditure on the purchase of military equipment is expected to amount to PLN109.0bn, compared to PLN94.9bn planned for 2025, and equipment deliveries to PLN42.5bn, compared to PLN38.7bn in 2025. Total defence expenditure adjusted for expenditure on equipment to be delivered in another period, will amount to approximately PLN133.7bn, or 3.2% of GDP, which is 0.1 percentage point less than in the previous year. **Thus, defence spending slightly reduces the GG deficit compared to 2025.**

The draft budget for 2026, along with the estimated realisation in 2025, once again places Poland on a fiscal trajectory that is worse than previously expected. In our opinion, this will not trigger a harsh reaction from the European Commission, which in its assessment focuses primarily on the spending path (which does not exceed agreed targets). This may be however more important for rating agencies, which we address on page 30.

We have analysed the 2026 draft budget bill in detail in our Comment.

GG and budget balance



Source: MF, Eurostat, GUS, Santander

Main budget parameters

	2024 realisation	2025 budget act	2025 expected realisation	2026 draft
Revenues (PLNmn)	623 240	632 848	603 404	647 200
Expenditure (PLNmn)	834 243	921 618	892 173 *	918 940
Balance (PLNmn)	**-211 003**	**-288 770**	**-288 770**	**-271 740**
GG balance (% GDP)	**-6,6%**	**-5,5%**	**-6,9%**	**-6,5%**
GG debt (% GDP)	**55,3%**	**59,8%**	**60,4%**	**66,8%**
PDP debt (% GDP)	**44,3%**	**47,9%**	**48,9%**	**53,8%**

Source: MF, * the amount from 2025 budget act adjusted to the expected revenue and deficit performance

Public debt: closer and closer to safety limits

Public debt according to the EU definition (GG) is expected to increase to 66.8% of GDP in 2026, from 60.4% of GDP this year, while public debt in domestic definition (PDP) is to rise to 53.8% of GDP from 48.9% of GDP.

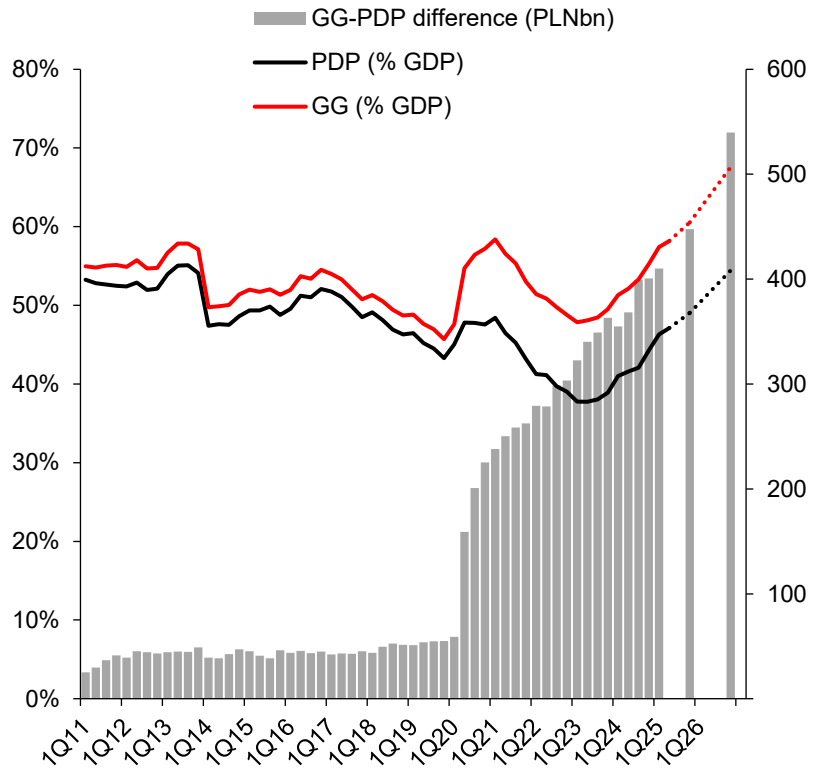
The difference between the debt in both definitions, according to Ministry of Finance estimates, is expected to reach c. PLN448bn this year and rise to c. PLN540bn (i.e., 13% of GDP) next year. This means that debt will continue to be pushed into funds not covered by the national definition of debt, which is subject to statutory and constitutional prudential thresholds. The Armed Forces Support Fund (FWSZ) alone is projected to generate PLN73.7bn in debt financing revenues in 2026. The COVID-19 Prevention Fund plans to raise PLN18.5bn next year from bond issues, while none of its outstanding bonds will mature. Meanwhile, the National Road Fund's debt is expected to be PLN3.7bn higher by the end of 2026 than at the end of this year.

With such a high PDP debt forecast for 2026 (53.8%), **the likelihood of exceeding in 2027 the 55% of GDP prudential threshold set out in the Public Finance Act increases**. According to the Act, the next budget prepared after a breach of the threshold has to meet, among others, the following conditions: it cannot show a deficit at all or must ensure a reduction in the debt-to-GDP ratio, public sector wages must be frozen, and retirement and disability pensions may be indexed by no more than the inflation rate. In case the 60% of GDP threshold is exceeded, the same instruments are used, plus spending of local governments cannot be higher than their revenues and public finance units cannot issue new guarantees.

The threshold exceedance is determined based on the debt level at the end of the year, officially reported in the spring of the following year. Therefore, an exceedance in year T (for example, 2027), reported in year T+1 (2028), will impose constraints only on the budget for year T+2 (2029). Before this happens, public debt may already be significantly closer to the constitutional limit of 60% of GDP.

In reality, the government can avert the threat of exceeding statutory limits, e.g. by changing the national definition of debt and/or pushing even more debt outside the scope of the PDP. While this would avert the scenario of sharp budget cuts with potentially recessionary effects, it would not eliminate concerns about the stability of public finances with potentially negative implications for credit ratings.

Public debt in GG and PDP definitions



Source: MF, Santander

SAFE – safe for Polish debt?

The European Commission informed that it has granted Poland access to loans from the SAFE program worth EUR43.7bn (c. PLN185bn or 4.4% of next year's GDP) out of the EUR150bn program pool.

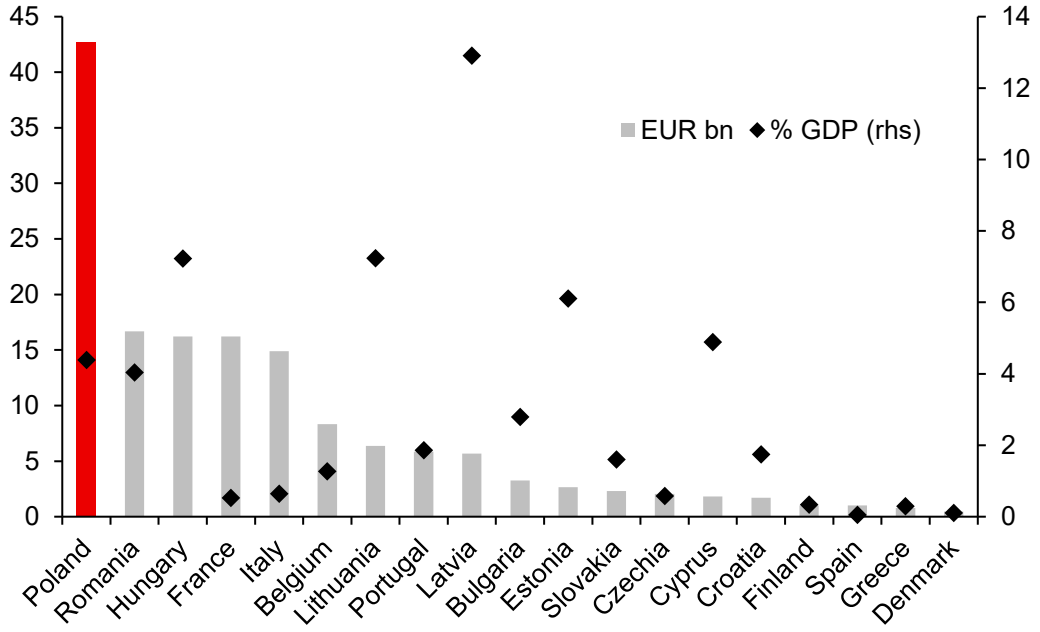
According to the EU Council regulation the funds may be used for defence procurement and research projects, with at least 35% of the components purchased coming from the EU or Ukraine. The funds will be available until the end of 2030, and up to 15% may be paid in advance. Expenditure must be carried out in cooperation with other countries, although until the end of May 2026 it is possible to make agreements involving only one country.

The question is whether the path of national defence spending would look the same with and without the SAFE instrument, in other words, whether SAFE will cause an increase in the deficit and debt. The average pool of funds for Poland per year is approximately 0.9% of GDP. With national defence expenditures reaching 5% of GDP, this is approximately 20% of the total. Of course, not all defence spending will be eligible for SAFE, but on the other hand, projects in other categories, such as infrastructure investments, may receive SAFE funding. In our opinion, it is possible that most of this amount will be used for projects that would have been implemented anyway.

The available information suggests that the government plans to transfer SAFE funds to the Armed Forces Support Fund (FWSZ), so we assume that they will not reduce the central budget's borrowing needs or the issuance of government bonds, but will instead provide financing for the fund.

However, the experience of the Polish Recovery and Resilience Plan shows that it is not so easy to quickly launch large spending programmes, especially if they are used to finance investments. This means that, in practice, there may be an accumulation of spending at the end of the SAFE period (i.e. in 2029-2030) and a potential increase in expenditures, driven by the desire to fully utilise the available funds.

Loans available under the SAFE instrument



Source: EC, AMECO, Santander

What about ratings?

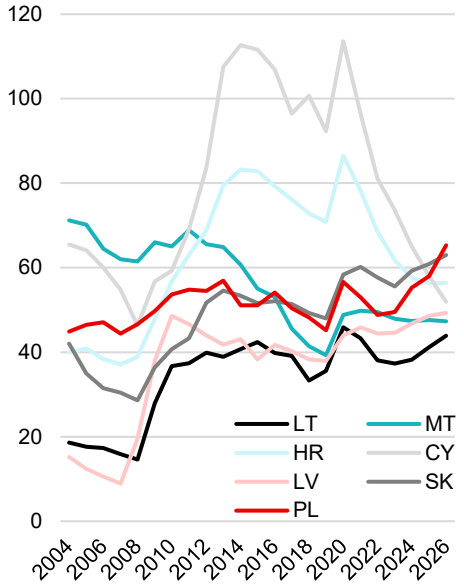
Following Fitch's decision to downgrade Poland's rating outlook to negative, we see a risk that other agencies will follow suit. We still consider a downgrade of the rating itself to be less likely, as long as robust GDP growth continues, although in the case of Moody's, which gave Poland a higher rating than other agencies, the risk is higher.

In Moody's latest review of Poland's fiscal condition, it was stated that a downward pressure on the rating outlook would emerge in a scenario of deterioration of regional security situation, including concrete signals of withdrawal of US support. Pressure on A2 rating would emerge in case of a materially faster deterioration of the government's debt burden and a deterioration in debt sustainability indicators beyond Moody's current baseline scenario. It is worth noting that at that time, the agency was counting on 4% economic growth this year, strong government commitment to reduce the deficit below 3% within 5 years, and stabilisation of debt at around 60% of GDP. Today, it is difficult to consider any of these assumptions to be valid.

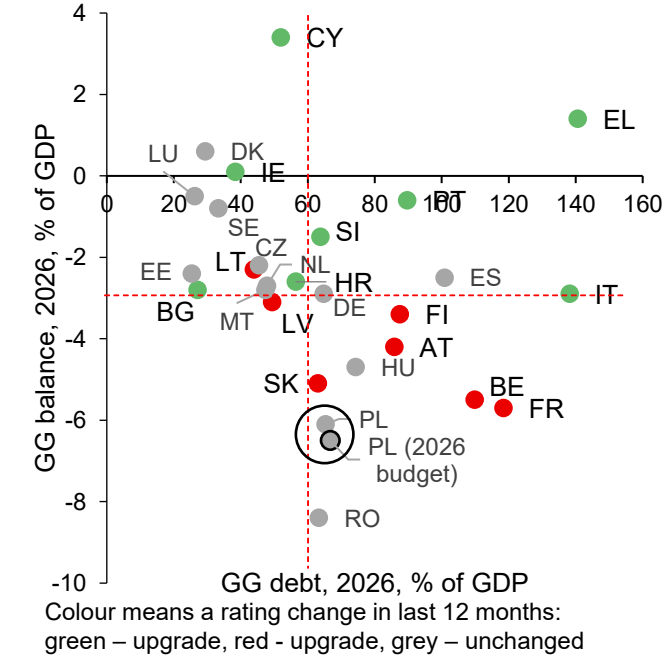
The next decisions by the rating agencies are scheduled for 19 September (Moody's) and 7 November (S&P). Asian investors may also be influenced by the opinion of the Japanese agency JCR on Poland's creditworthiness. It usually reviews Poland in November and March – in its latest announcement, it maintained its A rating with a stable outlook, recognising that a certain increase in the fiscal burden could be tolerated, although at the time of the decision, the plan for 2025 assumed a decline to 5.5% and it was not yet known that the GG deficit would exceed 6% in 2024.

Factors supporting Poland's ratings include a resilient, rapidly growing economy and the absence of external imbalances.

GG debt of EU countries which have the same rating as Poland at least be one agency, % of GDP (+EC forecast for 2025/26)



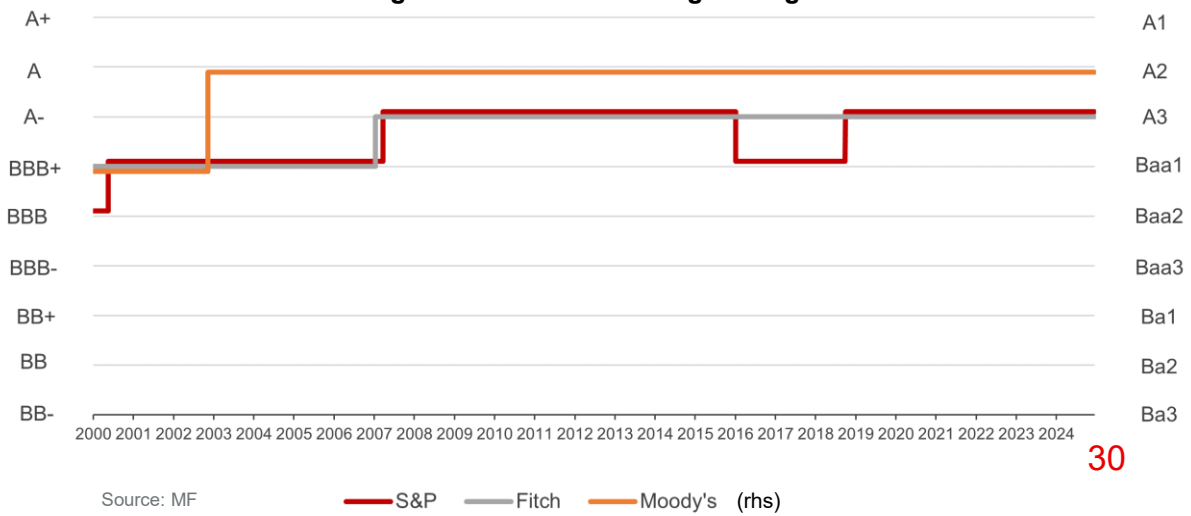
GG debt and blance according to EC forecasts and 2026 draft budget bill



Colour means a rating change in last 12 months: green – upgrade, red - upgrade, grey – unchanged

Source: Bloomberg, KE, MF, Santander

Changes of Poland's sovereign ratings



Source: MF

Financial markets

5

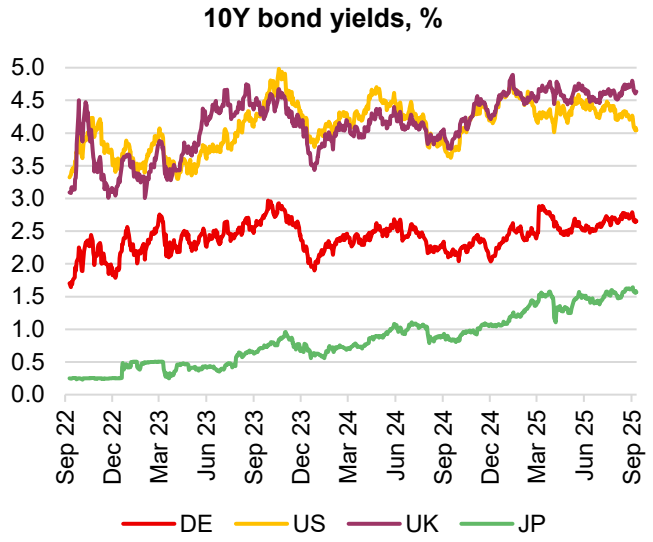
Debt market: global steepening and ratings' pressure

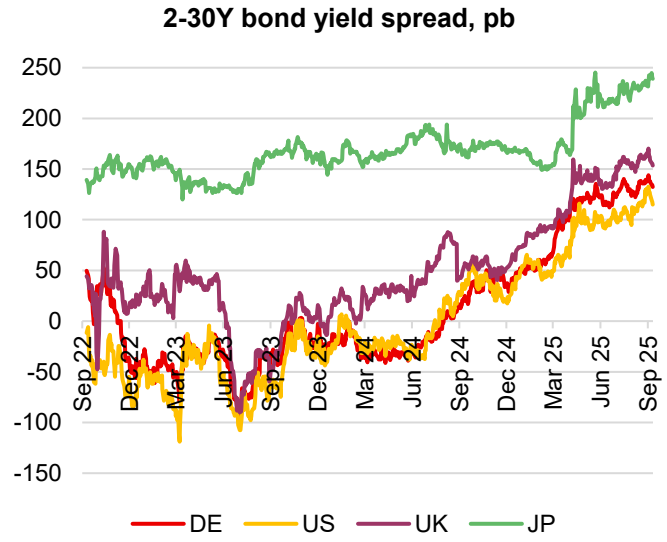
Trends in global debt markets are not uniform. Most of them saw yields climbing since the beginning of this year, particularly in Europe and Japan, while in others they have been gradually falling – in the US, 10-year yields have already fallen by 50bp year-to-date. A common feature that has characterised markets for over a year is the gradual steepening of curves, regardless of the stage of the monetary policy cycle. There are various reasons for this, including: widespread increases in debt levels, concerns about political and fiscal stability (e.g. France), concerns about the independence of central banks (US), and concerns about the inflationary effects of US customs policy.

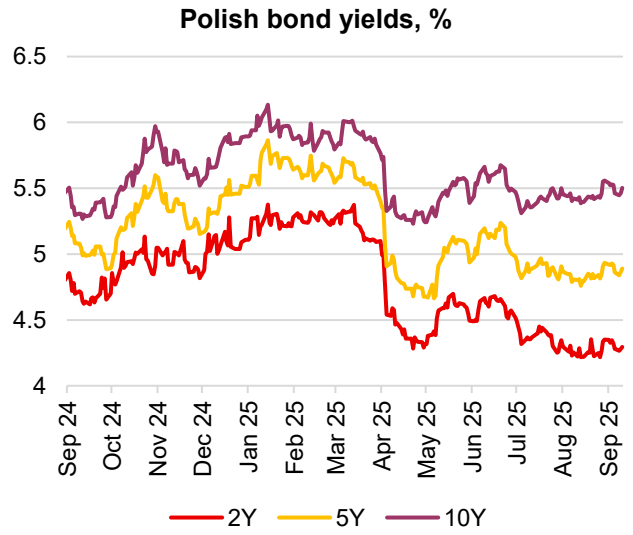
In recent months, the Polish bond market has performed significantly better than most of its European peers and even has shown remarkable resilience to the deteriorating fiscal outlook, which led to a downgrade of the rating outlook by Fitch.

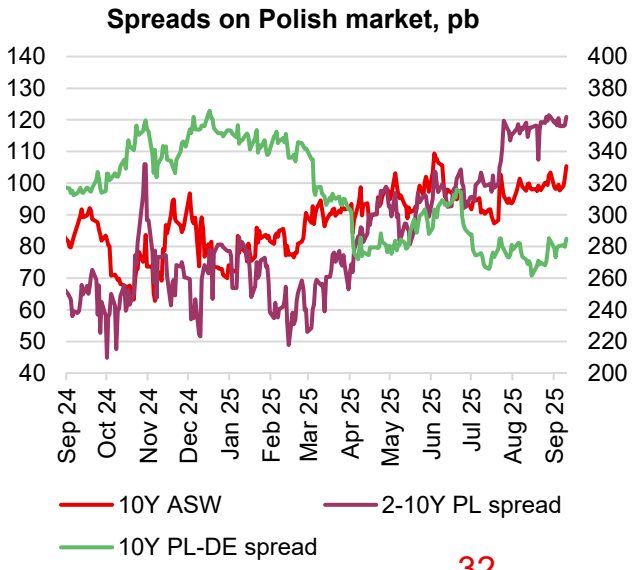
However, we assume that the nearest weeks may bring a cooling of sentiment. Our forecast of CPI growth above 3% in September may weaken expectations of NBP interest rate cuts. Moody's rating review (19 September) is likely to result in at least another downgrade of the outlook, fuelling concerns about the stability of public finances, which may trigger further correction of the local debt market.

In the coming quarters, however we still see room for a moderate decline in yields.









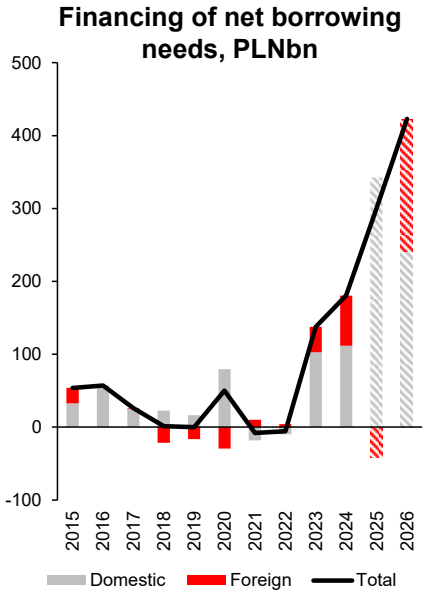
Source: LSEG Datastream, Santander

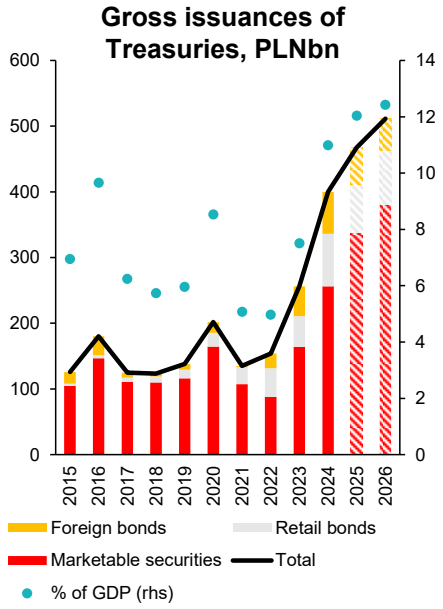
POLGBs supply slightly higher in 2026

The draft budget for 2026 assumes record borrowing needs: c.PLN423bn net and c.PLN690bn gross (+41% compared to the projected execution for 2025). However, a large part of the increase in borrowing needs results from the assumption of greater activity related to the disposal of EU funds, including approx. PLN111bn under the loan part of the RRF.

Planned net supply of treasury securities is not increasing, but rather decreasing compared to this year (thanks, among other things, to the use of EU loans and funds in foreign currency accounts). Nevertheless, it is worth noting that the 2025 issuances included the redemption of PFR and BGK bonds, which increased the supply of POLGBs by over PLN60bn and in practice constituted a 'rollover' of public debt. As a result, **net Treasury bond issues in 2026 'under comparable conditions', i.e. after adjustment for the redemption of PFR and BGK bonds, will increase in 2026 by c. PLN30bn compared to the current year.**

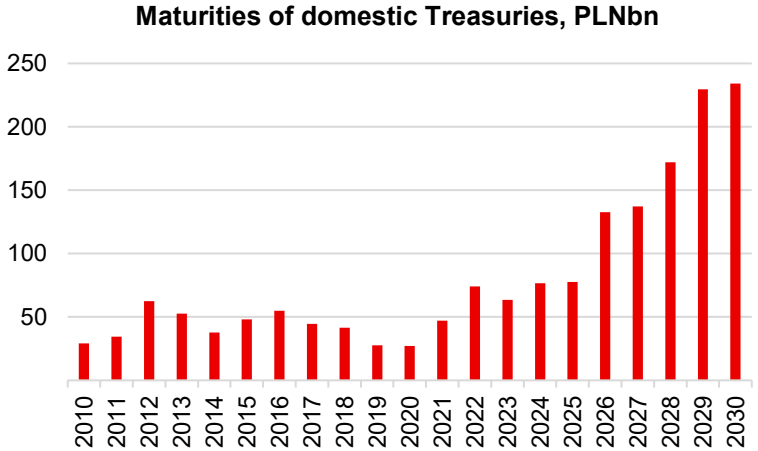
In 2026, the value of maturing local currency bonds will increase sharply: in the case of wholesale bonds, it will exceed PLN132bn, compared to c.PLN78bn this year. As a result, the planned gross supply of debt securities will be slightly higher than this year and is expected to average c.PLN32bn per month.





Issuances of Treasuries 2025-2026 (PLNmn)

	Net issuance				Gross issuance			
	2025 budget (1)	2025 expected realisation (2)	2026 budget draft (3)	2026 change (3) - (2)	2025 budget (4)	2025 expected realisation (5)	2026 budget draft (6)	2026 change (6) - (5)
T-Bills	45 734	31 468	26 645	-4 823	45 734	31 468	58 113	26 645
Marketable bonds – fixed coupon	102 823	153 186	150 939	-2 248	182 228	232 578	236 443	3 865
Marketable bonds – floating coupon	48 613	39 813	36 510	-3 304	67 343	66 353	78 471	12 119
Marketable bonds – index-linked	11 825	7 452	8 468	1 017	11 825	7 452	8 468	1 017
Retail bonds	37 210	34 988	18 206	-16 781	73 864	73 666	81 238	7 572
DOMESTIC Treasuries - SUM	**246 205**	**266 907**	**240 768**	**-26 139**	**380 995**	**411 516**	**462 733**	**51 217**
FOREIGN Treasuries - SUM	**42 909**	**33 008**	**27 949**	**-5 059**	**66 313**	**56 181**	**48 606**	**-7 575**



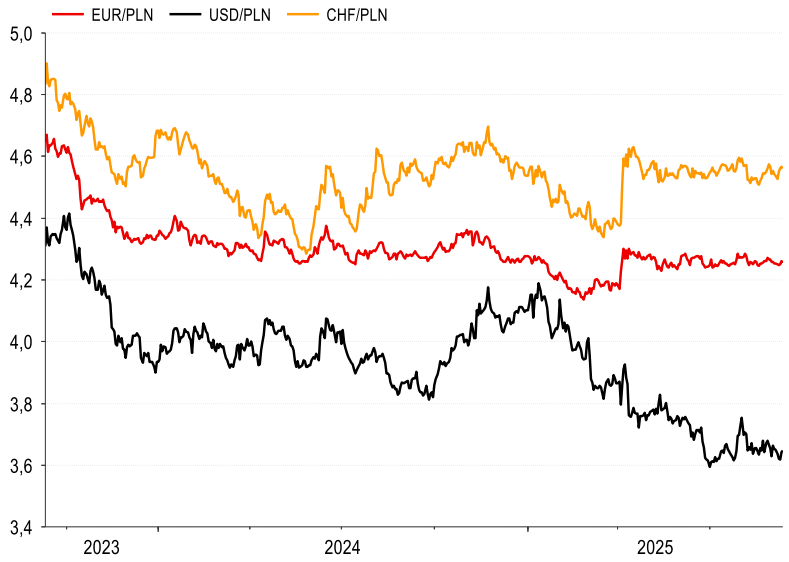
Source: MF, Santander

FX: PLN trending sideways

Since mid-April, the EURPLN exchange rate has been trending sideways within a fairly narrow range of 4.24-4.28. The August meetings between Trump and Putin, and Trump and Zelensky, which briefly sparked media speculation about a possible truce or at least a ceasefire in Ukraine, did not bring about any real breakthrough or market reaction. Credible signals of an imminent end to the conflict could certainly trigger a significant strengthening of the zloty, but this is still not our baseline scenario for the coming months.

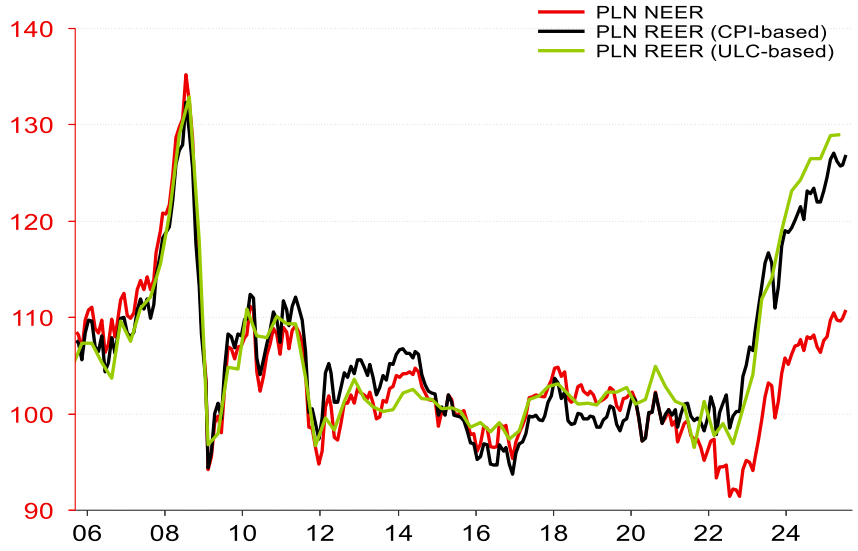
Fitch's downgrade of Poland's rating outlook also failed to trigger a reaction in the currency market. However, we see a risk that similar decisions by other rating agencies (Moody's on 19 September, S&P on 7 November) may eventually weigh on investor sentiment. The incident involving Russian drones violating Polish airspace had a slightly greater impact on the currency than Fitch's decision, but it was temporary. If such incidents were to reoccur, concerns about geopolitical risk in the region could increase and become more lasting. In our opinion, new signals about deterioration of Poland's fiscal outlook may result in an increased risk premium in the valuation of domestic assets, including the zloty, in the coming weeks. **Overall, we expect EURPLN to rise at the end of September to near the upper limit of the current channel, i.e. 4.28, and to stabilise close to this level in 4Q25.**

Exchange rates of PLN against EUR, USD, and CHF



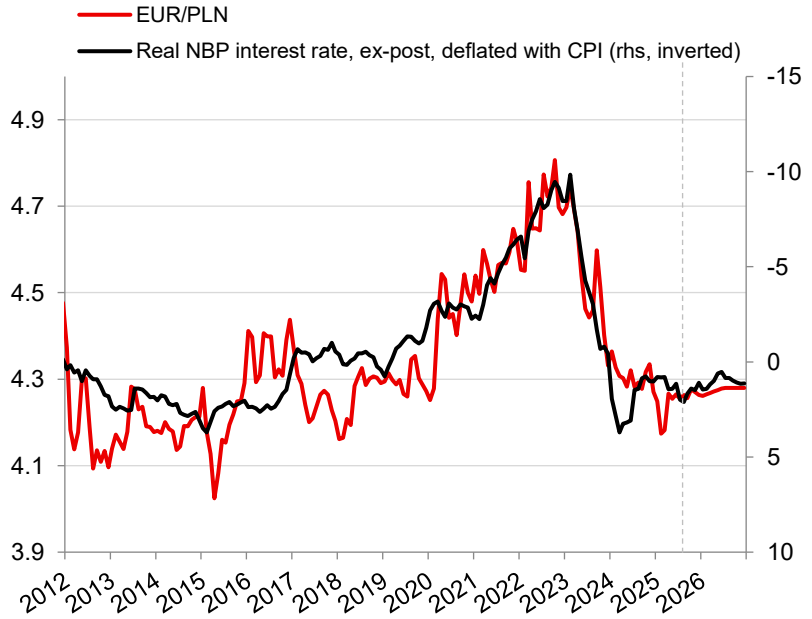
Source: LSEG Datastream, Santander

Nominal (NEER) and real (REER) effective exchange rates of PLN



Source: LSEG Datastream, Santander

EURPLN and real NBP interest rate



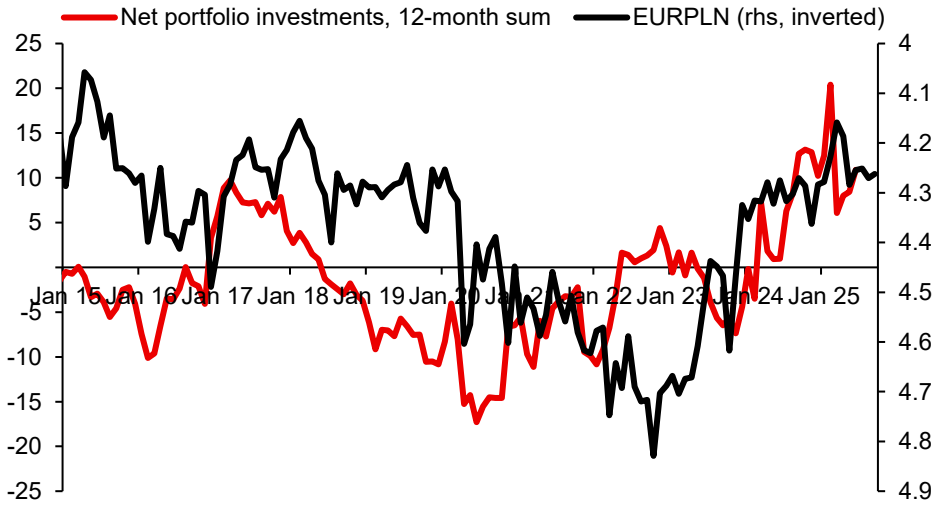
Source: LSEG, NBP, Santander

Does borrowing abroad support the zloty?

The performance of the zloty over the last two years seems to correlate well with the net inflow of foreign portfolio investments. Interestingly, NBP data on the balance of payments indicate that virtually all of this inflow is due to investments in debt instruments, with a net outflow of equity investments. Detailed data from the Ministry of Finance on the structure of debt indicate that this was primarily the result of purchases by non-residents of Treasury securities issued on foreign markets, to a similar extent of the increase in debt to the EU (SURE instrument and the loan part of the RRP) and, to a lesser extent, purchases of domestic Treasury securities.

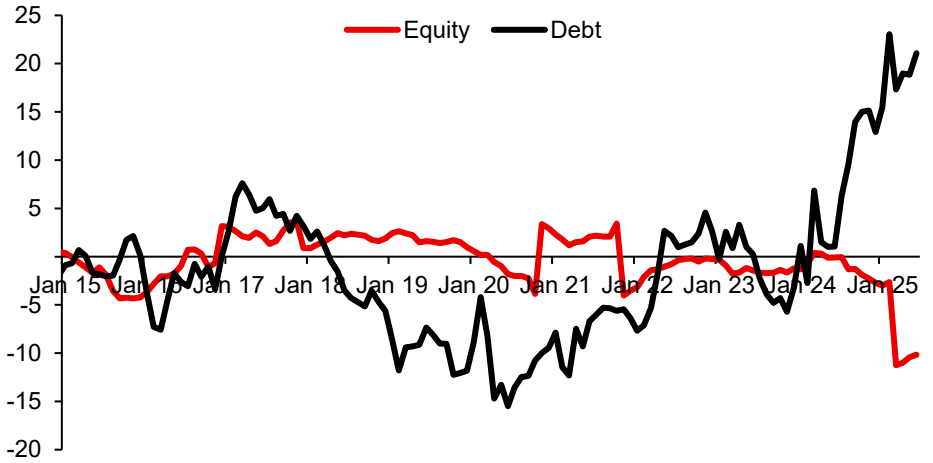
In recent months, the inflow of foreign portfolio investments has slowed down, and we do not expect a significant improvement in the coming months, partly due to growing concerns about the fiscal situation. This is consistent with our forecast for the zloty exchange rate.

EURPLN vs net portfolio investment, 12m sum PLNbn



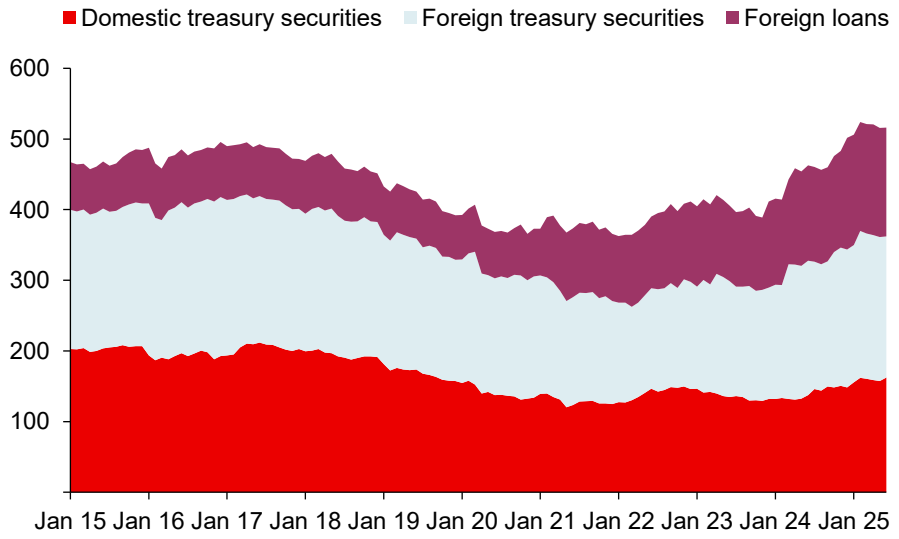
Source: LSEG, NBP, Santander

Net portfolio investments, 12-month moving sum, PLN bn



Source: NBP, Santander

Treasury debt held by non-residents, PLN bn



Source: MF, Santander

Forecasts

6

Economic Forecasts

		2023	2024	2025	2026	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
GDP	PLNbn	3,415.3	3,641.2	3,889.2	4,136.5	892.9	927.3	970.2	1,098.6	958.9	986.9	1,028.7	1,162.1
GDP	% y/y	0.1	2.9	3.5	3.7	3.2	3.4	3.6	3.8	3.5	3.7	3.7	4.0
Domestic demand	% y/y	-3.1	4.1	4.9	5.3	4.6	4.0	5.2	5.7	6.1	5.3	5.0	5.0
Private consumption	% y/y	-0.3	3.1	4.0	3.3	2.5	4.4	4.8	4.2	4.0	3.0	3.0	3.0
Fixed investment	% y/y	12.7	-2.2	4.5	10.7	6.3	-1.0	3.0	8.0	9.0	12.0	12.0	10.0
Industrial output	% y/y	-2.1	1.1	1.6	3.8	-0.1	1.6	2.3	2.4	4.6	3.8	3.4	3.3
Construction output	% y/y	4.8	-7.6	-0.2	8.9	0.9	-1.4	0.4	-0.4	5.0	10.0	9.5	9.6
Retail sales (real terms)	% y/y	-3.6	3.2	3.9	3.3	1.1	4.6	5.0	4.8	1.7	3.4	4.5	3.6
Gross wages in national economy	% y/y	12.8	13.7	8.9	7.1	10.0	8.8	8.3	8.4	7.8	6.9	6.7	6.7
Employment in national economy	% y/y	0.6	0.2	0.1	0.2	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.3
Unemployment rate *	%	5.1	5.1	5.6	5.5	5.3	5.2	5.5	5.6	5.8	5.4	5.4	5.5
Current account balance	EURmn	13,485	-287	-12,893	-24,298	-1,178	-1,783	-6,128	-3,804	-3,381	-4,729	-9,244	-6,944
Current account balance	% GDP	1.8	0.0	-1.4	-2.5	-0.7	-0.9	-1.2	-1.4	-1.6	-1.9	-2.2	-2.5
General government balance (ESA 2010)	% GDP	-5.3	-6.6	-6.9	-6.5	-	-	-	-	-	-	-	-
CPI	% y/y	11.6	3.6	3.8	3.0	4.9	4.1	3.0	3.2	2.9	3.3	3.1	2.9
CPI *	% y/y	6.2	4.7	3.4	2.8	4.9	4.1	3.2	3.4	2.9	3.4	3.0	2.8
CPI excluding food and energy prices	% y/y	10.2	4.3	3.4	3.0	3.6	3.4	3.2	3.4	3.1	3.1	3.0	2.8

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

Source: GUS, NBP, Santander

Market Forecasts

		2023	2024	2025	2026	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
Reference rate *	%	5.75	5.75	4.50	4.00	5.75	5.25	4.75	4.50	4.00	4.00	4.00	4.00
WIBOR 3M	%	6.52	5.86	5.21	4.25	5.86	5.35	4.93	4.70	4.39	4.23	4.20	4.20
Yield on 2-year T-bonds	%	5.67	5.05	4.64	4.38	5.24	4.54	4.34	4.43	4.47	4.44	4.36	4.25
Yield on 5-year T-bonds	%	5.66	5.33	5.11	4.64	5.63	4.97	4.90	4.95	4.78	4.60	4.58	4.60
Yield on 10-year T-bonds	%	5.83	5.55	5.60	5.24	5.92	5.46	5.48	5.55	5.43	5.33	5.18	5.03
2-year IRS	%	5.63	5.22	4.43	4.23	5.13	4.24	4.10	4.27	4.29	4.26	4.23	4.15
5-year IRS	%	5.01	4.80	4.32	4.03	4.90	4.16	4.11	4.13	4.05	3.98	4.00	4.08
10-year IRS	%	5.10	4.90	4.64	4.43	5.08	4.50	4.48	4.50	4.50	4.50	4.40	4.30
EUR/PLN	PLN	4.54	4.31	4.25	4.28	4.20	4.26	4.26	4.27	4.27	4.28	4.28	4.28
USD/PLN	PLN	4.20	3.98	3.78	3.85	3.99	3.76	3.65	3.71	3.79	3.83	3.87	3.89
CHF/PLN	PLN	4.68	4.52	4.48	4.23	4.44	4.55	4.55	4.38	4.27	4.23	4.22	4.20
GBP/PLN	PLN	5.22	5.09	4.98	4.96	5.03	5.02	4.92	4.94	4.93	4.97	4.98	4.98

* 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 **12.09.2025** has been prepared by:

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