

Monthly Pulse Check

Economy. FI. FX

June 6th 2025

For contact details and classification of the report see the [last page](#)



Our view in a nutshell ($\geq 1Y$ horizon)

Macro outlook

- ❖ While we were a bit skeptical, the **US economy** actually shrank in the Q1, though a decline proved truly miniscule. Moreover, the details suggest that there is still some hope in the US consumers looking forward. This has already been confirmed by the Fed Atlanta GDP Now model printing above 4% SAAR in the Q2. We are aware that we are still very early into the quarter, thus we do not want to cheer too much. Apart from that fiscal policy is about to become yet more expansionary which seems to be at odds with a Trump's vision of cutting the US trade deficit. In **the Eurozone** focus is slowly shifting back to the tariffs again as the temporary US-Eurozone trade truce is set to expire on July 9. If nothing happens, there is a risk of another set of duties slapped by Trump on Europe. We believe that some kind of agreement will ultimately be on the cards and looking at some data for Q1 we hope that Europe could surprise positively with somewhat more vivid growth. In **China** the PBoC finally decided to cut interest rates, the move had long been anticipated. Even so, we remain cautious as for the upbeat outlook for the Chinese economy, and we target 2025 GDP growth closer to 4%.
- ❖ In **Poland**, Q1 GDP printed exactly 3.2%. Our forecast for 2025 is still at 3.8%. Details for Q1 growth are promising: a substantial upside surprise in investment, somehow muted private consumption growth. History shows that anytime the former starts to grow visibly, a cycle follows. As for the latter, consumer seems to be underestimated at this stage. We expect upside surprises here. Any negative, tariff-related effects are likely to be counterbalanced by EU-sponsored investment and expansionary fiscal policy. We think that the economy has embarked on a clearly disinflationary path. Inflation risks are over for some time.

Monetary policy: Fed, ECB, NBP

- ❖ Fed: No surprise in May with the US central bank keeping rates unchanged. At the same time, the latest statement does not call for any sudden rate cuts. Moreover, the latest comments delivered by various Fed members suggest rather more cautiousness. As a result, we stick to our view that another rate cut will be delivered not before the fall. The macro outlook, including tariffs, should become clearer until then.
- ❖ ECB: It did it once again. Interest rates were slashed another time in a row, but the outlook of further cuts is no longer so certain. In its updated economic forecasts the ECB did lower inflation to some extent, mainly due to lower energy prices as well as the stronger euro. On the other hand, GDP growth was unchanged for 2025 (the stronger Q1 growth rate, and the weaker outlook for the remainder of the year), and subtly revised down for 2026. Finally, the presented scenarios related to the trade war implies risks to inflation tilted slightly to the downside. Having said that, we believe the ECB will be prone to pull the trigger once again and ultimately bring the deposit rate down to 1.75%. However, we bet on a pause in July and the final cut in the cycle to be delivered in September.
- ❖ NBP: June brought a halt in interest rate cuts. We think they will be continued after inflation falls below 3%, electricity tariffs are announced and budget bill for 2026 is known. This brings the next rate cut to September/October.

FX Market

- ❖ We wrote last month that the tide was finally turning for Polish monetary policy, with a possible adverse impact on the PLN. We stand by this view even if the latest presidential election's fallout raises questions regarding possible fiscal consolidation in the upcoming years. Our baseline assumes some fiscal consolidation will be possible from 2026 onwards, or the EC will stay so lenient for everybody that each country will be allowed to run a very high budget deficit. All in all, it still makes sense for us to anticipate the zloty to depreciate against the euro over the coming quarters.

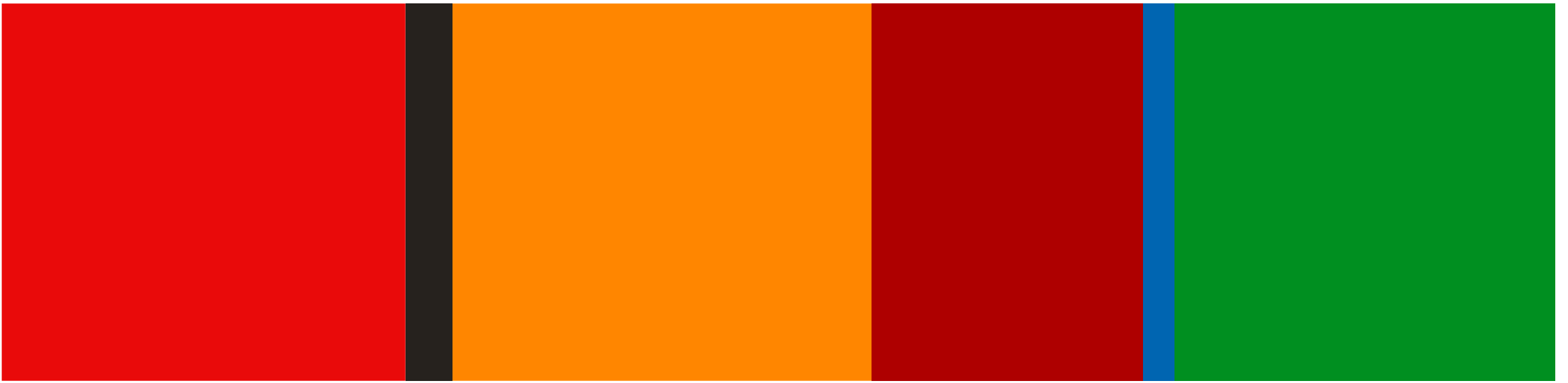
Major forecasts

		2024	2024	2024	2024	2025	2025	2025	2025	2026	2026	2026	2026	2024*	2025*	2026*
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1-Q4	Q1-Q4
GDP y/y	%	2,2	3,2	2,8	3,4	3,2	3,3	4,4	4,3	3,9	3,6	3,4	3,3	2,9	3,8	3,5
Individual consumption y/y	%	4,3	4,5	0,2	3,5	2,5	2,4	3,7	3,7	3,5	3,5	3,0	2,5	3,1	3,1	3,2
Investment y/y	%	3,6	3,9	-4,3	-6,9	6,3	8,0	15,1	15,4	11,5	5,3	3,2	4,6	-2,2	9,8	6,0
Inflation rate (eop)	%	2,7	2,6	4,9	4,7	4,9	4,0	3,0	2,9	2,5	2,9	2,6	2,4	4,7	2,9	2,6
Unemployment rate (eop)	%	5,3	4,9	5,0	5,1	5,4	5,0	4,7	4,8	5,0	4,8	4,5	4,6	5,1	4,8	4,6
Employment y/y	%	-0,8	-0,5	0,0	-0,4	-0,8	-0,4	-0,3	-0,3	-0,3	-0,3	-0,2	-0,2	-0,4	-0,5	-0,3
Wages y/y	%	14,4	14,7	13,4	12,4	10,0	8,3	8,1	7,7	6,4	6,5	6,6	6,7	13,7	8,5	6,6
Current account	% GDP	1,6	1,3	0,5	0,2	-0,4	-0,8	-1,4	-1,7	-1,5	-1,3	-1,0	-0,6	0,2	-1,7	-0,6
GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-6,6	-6,0	-5,0
Primary GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-4,4	-3,6	-2,5
GG debt	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	55,3	60,2	63,5
NBP repo rate (eop)	%	5,75	5,75	5,75	5,75	5,75	5,25	5,00	4,75	4,25	4,00	4,00	4,00	5,75	4,75	4,00
EUR/PLN (eop)	%	4,29	4,31	4,28	4,28	4,19	4,25	4,27	4,28	4,30	4,35	4,40	4,40	4,29	4,25	4,36
USD/PLN (eop)	%	3,98	4,02	3,85	4,13	3,87	3,66	3,56	3,51	3,55	3,63	3,67	3,67	4,00	3,65	3,63

* yearly average for inflation rate, EUR/PLN and USD/PLN

Highlights of this edition

- ❖ It happened! The [US economy](#) shrank marginally in the first quarter, but the details are far from being alarming. Long story short, the first quarter proved to be under the effects of US tariffs as evidenced by surging imports and inventories. Simultaneously, both non-residential investment and services turned out to be quite immune to the trade war saga, thus reinforcing the view about strong US consumer. While fiscal policy is likely to dominate the macro narrative in the coming weeks, tariffs might return to the limelight thereafter. With such a set-up, the Fed might sit on its hands before making further decisions on rates.
- ❖ It is a cliché to claim that the US tariffs did impact Q1 GDP numbers in many countries, including [the Eurozone](#). However, it turns out that a better-than-expected Q1 there was probably not solely driven by the increased demand from US shoppers. We base our conjecture on the fact that China was another country from which demand for European goods picked up in the first quarter. At the same time, German factory orders surged in March, even after excluding large orders. It gives some gleam of hope looking forward. Recent stress test scenarios prepared by ECB for eurozone show that the fallout of trade war can be actually beneficial for the group unless tariff-slapping escalates much more from here (see [here](#), p. 10).
- ❖ [Q1 Economic activity in Poland](#) was similar to the one recorded in Q4 2024. [Q2 is going to bring some improvement](#) but still it will be the same ballpark. Acceleration of investment activity is definitely good news whereas somewhat slow start of consumption stands in contrast with better retail sales numbers that opened up the Q2 publication period. We think there is a potential to catch up here and thus we keep 3.8% forecast for the whole year unchanged. [Inflation is dropping like a stone, to cite from M. King](#) with a bit of exaggeration. Core momentum settled at 0.1% m/m recently with other non-core categories contributing slowly but surely to contained inflationary pressures. Gas price decreases set the stage for inflation reaching target in July and keeping this level also in the end of the year. MPC is only slowly utilizing the window for rate cuts that becomes even more ajar. Yet, new risks concerning fiscal policy may be getting MPC cold feet. Therefore, we still expect the easing cycle to continue but rather slowly: 50pb more cuts this year and the terminal rate at 4% in 2026.
- ❖ In the updated forecasts [the Ministry of Finance envisages a higher 2025 GG deficit](#) compared to the numbers included in the budget bill. The difference amounts to 0.8 of GDP, and will obviously be subject to changes in the future. The main reason behind such a revision was lower VAT revenue. On top of that, Poland informed that it intends to use the national exit clause, allowing the country not to be exposed to the EDP so long as the exceeding “additional” spending is within the limit of 1.5% of GDP. Last but not least, the Ministry of Finance has already managed to finance as much as 69% of the 2025 gross borrowing needs.
- ❖ [The zloty managed to be a bit better against the US dollar](#) than its peers over the past month. Nonetheless, we do not change our view regarding the PLN’s outlook, and still expect it to lose ground vs. the common currency. Our view builds on the assumption that some fiscal consolidation will be possible even under the new PiS-affiliated president, and further rate cuts will be delivered by the NBP.

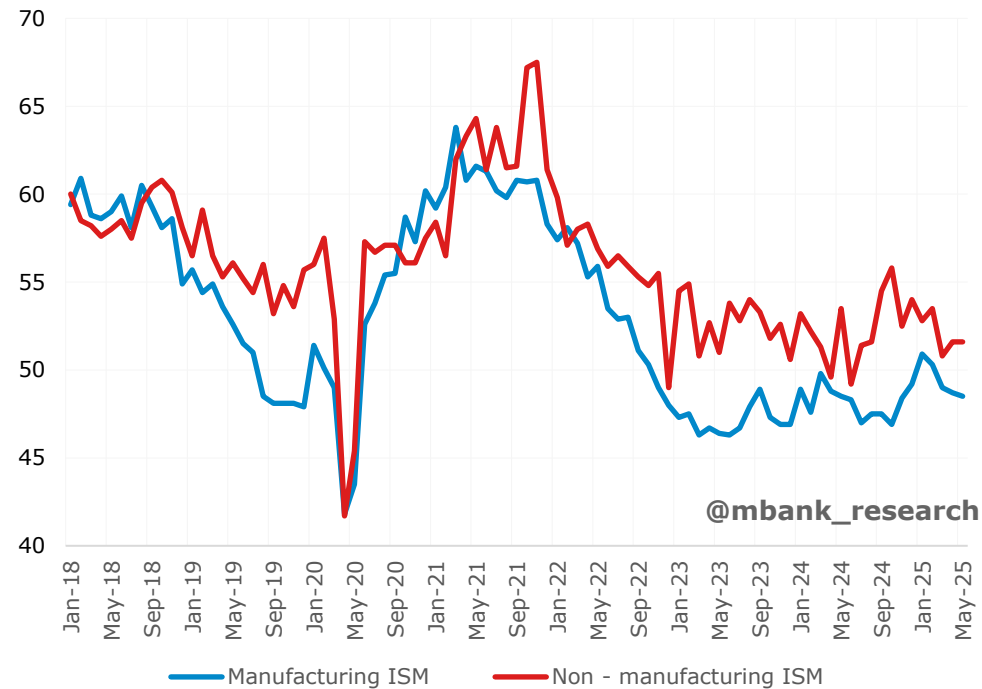


Global economy



USA: Economy health check

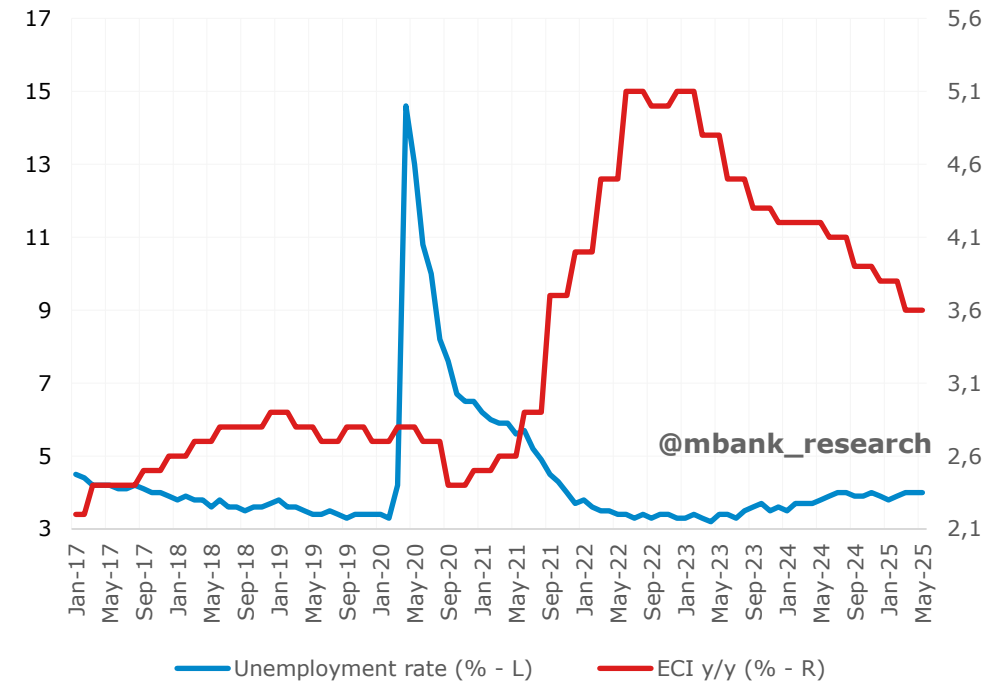
ISM PMI: manufacturing & non-manufacturing



Source: ISM.

It happened! The US economy shrank marginally in the first quarter. And..., so what? Don't get us wrong, we do not want to neglect the negative print we got. Instead, we want to add a bit of color to this release, trying to frame it into the current macro narrative. First of all, the negative reading was undoubtedly caused by tariffs. It was well seen in the case of surging imports of goods (net exports down significantly) as well as a solid pick-up in inventories. Note that the latter will ultimately be consumed and be redirected, in the sense of national accounts, either to consumption or investment. After all, a 0.2% SAAR decline is basically the miniscule one. Moreover, non-residential investment grew along with services, thus a US consumer does not seem to be doomed to failure. We want to repeat it: don't lose hope in US consumers. Finally, initial readings of the Fed Atlanta GDP Now for Q2 show an abrupt acceleration to above 4%. Looking beyond GDP, labor market outlook looks quite fine (neither hot or cold), while the latest Moody's downgrade is unlikely to exert any significant impact on US assets. However, it could change once the US passes the "one big beautiful bill" with a budget cost almost \$4 trillion over the next decade. This factor is likely to keep bond yields elevated, at least until the focus shifts back to the trade war again.

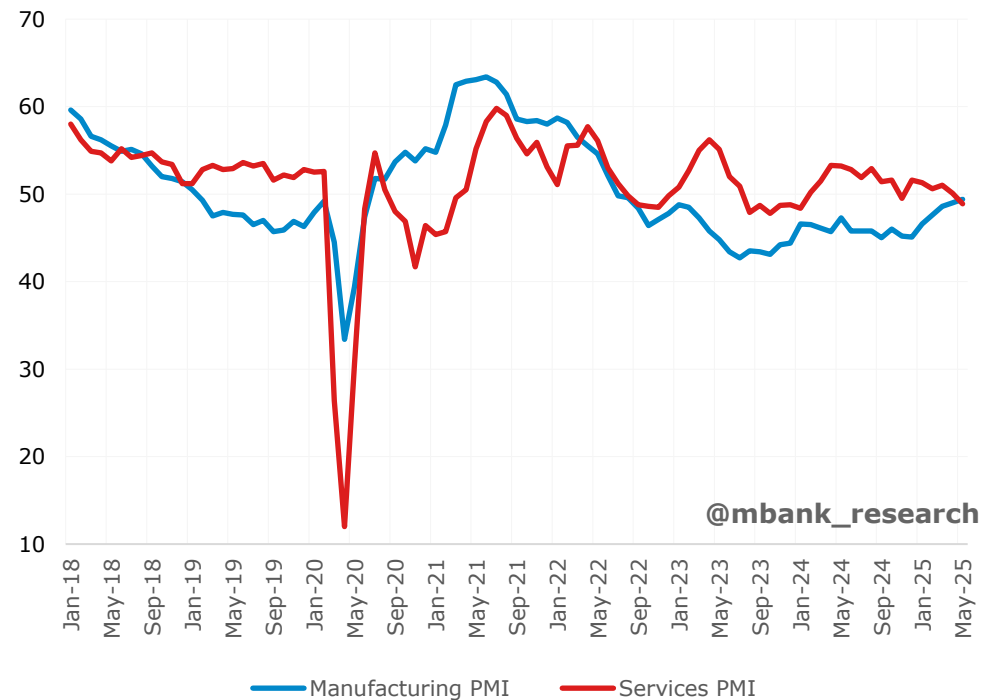
Labor market: wages & unemployment rate



Source: FRED.

Euro area: Economy health check

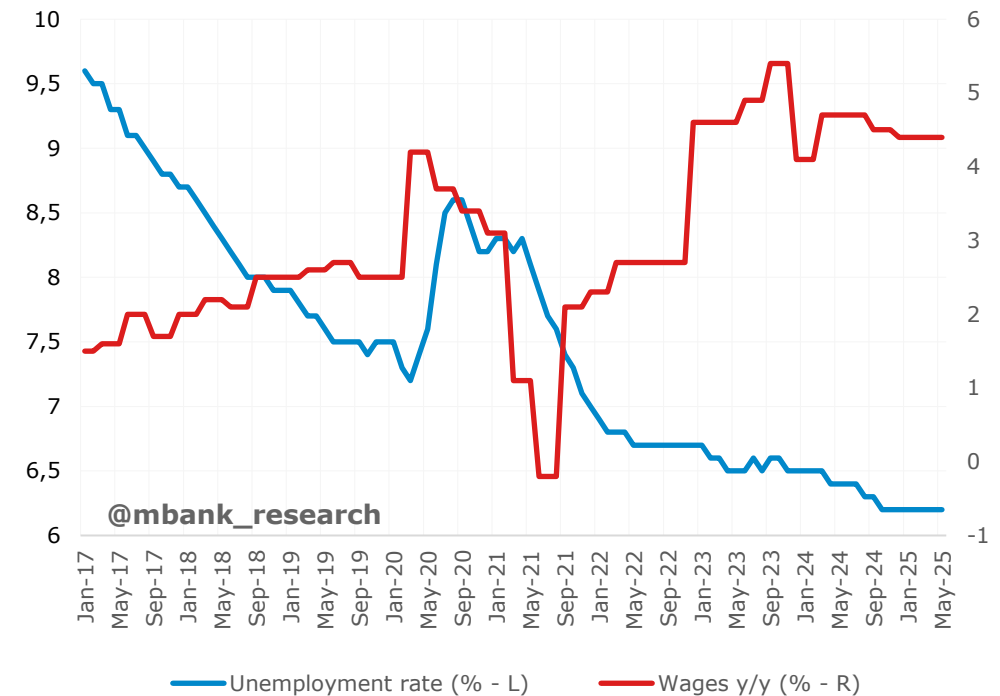
PMI: manufacturing & services



Source: Markit.

There is no doubt that the first quarter was significantly affected by the ongoing trade war started by Donald Trump. In the light of this event, we should take a look at the Q1 GDP data from the Eurozone with a grain of salt. It printed a 0.3% QoQ growth which was better than the ECB's projection from March. However, a chunk of this number was boosted by front-loading of good's purchases before the tariffs went into effect. Is it fully just the illusion of the strong(er) economy? It is not so certain. First and foremost, it turns out that only a part of good's purchases were made by the US (and were then counted mostly like inventories in the US national accounts as we wrote about in the previous slide). However, an increase in foreign demand was also visible in the case of other countries including China. Finally, domestic consumption also did pick up during the first three months of the year, showing that a trough might be already behind us (irrespective of what happens next with the tariffs). The second reason why we want to try to defend the better-than-expected Q1 GDP was spending German factory orders which grew 3.6% MoM in March. Yes, it could have been boosted by the US tariffs again, but even after stripping out large orders there was a 3.2% MoM increase. At the same time, industrial output also managed to improve notably. We deeply believe that the Eurozone economy may ultimately surprise to the upside over the coming quarters barring any new (unpredictable) "trade madness" from Trump.

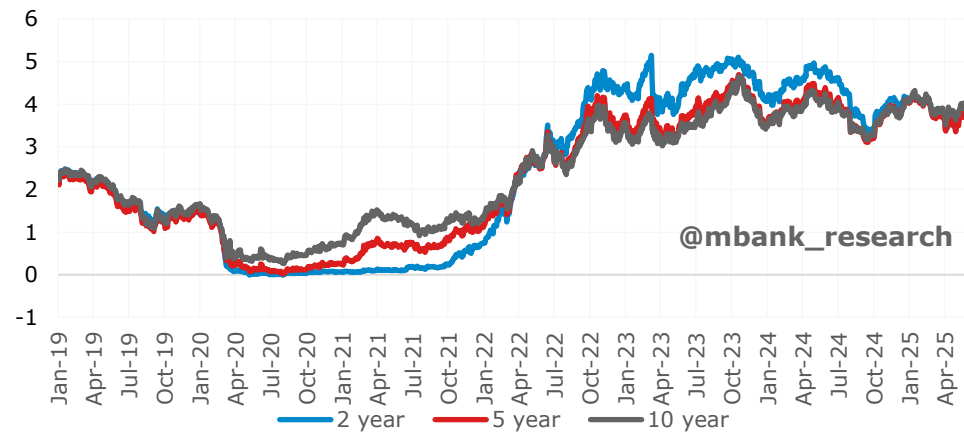
Labor market: wages & unemployment rate



Source: Eurostat.

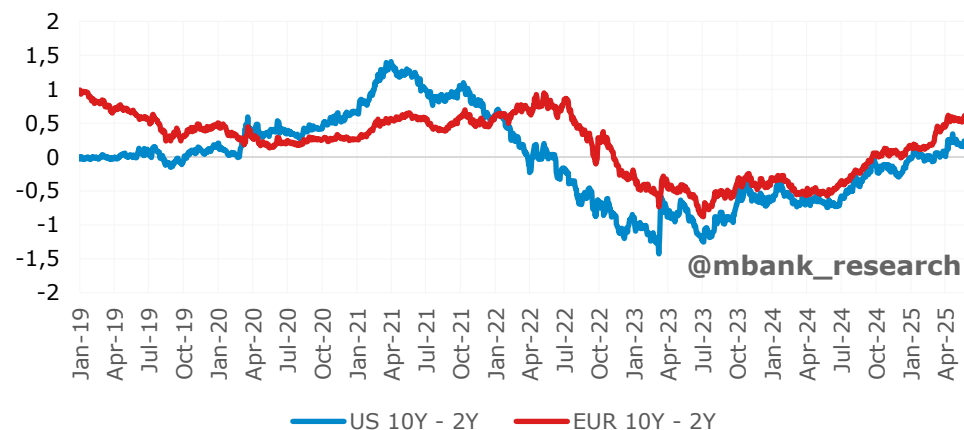
Global rates

US swap rates (%)



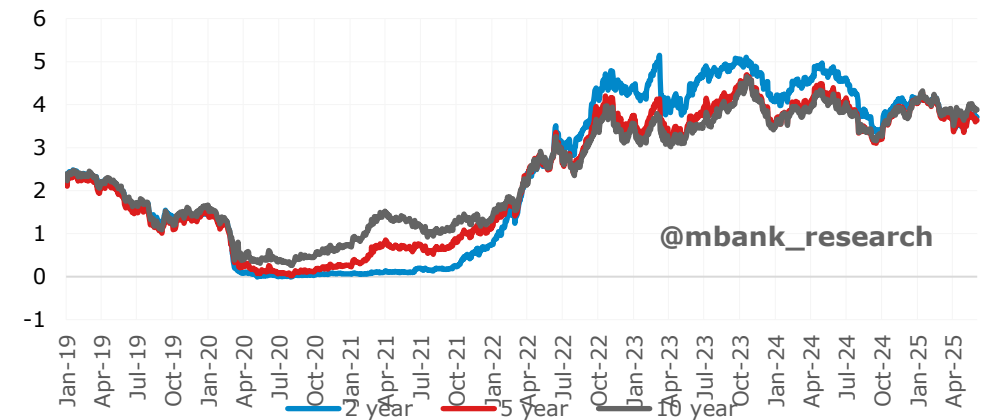
Source: Bloomberg.

Swap spreads (10Y-2Y. p.p.)



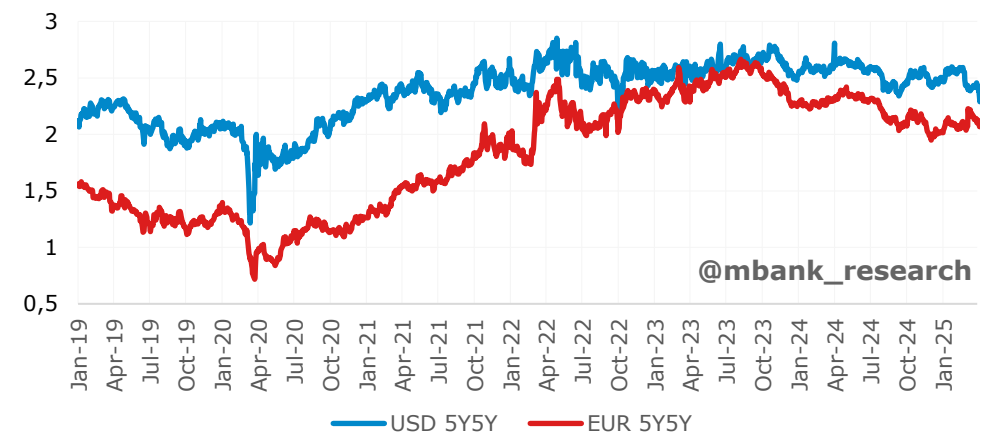
Source: Bloomberg.

EU swap rates (%)

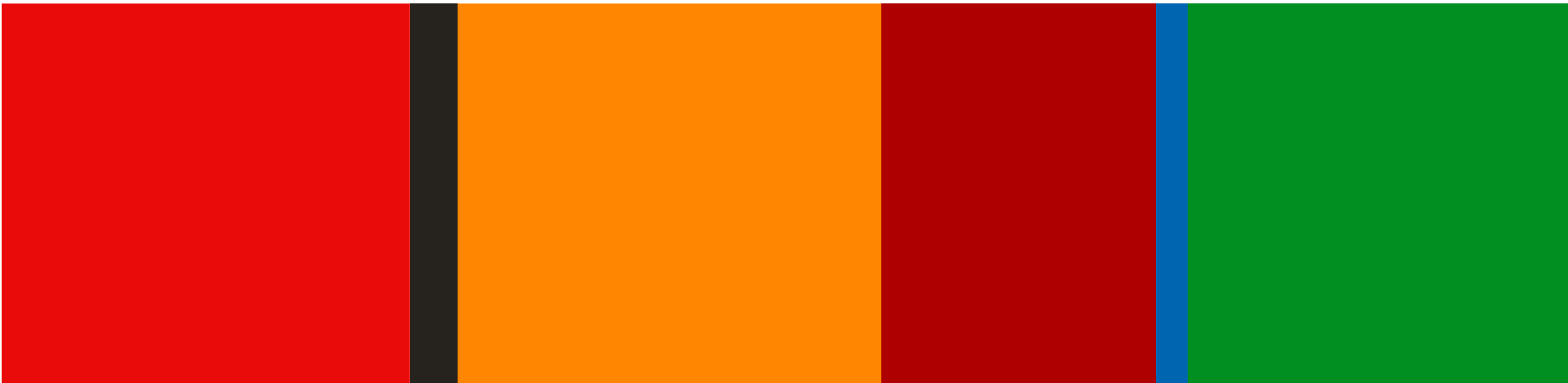


Source: Bloomberg.

US and EZ inflation expectations (%)



Source: Bloomberg.

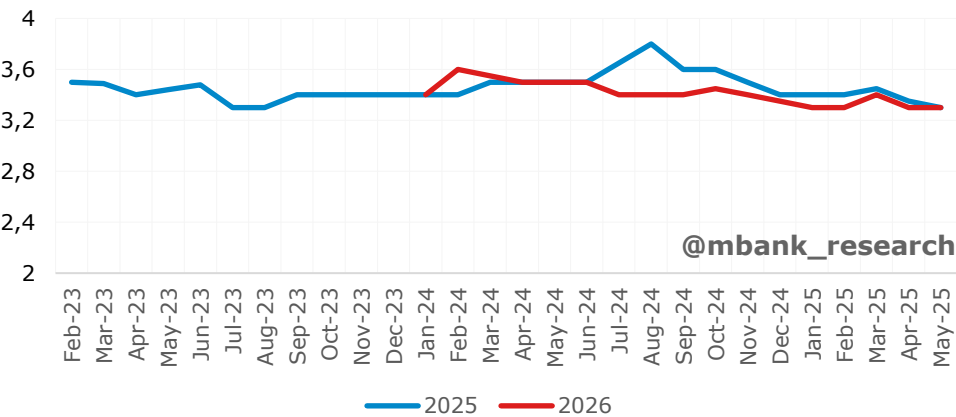


Poland



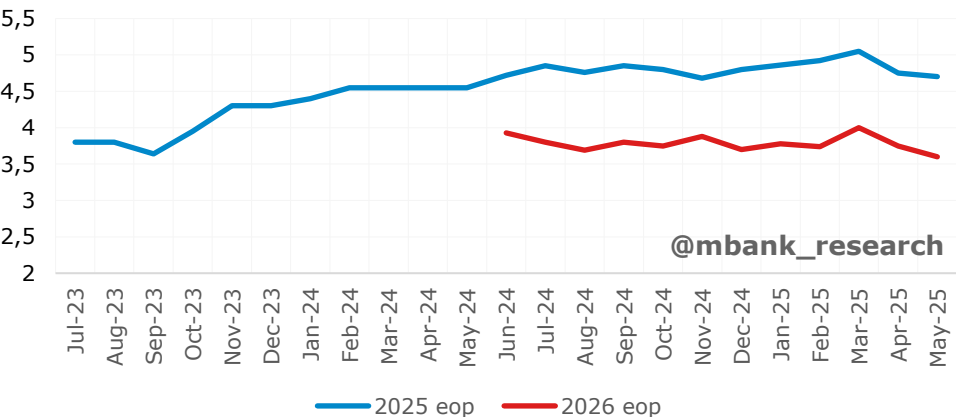
Poland: What is expected?

Consensus tracker: GDP growth (% , y/y, annual avg)



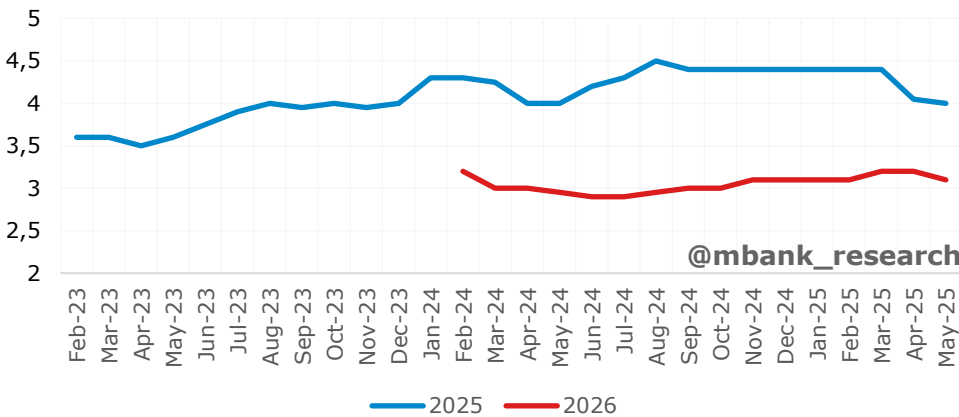
Source: Bloomberg.

Consensus tracker: NBP ref. rate (% , end of period)



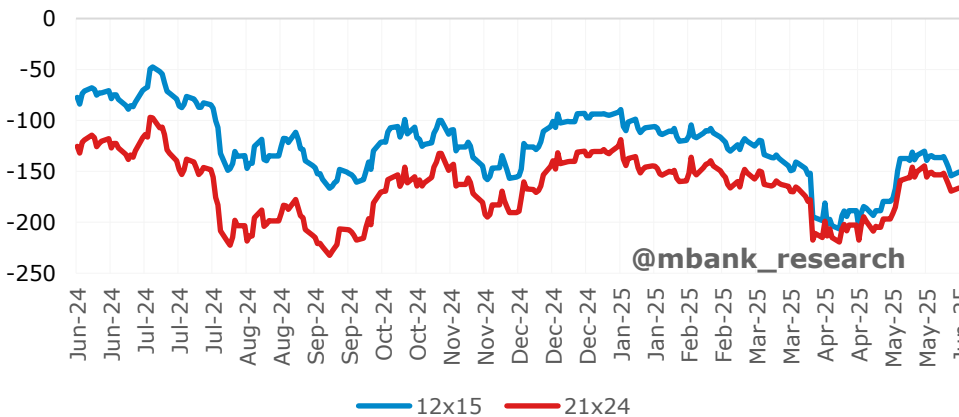
Source: Bloomberg.

Consensus tracker: CPI inflation (% , y/y, annual avg)



Source: Bloomberg.

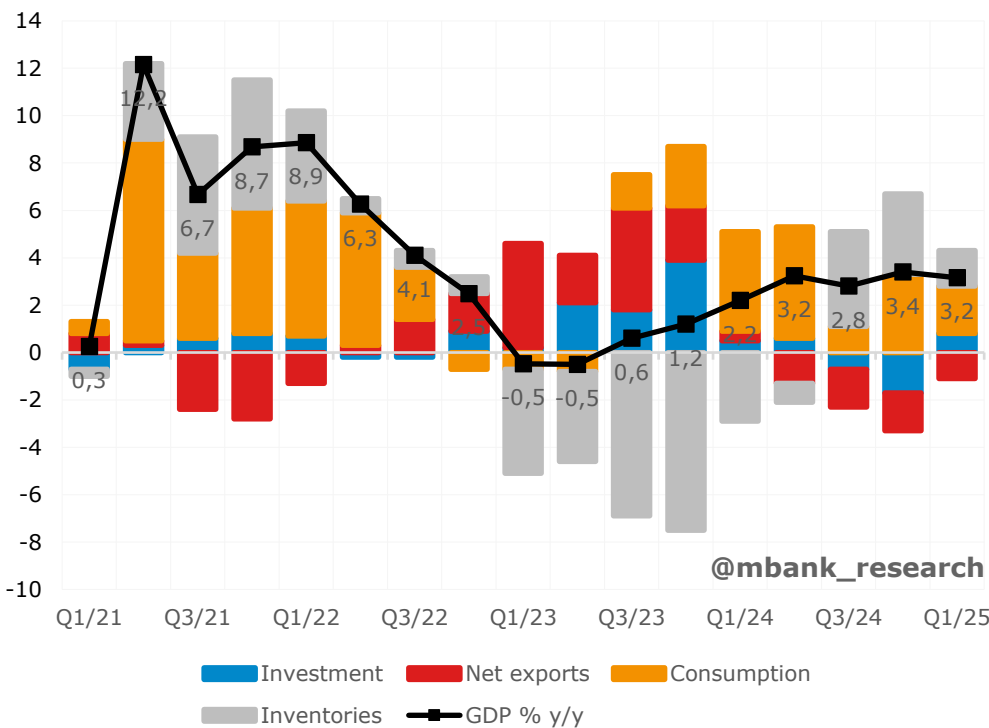
Rate changes priced in by FRA (bps)



Source: Bloomberg.

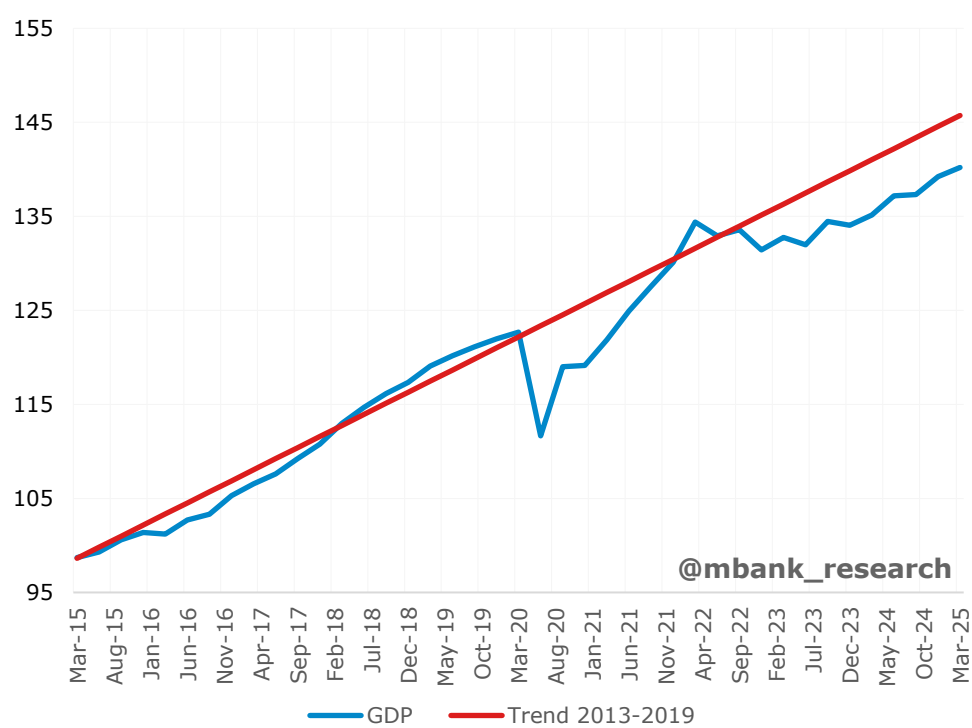
Poland: GDP

Contributions to the GDP growth (in pp)



Source: Statistics Poland and our forecast.

GDP (index 2015 = 100, sa)

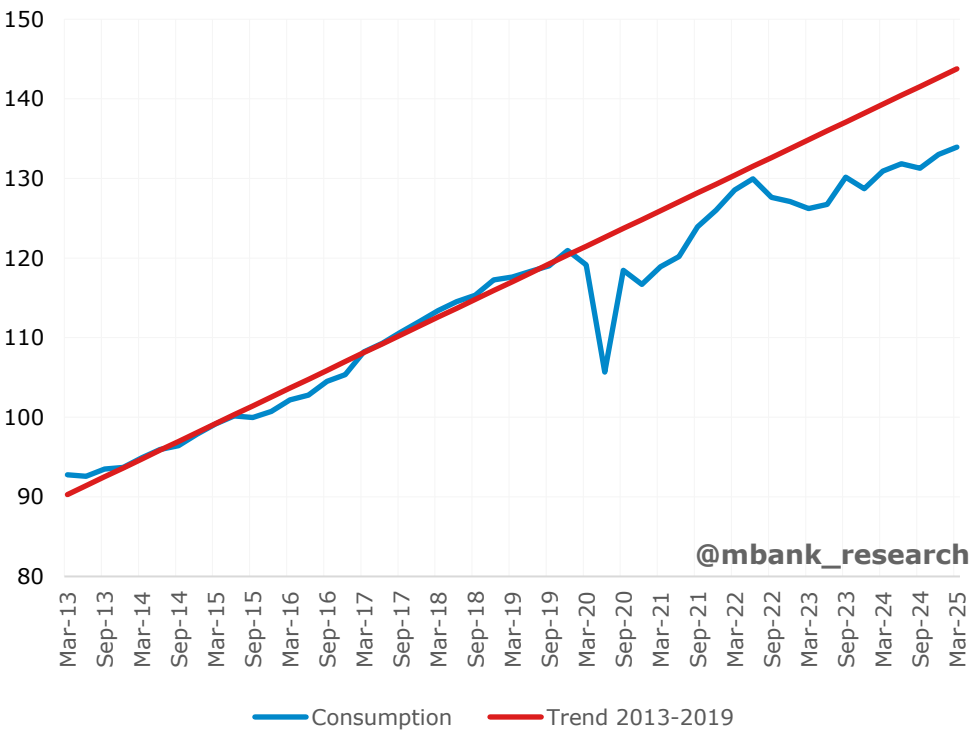


Source: Statistics Poland.

Our Q1 GDP forecast hit the bull's eye with 3.2% y/y. Composition of growth in Q1 was promising with substantial improvement in gross fixed investment. History shows that once it starts, it cyclically continues (>10% growth rates in H2 are our baseline). Relatively low number for consumption seems to be a one-off. Retail sales show much more dynamic start of Q2 with a promising composition (durable goods). Exports are sidelined so far. It is not going to be a bright spot in 2025 given rather fragile state of the global economy and potential (negative) effects of tariffs. Imports, on the other hand, may flourish, especially given substantial military spending. Luckily, we are going to see some offset in domestic demand: considering military spending, every 1 dollar of capital expenditures requires 2 dollars for maintenance and staff. It seems that initiated rate cuts give a tailwind for mortgage originations that proved to be much more resilient than we thought (given the fact there is no government support programme in place and chances for another one are slim). Politics has become a new risk factor but rather a small one (more on this [here](#)).

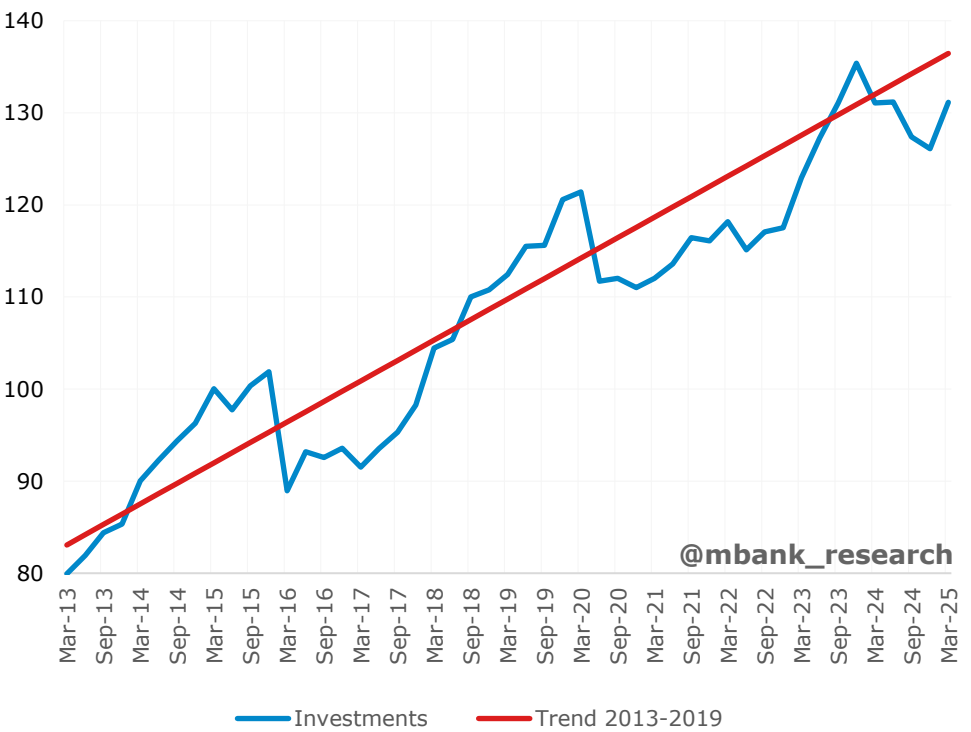
Poland: GDP - details

Consumption (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland.

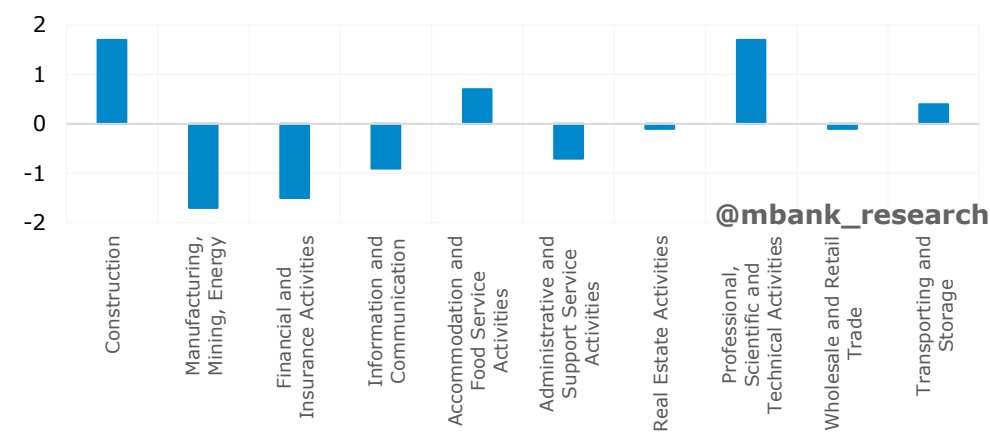
Fixed capital formation (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland, NBP.

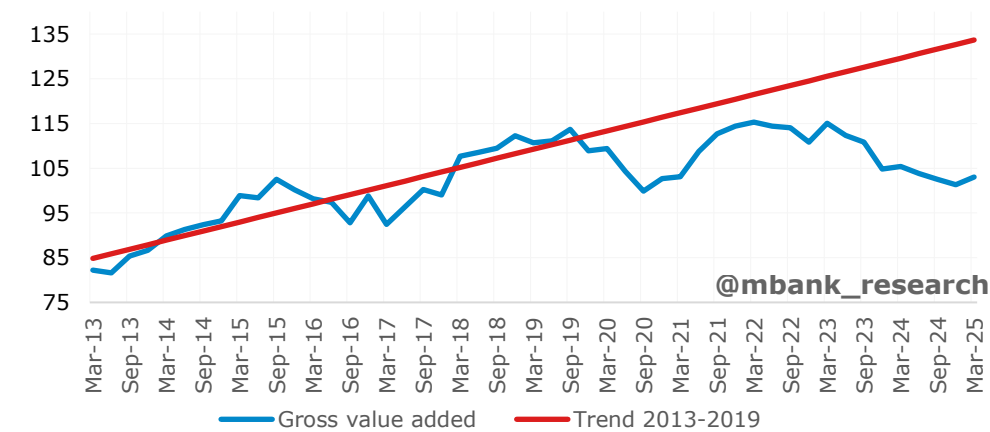
Poland: Gross value added - details

Gross value added – q/q growth in Q1 2025 (% , sa)



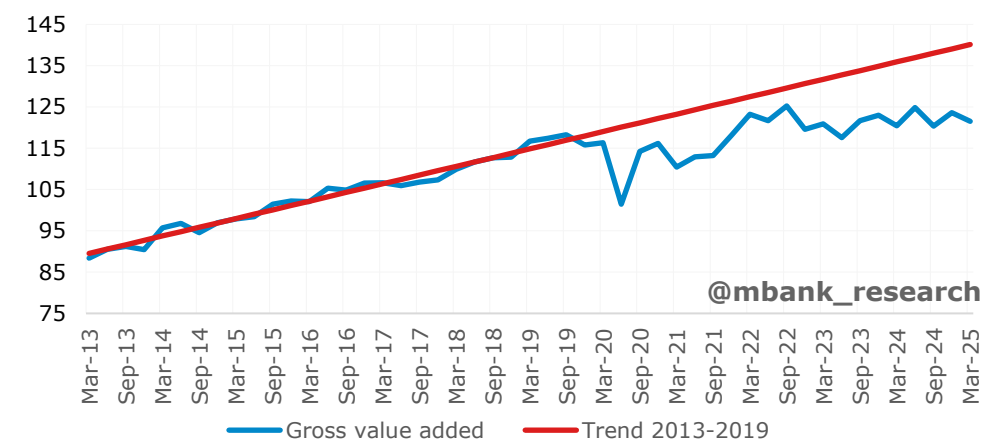
Source: Own elaboration based on Statistics Poland.

Construction (index 2015 = 100, sa)



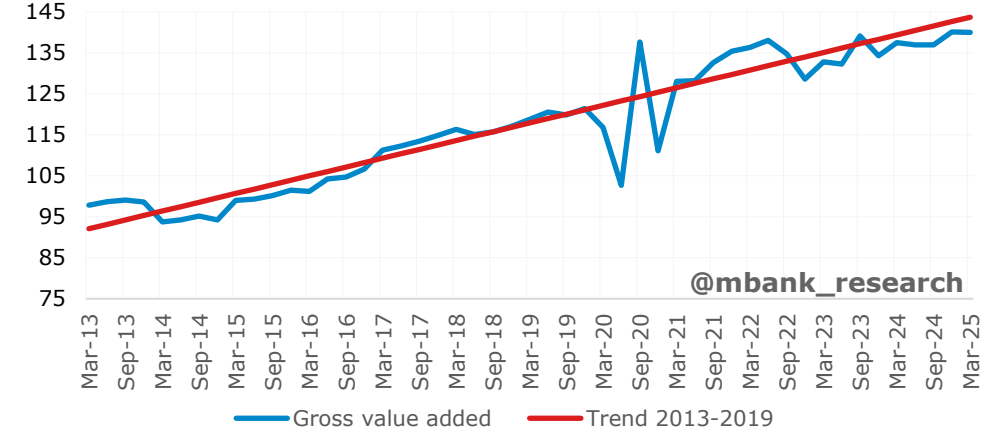
Source: Own elaboration based on Statistics Poland.

Manufacturing, mining and energy (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland.

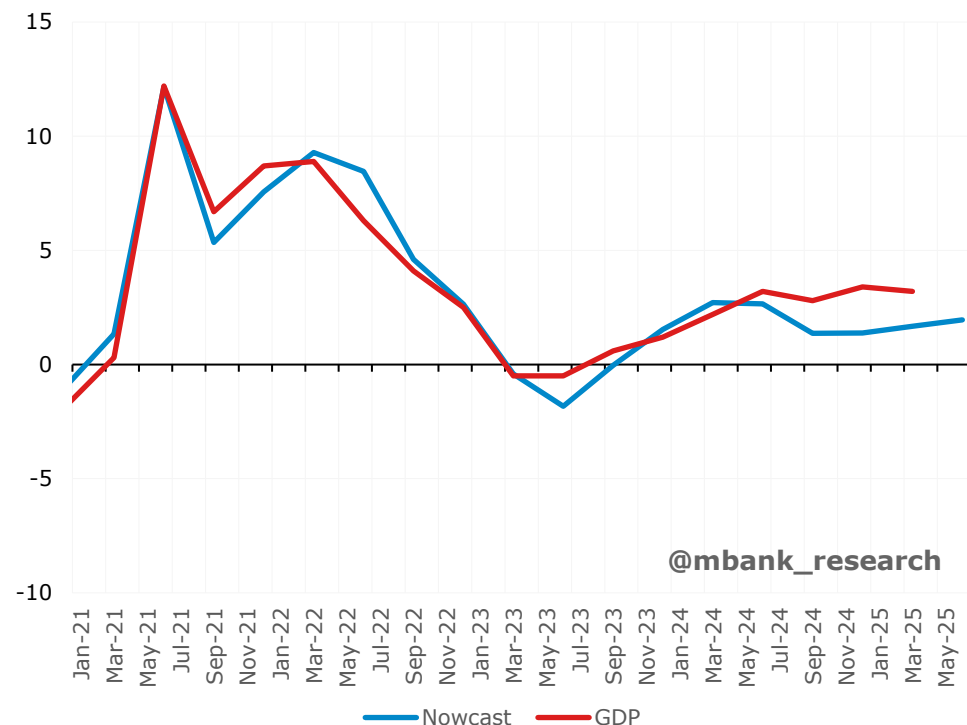
Wholesale and retail trade (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland.

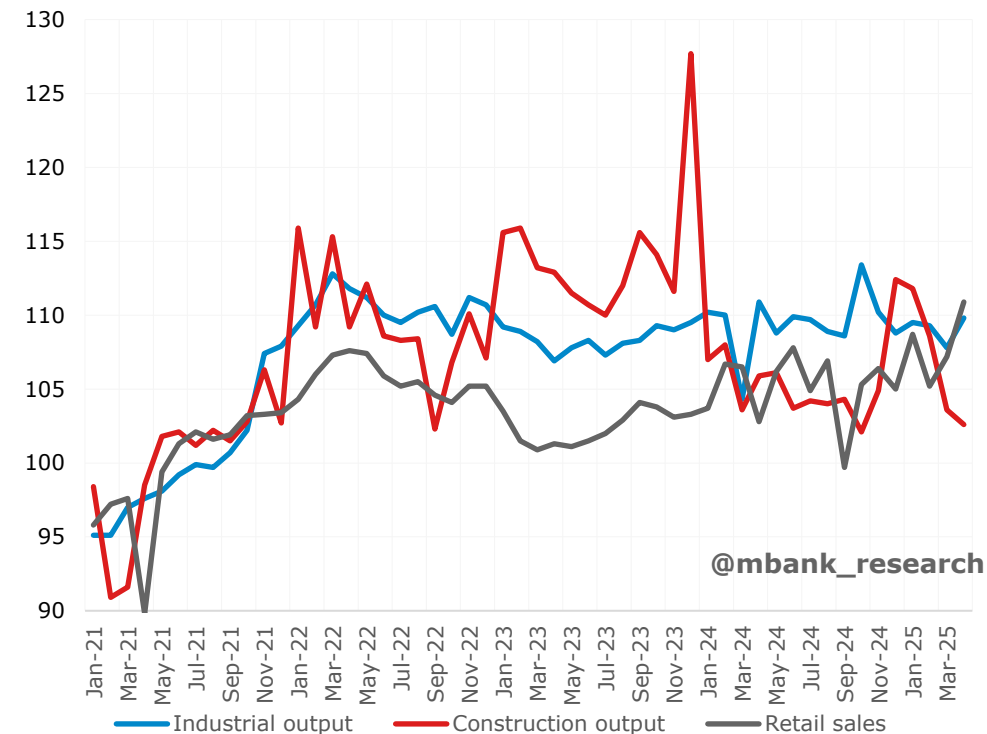
Poland: What monthly prints told us recently?

GDP momentum nowcasting



Source: Own elaboration.

Seasonally adjusted (index 2021 = 100, 3mma)

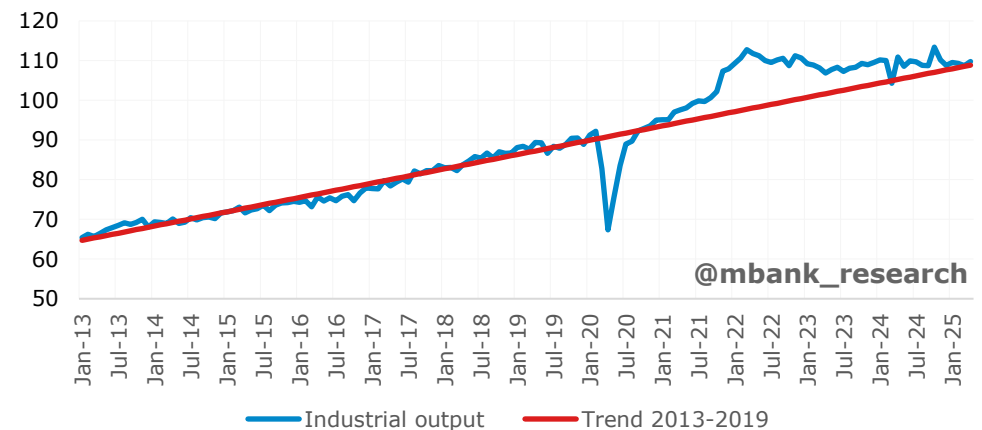


Source: Statistics Poland.

GDP tracking shows that next quarter's GDP growth is going to be only slightly better (3.3%). High likelihood of continuation of investment activity + resilience of mortgage loans speak in favor of construction activity. Also, as mentioned before, retail sales send promising signals and there are still fundamentals in place (a high build-up of deposits, slower but still quickly rising nominal wages, some improvement in demand for consumption loans). Meanwhile, the labor market presents a more complex picture, with continued employment declines alongside moderating wage growth. Rather than anticipating an imminent labor demand recovery, we should adapt to what appears to be a new economic paradigm: positive GDP growth coexisting with falling employment levels. This structural shift suggests wage growth will likely continue to decelerate. On a more optimistic note, robust productivity gains of 3-4% should create room for sustainable annual wage growth of 6-7% without generating inflationary pressures.

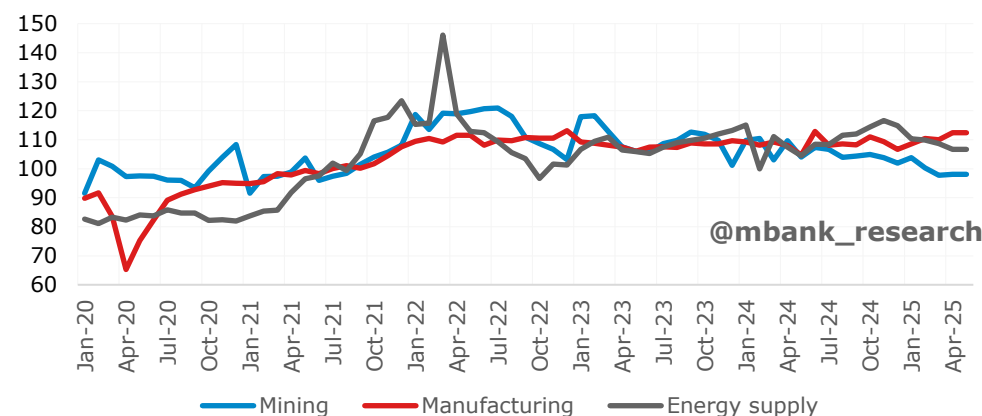
Poland: Industrial output

Industrial production (index 2021 = 100, sa)



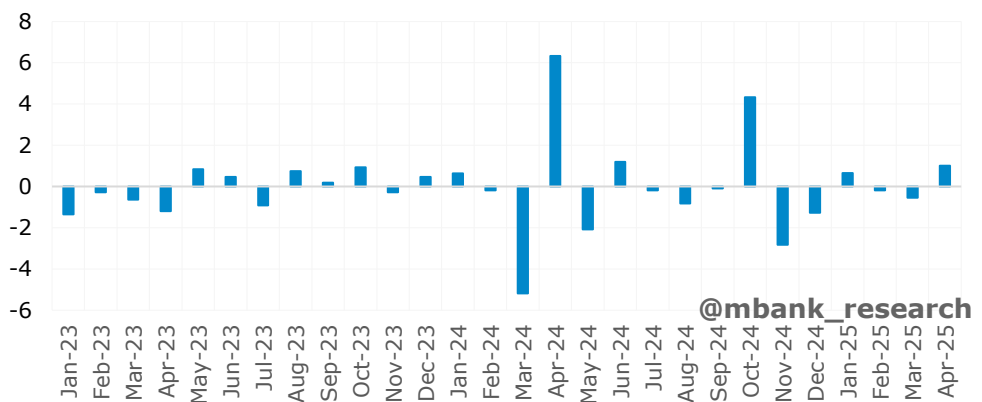
Source: Own elaboration based on Statistics Poland.

Main categories (index 2015 = 100, sa)



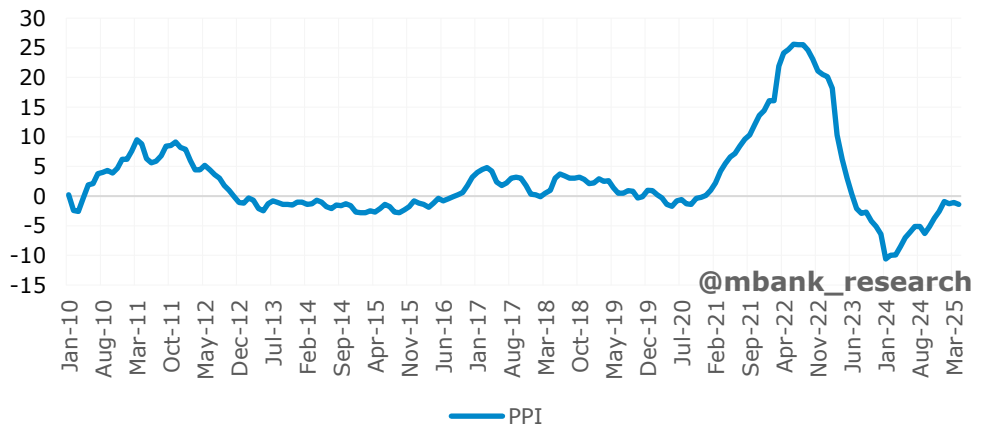
Source: Own seasonal adjustment based on Statistics Poland.

Momentum (% , m/m, sa)



Source: Own elaboration based on Statistics Poland.

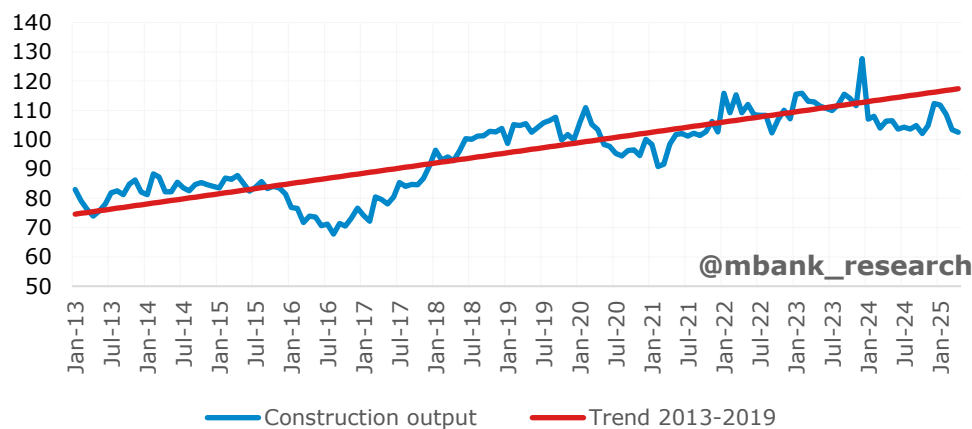
Producer prices (% , y/y)



Source: Own elaboration based on Statistics Poland.

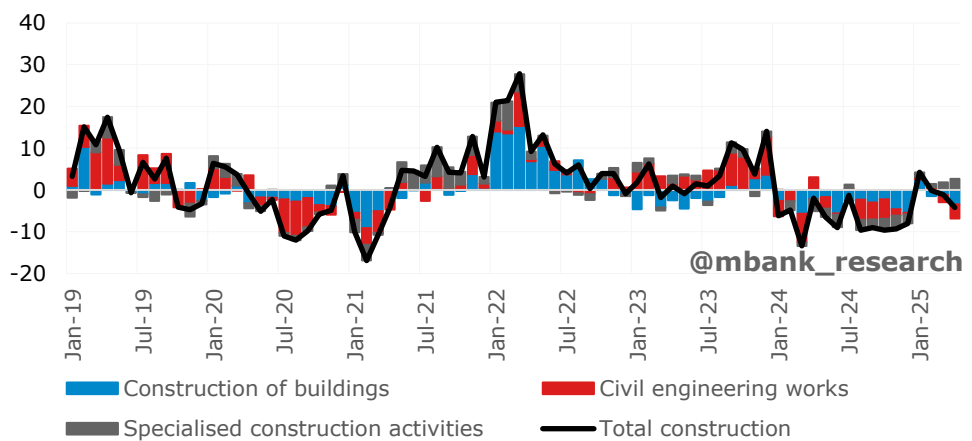
Poland: Construction

Construction output (index 2021 = 100, sa)



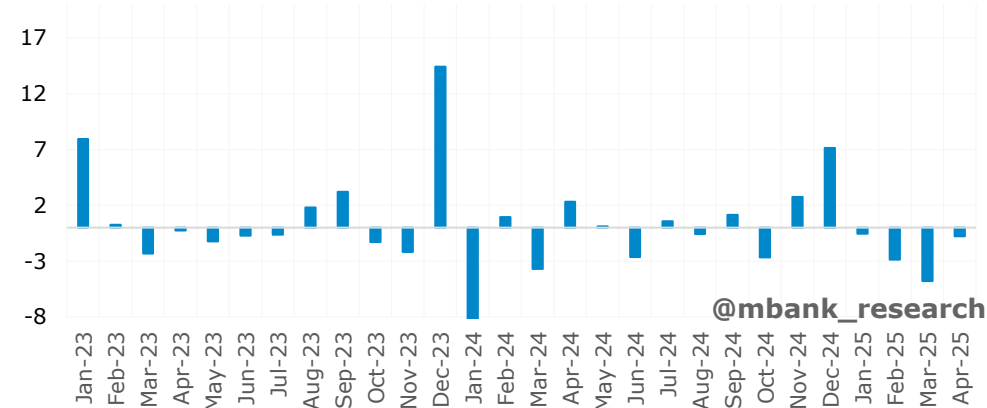
Source: Own elaboration based on Statistics Poland.

Contribution to y/y growth



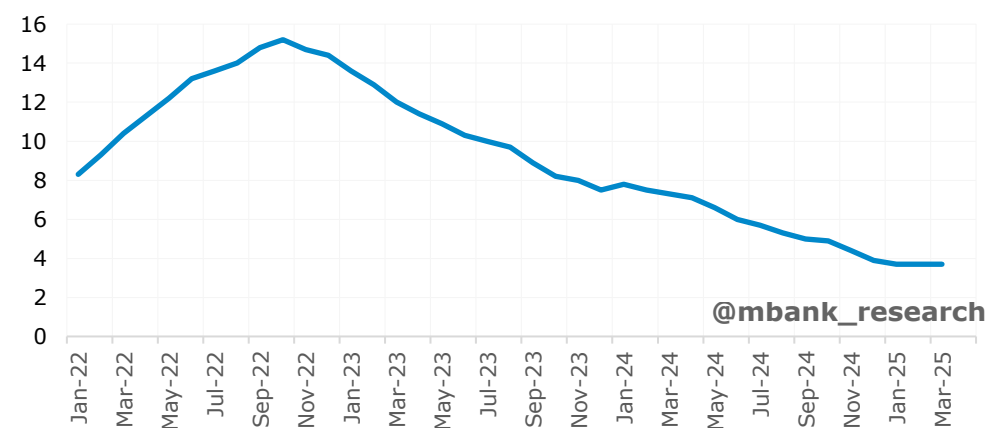
Source: Own elaboration based on Statistics Poland.

Momentum (% , m/m, sa)



Source: Own elaboration based on Statistics Poland.

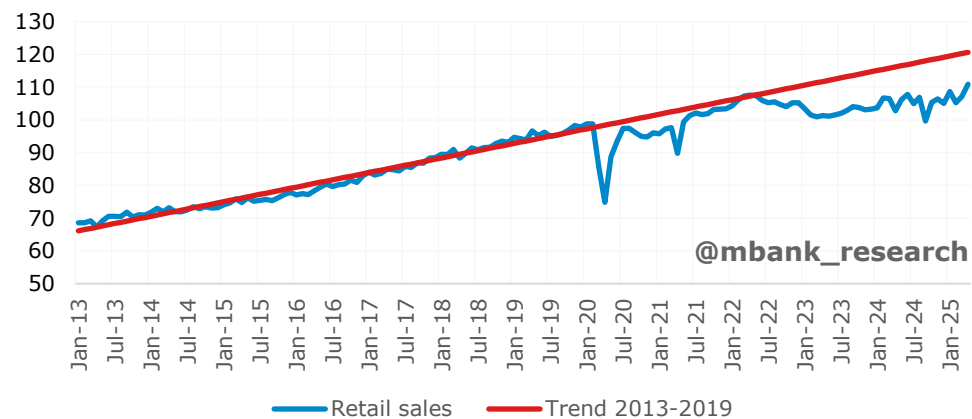
Construction prices (% , y/y)



Source: Statistics Poland.

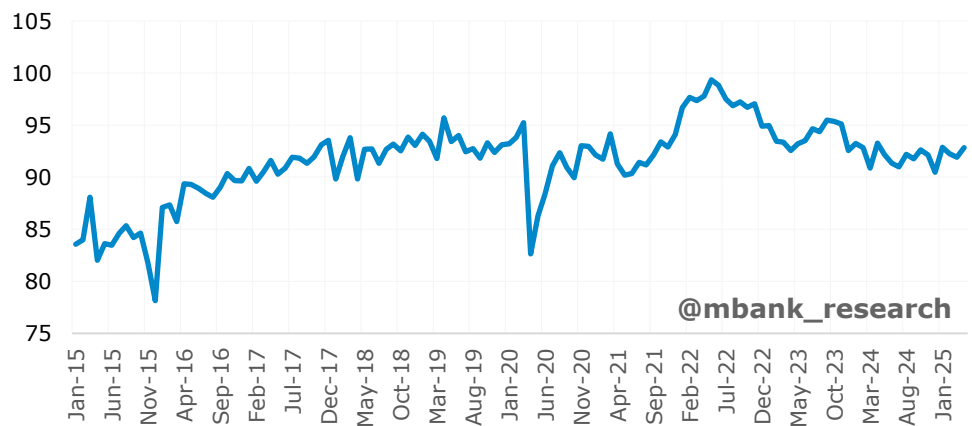
Poland: Retail sales

Retail sales (index 2021 = 100, sa)



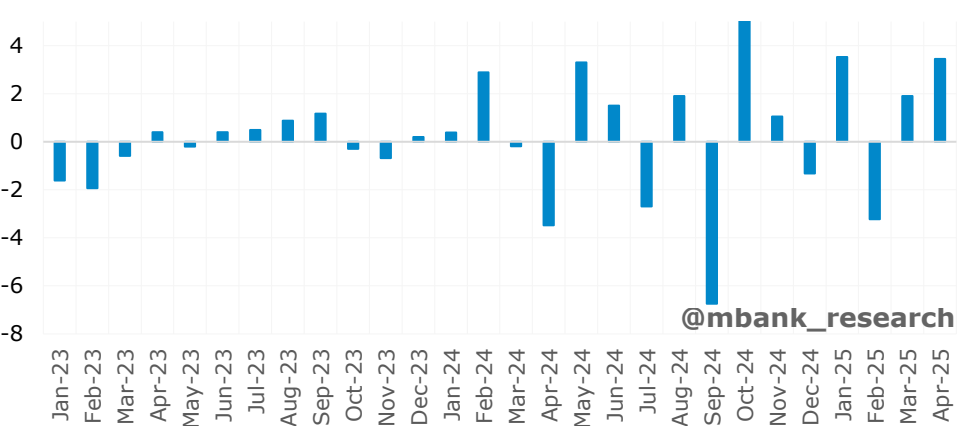
Source: Own elaboration based on Statistics Poland.

Retail sales - Food, beverages & tobacco products (index 2021= 100, sa)



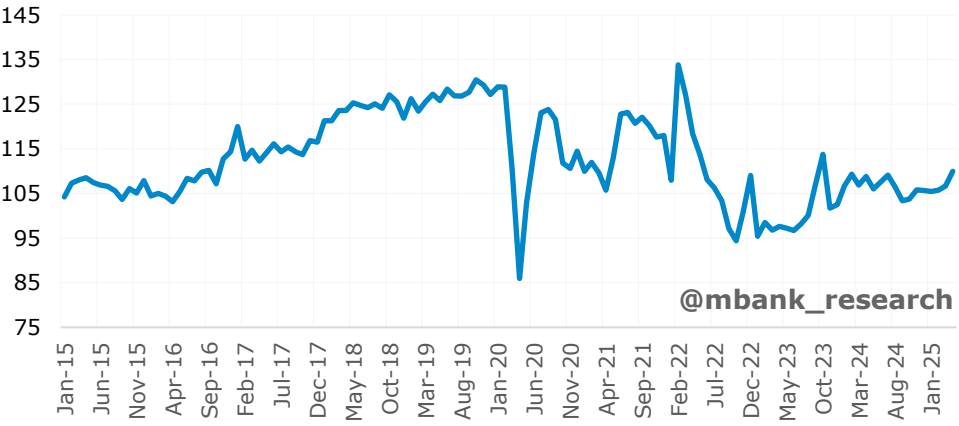
Source: Own seasonal adjustment based on Statistics Poland.

Momentum (% , m/m, sa)



Source: Own elaboration based on Statistics Poland.

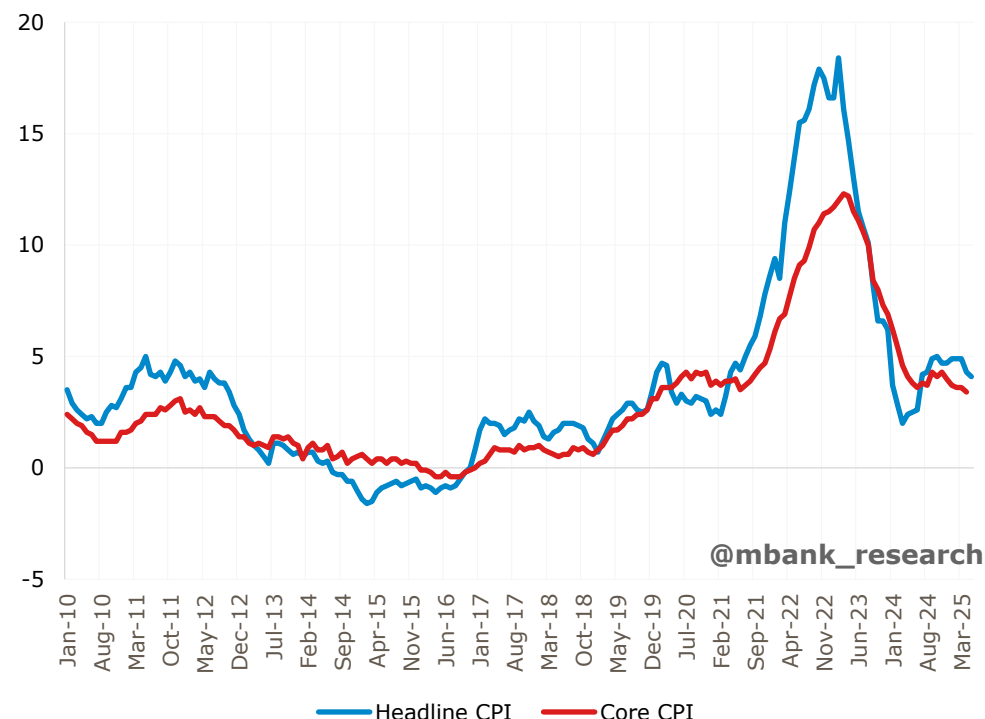
Retail sales - Solid, liquid and gaseous fuels (index 2015 = 100, sa)



Source: Own seasonal adjustment based on Statistics Poland.

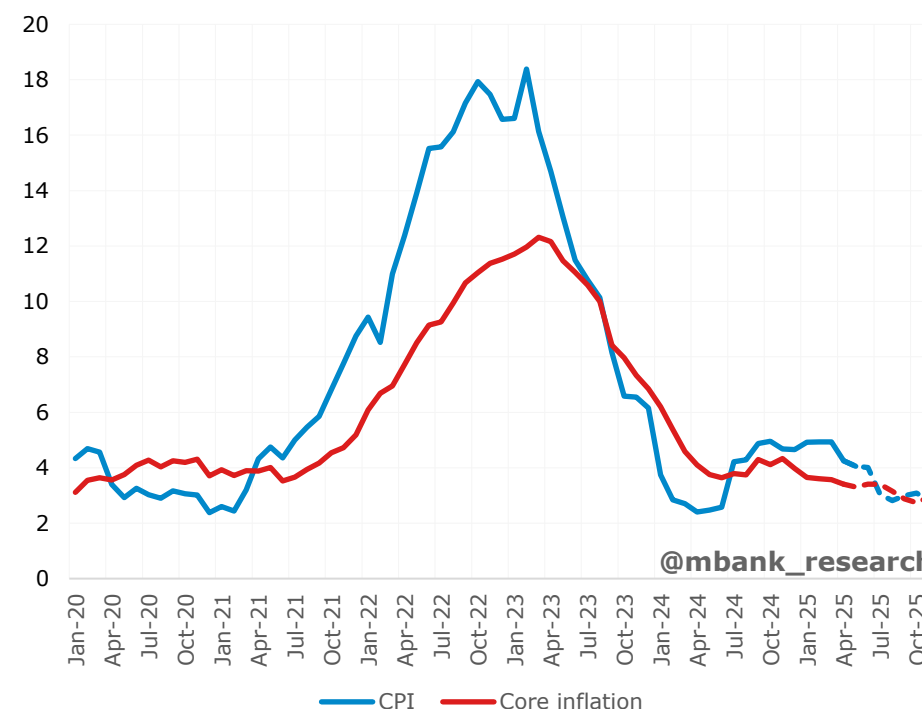
Poland: How do inflationary trends look like?

Headline inflation, broad perspective (% y/y)



Source: Own elaboration based on Statistics Poland.

Inflation forecasts (% y/y)

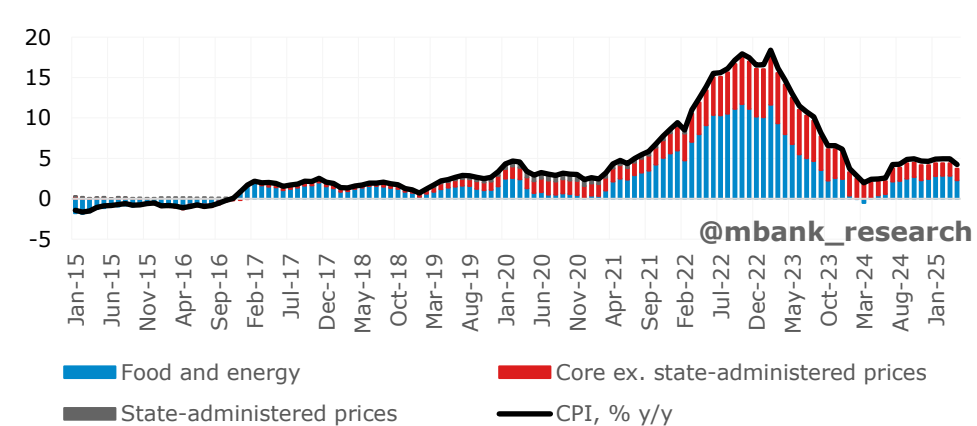


Source: Own elaboration based on Statistics Poland, NBP.

Inflation challenge in the Polish economy has largely subsided. Moderating wage growth promises stabilization in services prices. Recent trade developments suggest additional supply inflows to the EU, including Poland. This trend favors lower prices, especially as a GDP recovery remains modest. From a quantitative perspective, core inflation momentum has fallen to ~0.2% (even to 0.1% in May, although let's not be too optimistic). The inflation picture no longer presents significant concerns. Short-term effects of lower fuel prices should further corroborate this point as CPI readings between 2.5 and 3% in July are highly likely, especially as the energy watchdog cleared the path for gas price decreases for consumers (10%) starting from July. It should subtract 0.3pp from the CPI prints. The Monetary Policy Council has still a clear path for easing. Anticipated rate cut in May materialised, although MPC made a pause in June. The shape of fiscal policy after elections became one again less clear. MPC may be attentive to this risk and rather slow to cut rates. Additional 50bps this year is our baseline and 4% terminal rate in 2026. Starting from 2026, NBP inflation projection may once again start to show upward inflation path and the window for cuts is going to slowly close.

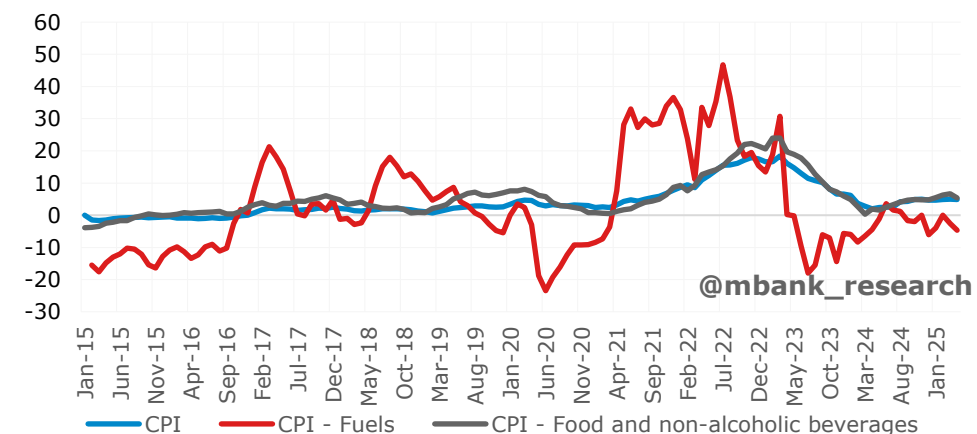
Poland: Inflation tracker (additional measures)

Contribution to inflation (pp.)



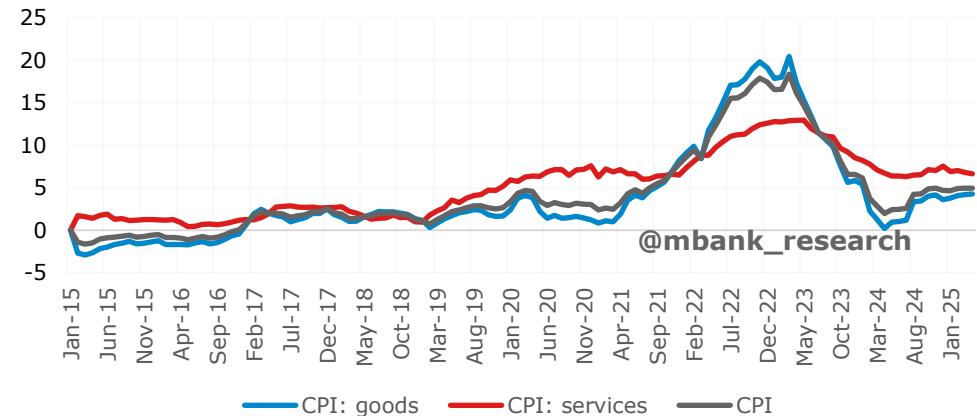
Source: Own elaboration based on Statistics Poland.

Food and fuel prices (% y/y)



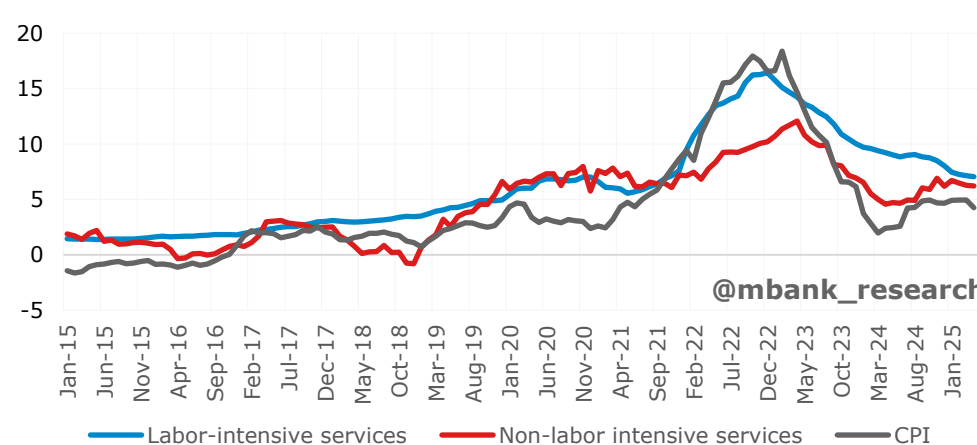
Source: Own elaboration based on Statistics Poland.

Goods and services prices (% y/y)



Source: Own elaboration based on Statistics Poland.

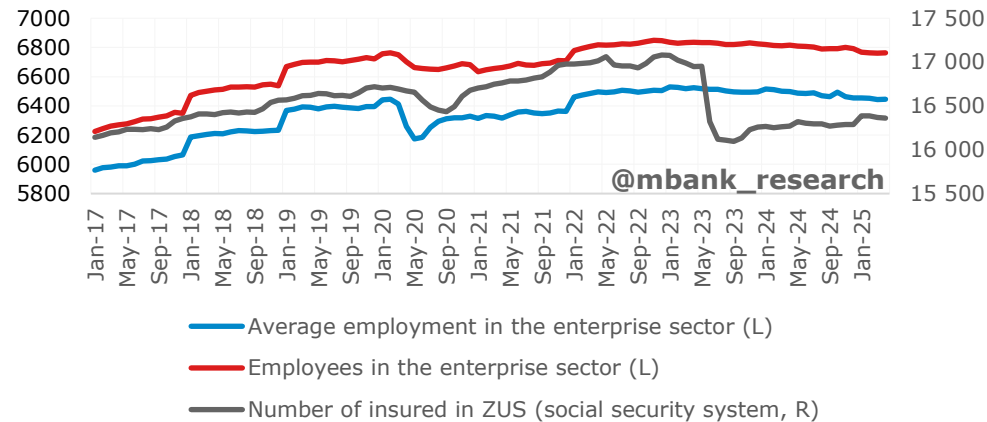
Services (% y/y)



Source: Own elaboration based on Statistics Poland.

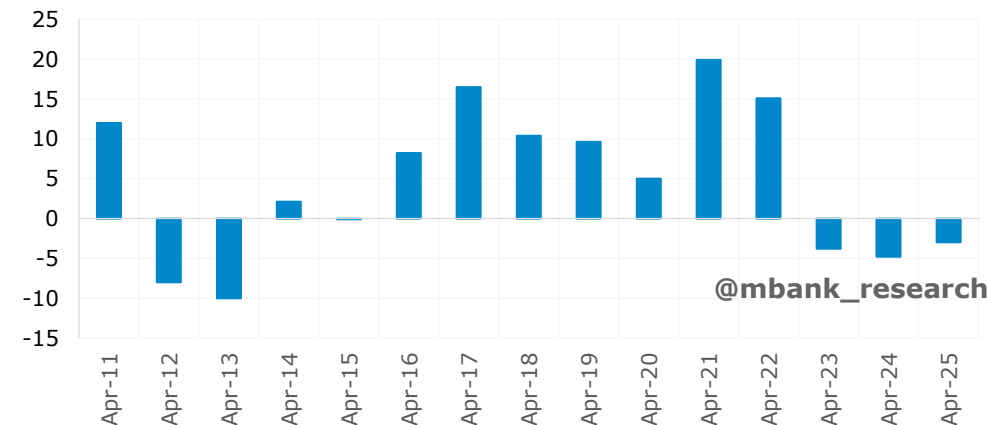
Poland: Labor market tracker - employment

Employment (in thousand)



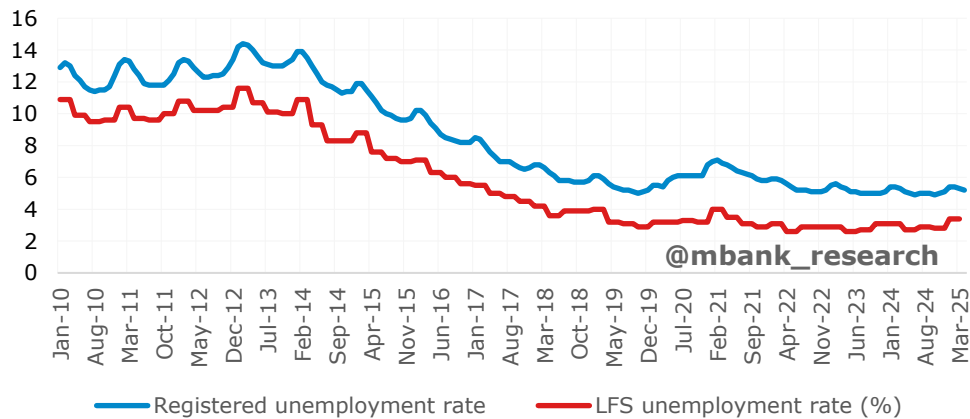
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Monthly employment change (in thousand jobs), enterprise sector



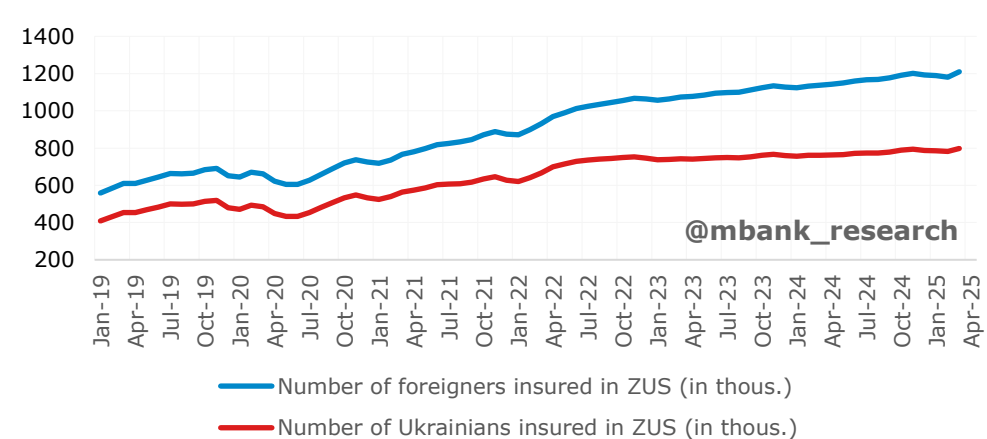
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Unemployment rate (%)



Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

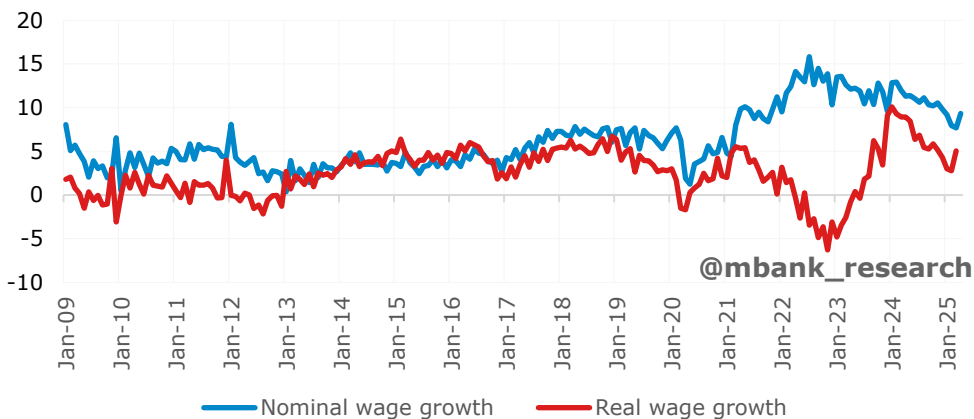
Immigration in the labor force



Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

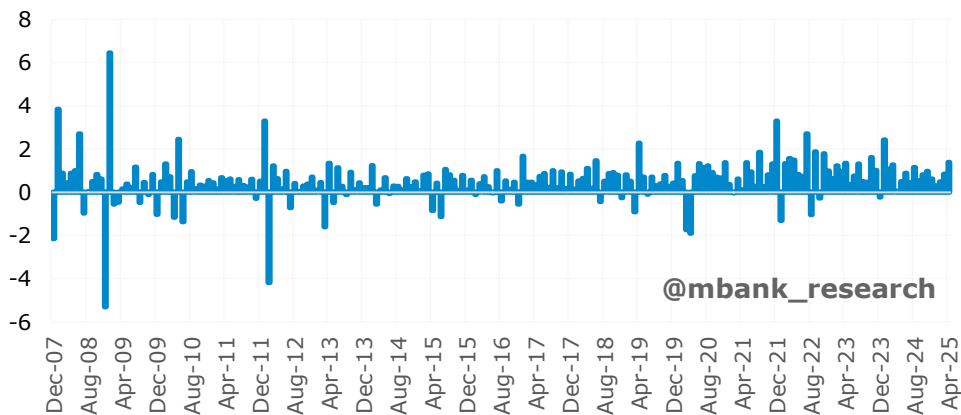
Poland: Labor market tracker - wages

Wage growth (% , y/y, nsa)



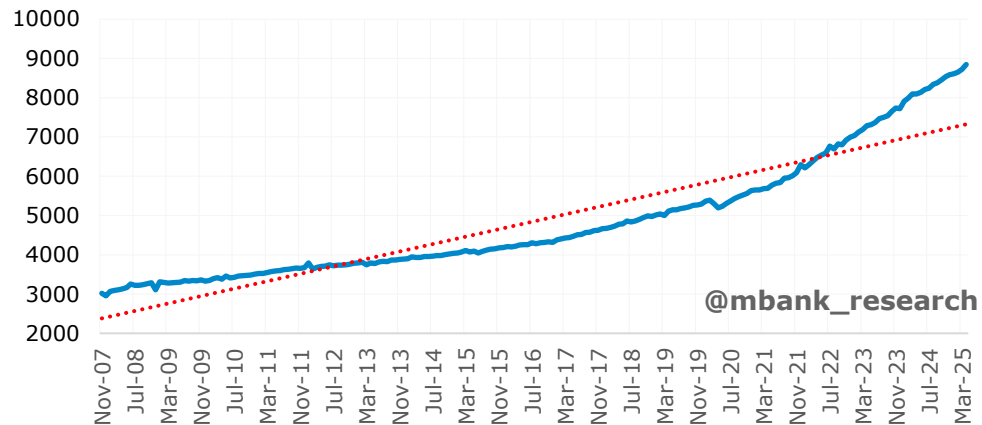
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Momentum of average monthly wage in enterprise sector (m/m, sa)



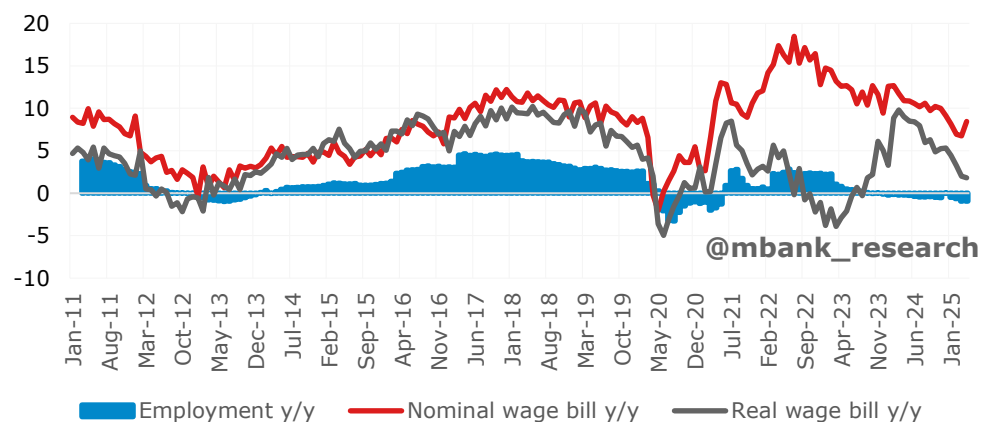
Source: Own seasonal adjustment based on Statistics Poland, ZUS Statistical Portal.

Average monthly wage in enterprise sector (in PLN, sa)



Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

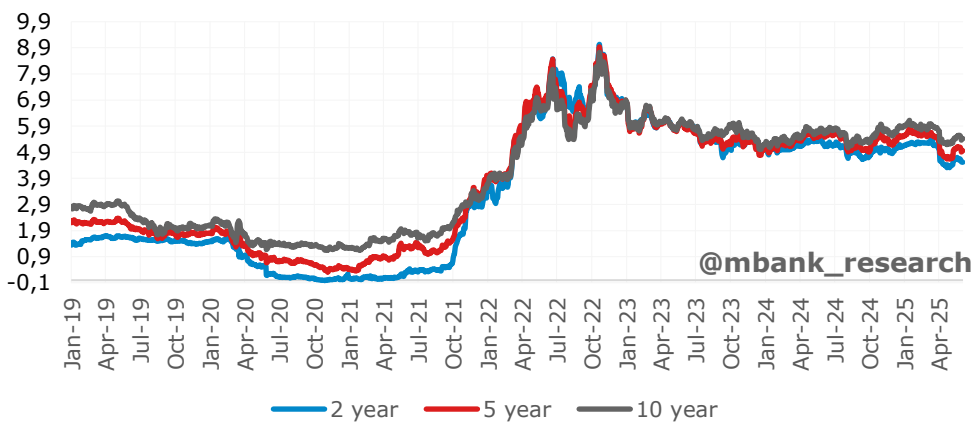
Wage bill (% , y/y)



Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

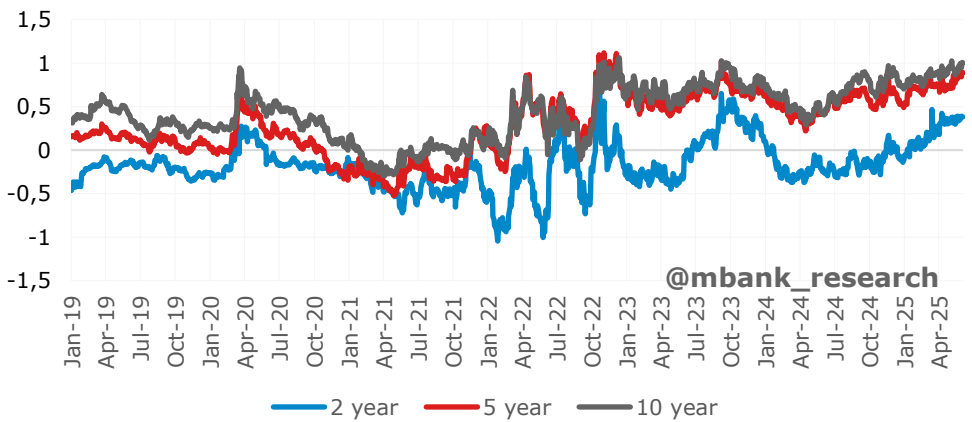
Poland: Interest rates

POLGBs (%)



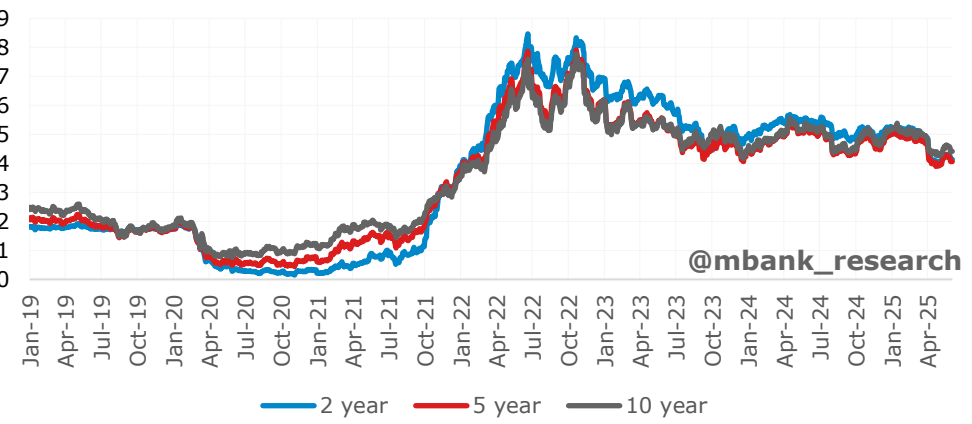
Source: Bloomberg.

ASW spread (pp)



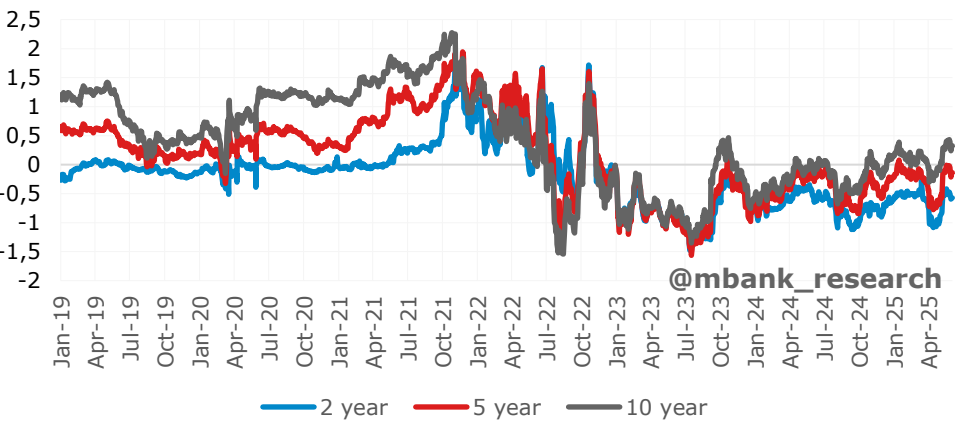
Source: Bloomberg.

PL IRS (%)



Source: Bloomberg.

POLGB yield minus 3m WIBOR (pp)



Source: Bloomberg.

Poland: Fiscal & external outlook

Fiscal balance

- ❖ After March there was a PLN 91.4 billion deficit in the central budget. It needs to be noted that the tax system reform came into effect as of January 1, 2025. As a result, local govts are allowed to keep a greater amount of PIT revenue, thereby diminishing this kind of revenue in the central budget. Poland finished 2024 with a PLN 210.9 billion deficit. It is worth reminding that the ultimate budget shortfall turned out to be well below the amended amount of PLN 240.3 billion. The 2025 budget bill assumes the central govt deficit at PLN 289 billion (7.3% of GDP), while the general govt (GG) deficit is estimated at 5.5% of GDP.
- ❖ The Ministry of Finance updated its forecasts when publishing the report on the implementation of the medium-term budgetary and structural plan 2025-2028. It now sees the general govt (GG) deficit at 6.3% of GDP (5.5% in the budget bill) mainly due to weaker than expected revenue (especially tax revenue, chiefly VAT). The MoF expects the economy growing at 3.7% with investment growth reaching 8.9% - both values are close to our forecasts. Note that the updated MoF projections were prepared under the assumption of no US tariffs announced on April 2.
- ❖ Poland intends to use the national exit clause, i.e., the possibility of temporarily deviating from the spending path previously recommended by the EU Council. Activating the clause will mean that if a country is already subject to an excessive deficit procedure (EDP) and during it exceeds the spending growth recommended by the Ecofin Council due to increased defense spending, it will not be exposed to the EDP provided that the exceeding is within the limit of 1.5% of GDP.
- ❖ The Ministry of Finance plans to once again redeem bonds issued by the COVID-19 fund through the central budget. The MoF allocated PLN 63.2 billion for this process in 2025.
- ❖ The S&P rating agency left Polish credit rating unfazed during its semi-annual review. As such, Poland still holds A- along with the stable outlook. The agency also stressed that Poland may face some issues in terms of fiscal policy over the medium-term (the fiscal consolidation will be key). The agency wants to see where Poland is going in this process before making any decision on credit rating.
- ❖ Minister of Finance informed that the so-called VAT gap declined in 2024 to 6.9% compared to 13.5% in 2023.
- ❖ The Polish energy regulator approved a new gas tariff for PGNiG customers. As a consequence, the new tariff will be lowered from July 1 by 14.8%, translating into a ~10% decrease in the average customer's bill. We estimate the impact on inflation of 0.2pp.
- ❖ According to information published on the Prime Minister's Office website about a planned amendment to the central bank act, the MPC will approve the current projected implementation of the NBP's financial plan for a given year on a monthly basis. The aim is to depoliticize the process in which the NBP could overstate or understate the projected profit based on some politically-driven objectives.
- ❖ The Ministry of Finance has raised almost PLN 56 billion through bond and Treasury bill auctions. The level of financing the 2025 gross borrowing needs stands at around 69%.
- ❖ Graphical summary of current fiscal data in next two slides ([here](#) and [here](#)).

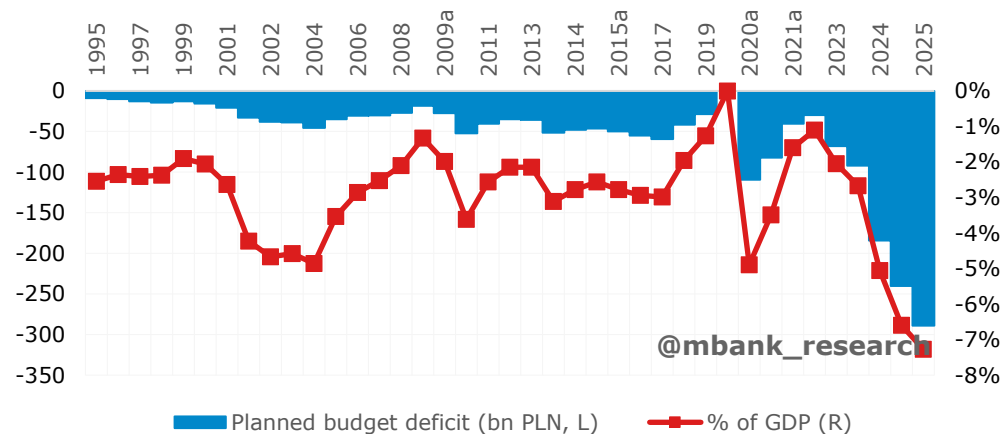
External balance

- ❖ The current account balance, measured as a 12-month rolling sum, saw a 0.4% GDP shortfall after March. We have been saying for some time that the surplus is likely to shrink over time, and we stand by that view. The shrinking surplus, we have seen over the recent months, has been caused mainly by the goods balance, which already turned negative. On the other hand, the services balance has continued its gradual decrease. Overall, any improvement here is unlikely to be sufficient to prevent the CA balance from a deeper deficit in the coming months. At the same time, one needs to be cognizant of the fact that a FDI-adjusted CA still remains in a surplus (1.5% of GDP after March), and even a higher surplus is seen when adjusted both by FDI and the capital account (1.8% of GDP after March). Therefore, we think that an expected deterioration in the CA balance will not result in major adverse effects in the economy. Looking forward, we expect that a majority of inflows of European funds will appear in the capital account, which should strengthen the Polish external position anew. The capital account saw a 0.6% surplus after March.
- ❖ Graphical summary [here](#).

Poland: Fiscal monitor #1

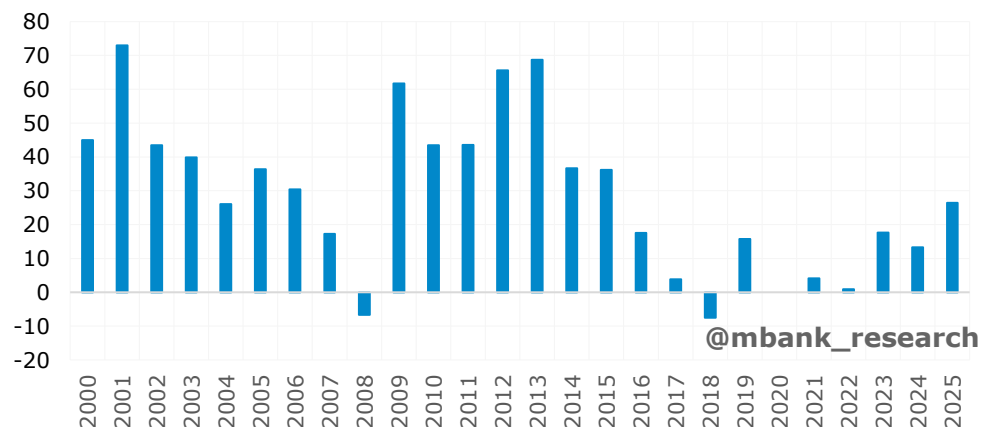
Want more? See our Polish Debt Monitor -> [LINK](#)

Planned budget deficit



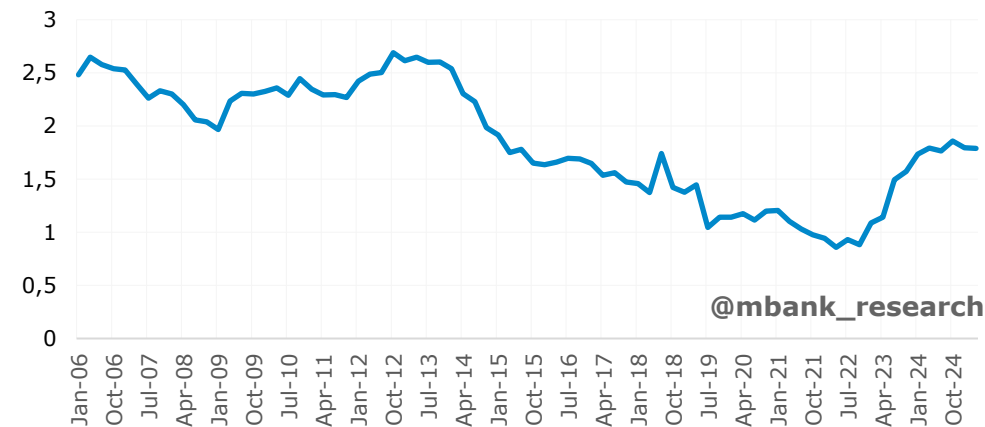
Source: Ministry of Finance, a – budget novel.

Central budget deficit after April as % of yearly planned deficit



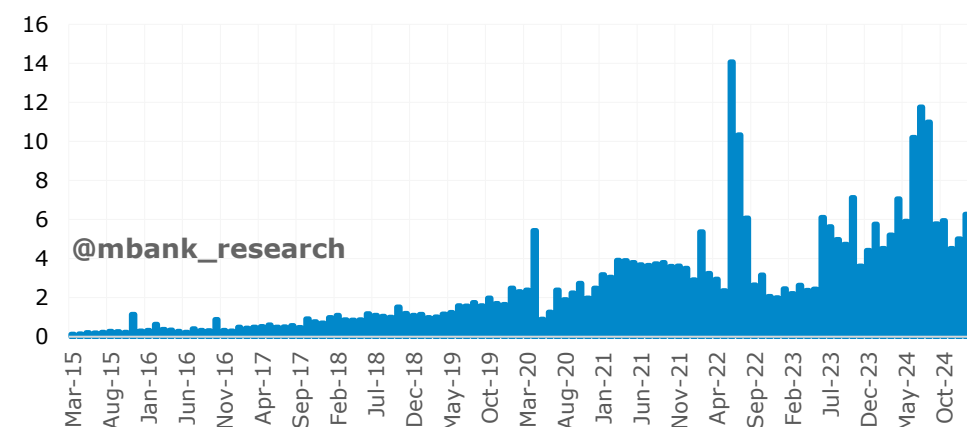
Source: Macrobond, * in 2020 there was 0 budget planned, negative value means surplus.

State debt servicing costs (% GDP, quarterly)



Source: Macrobond.

Retail bonds sold per month (bIn PLN)

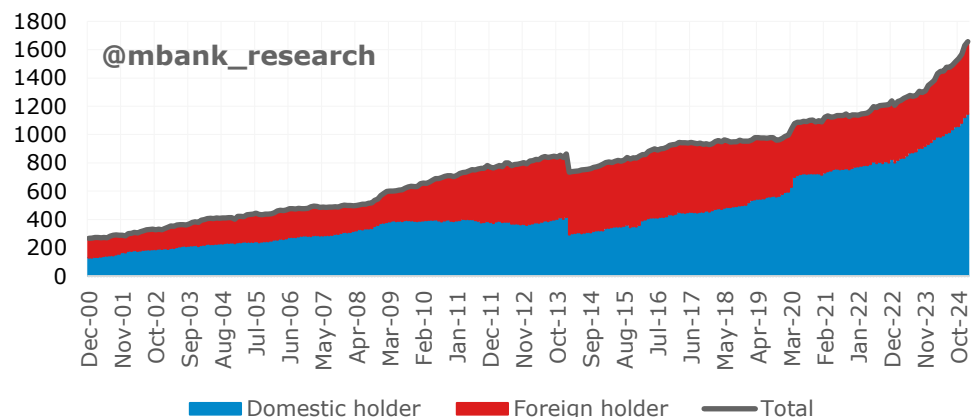


Source: Ministry of Finance.

Poland: Fiscal monitor #2

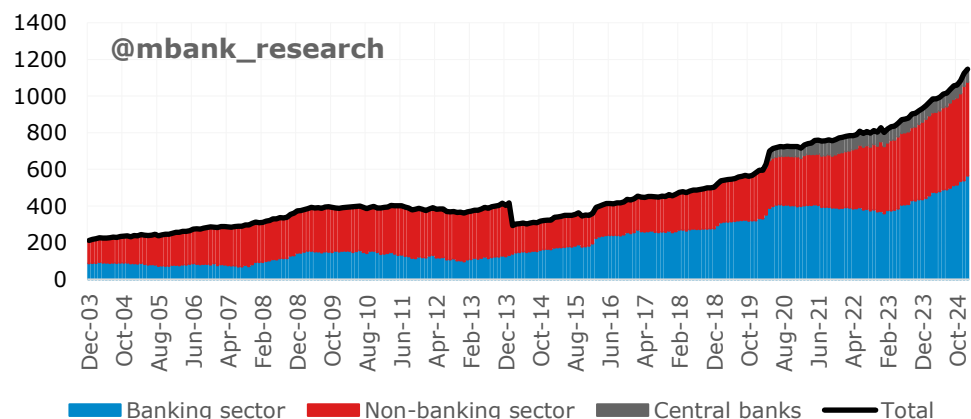
Want more? See our Polish Debt Monitor -> [LINK](#)

State treasury debt by holder #1* (bIn PLN)



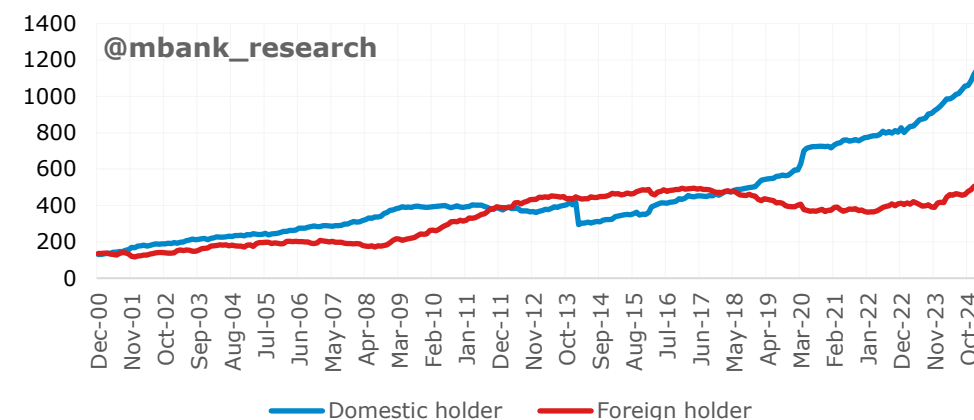
Source: Macrobond. *Last reading: March 2025

State treasury debt – domestic holders* (bIn PLN)



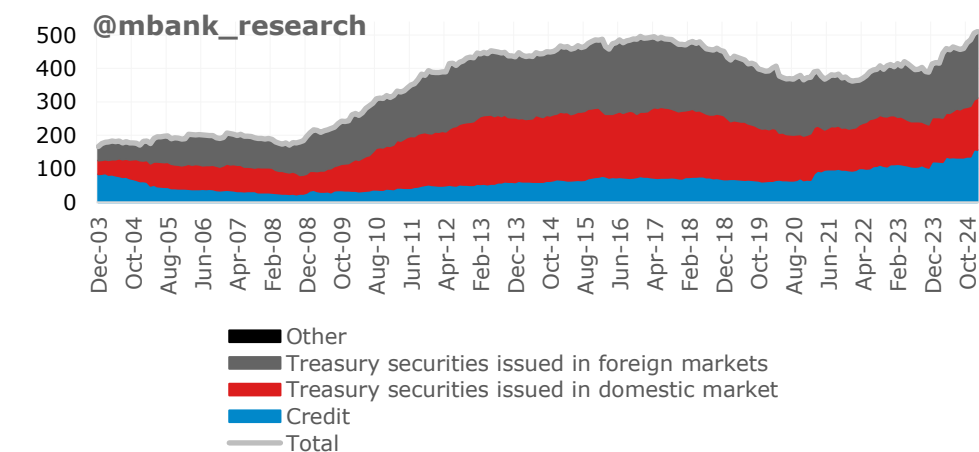
Source: Macrobond. *Last reading: March 2025

State treasury debt by holder #2* (bIn PLN)



Source: Macrobond. *Last reading: April 2025

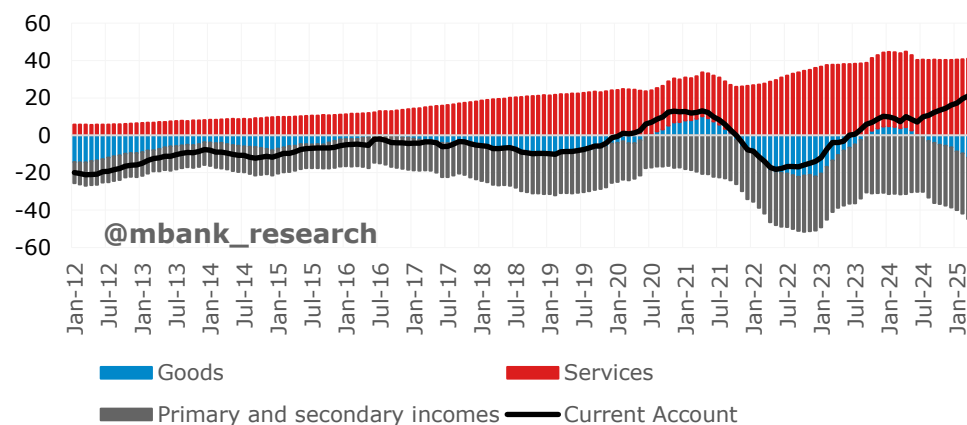
State treasury debt – foreign holders* (bIn PLN)



Source: Macrobond. *Last reading: March 2025

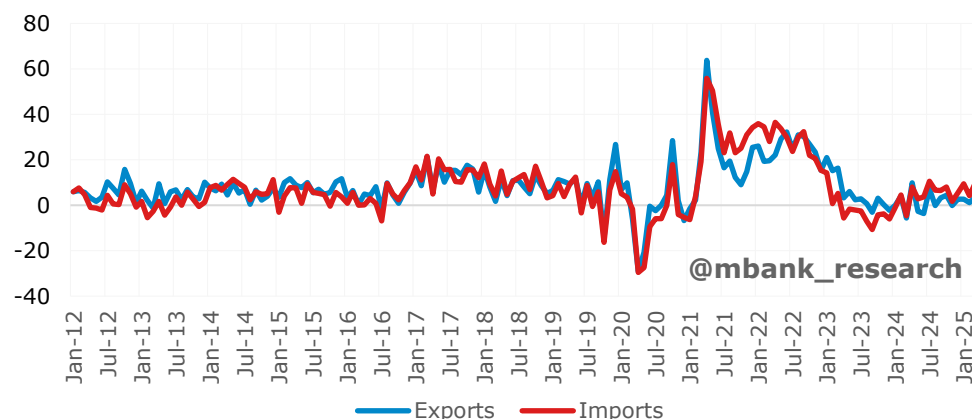
Poland: External balance monitor

C/A decomposition – 12m rolling sum (bln EUR)



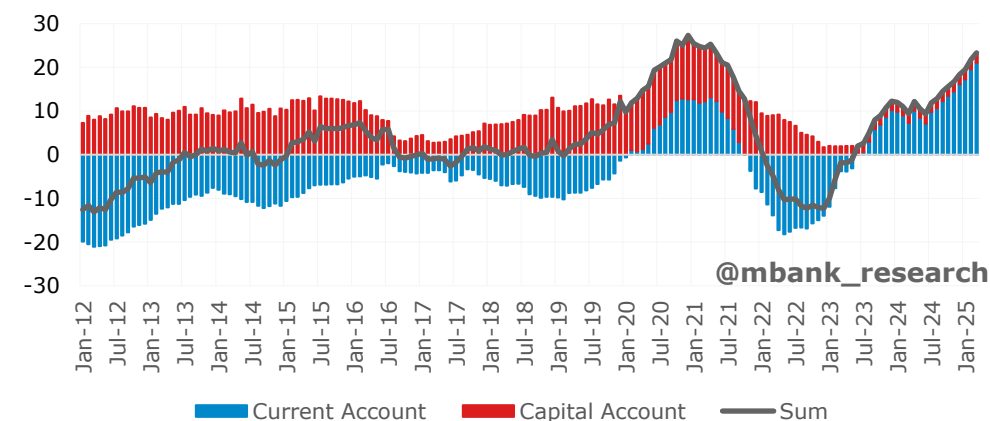
Source: Own elaboration based on NBP.

Exports and imports dynamics (% , y/y)



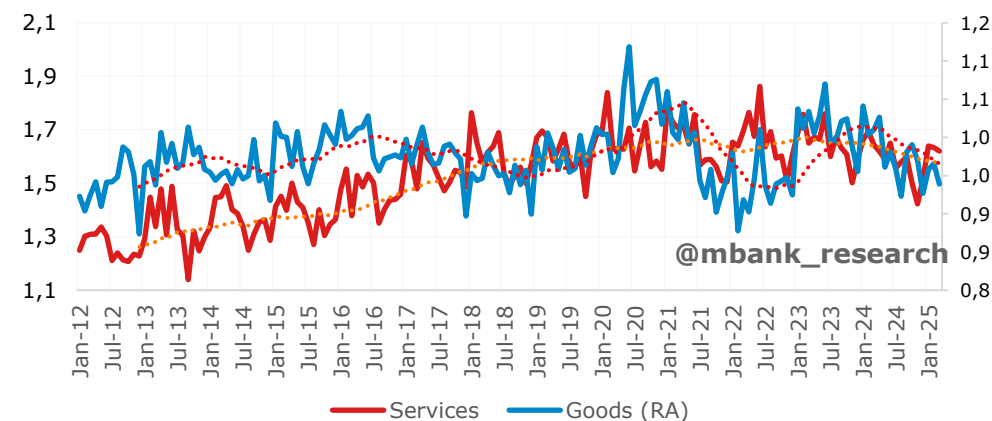
Source: Own elaboration based on NBP.

Current and Capital Account – 12m rolling sum (bln EUR)



Source: Own elaboration based on NBP.

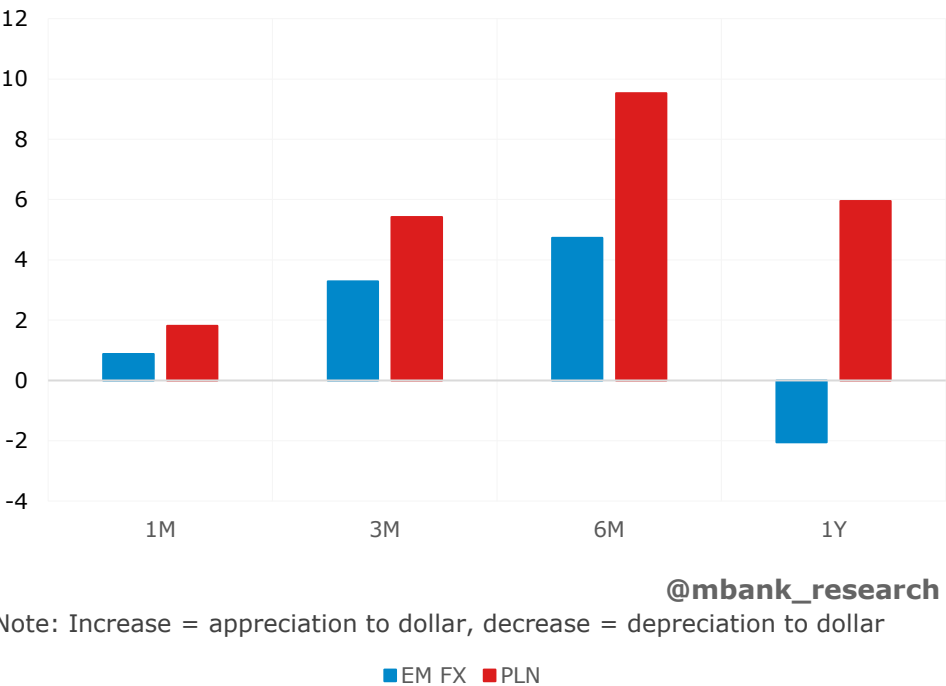
Exports to imports ratio



Source: Macrobond.

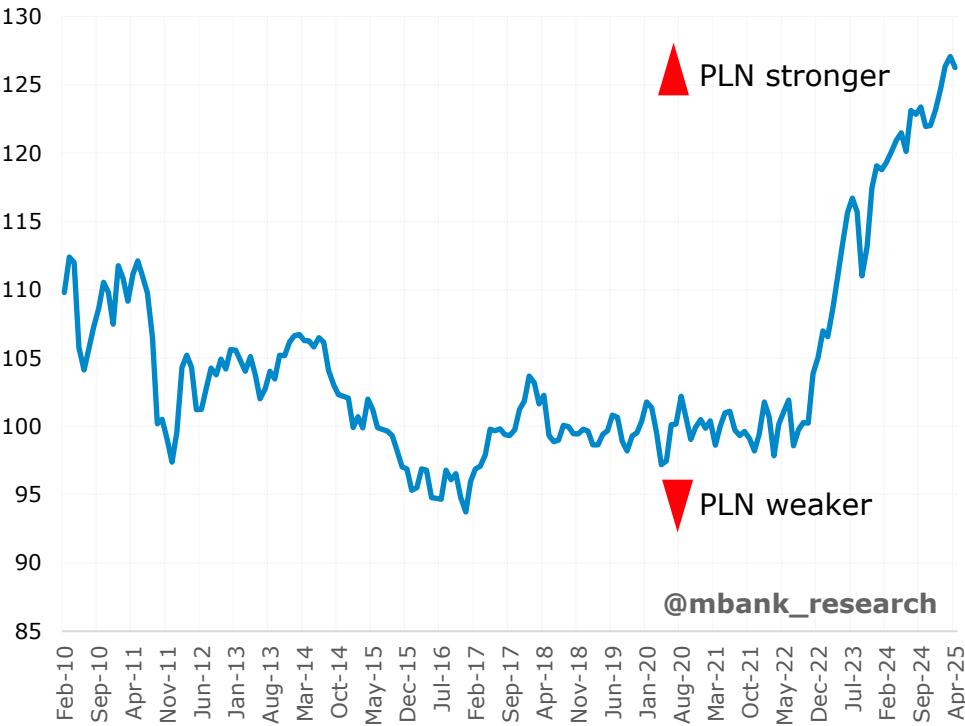
Poland: PLN outlook under the new president

The zloty has outperformed its peers in recent months (%)



Source: Bloomberg.

Real effective exchange rate (mind the dates)

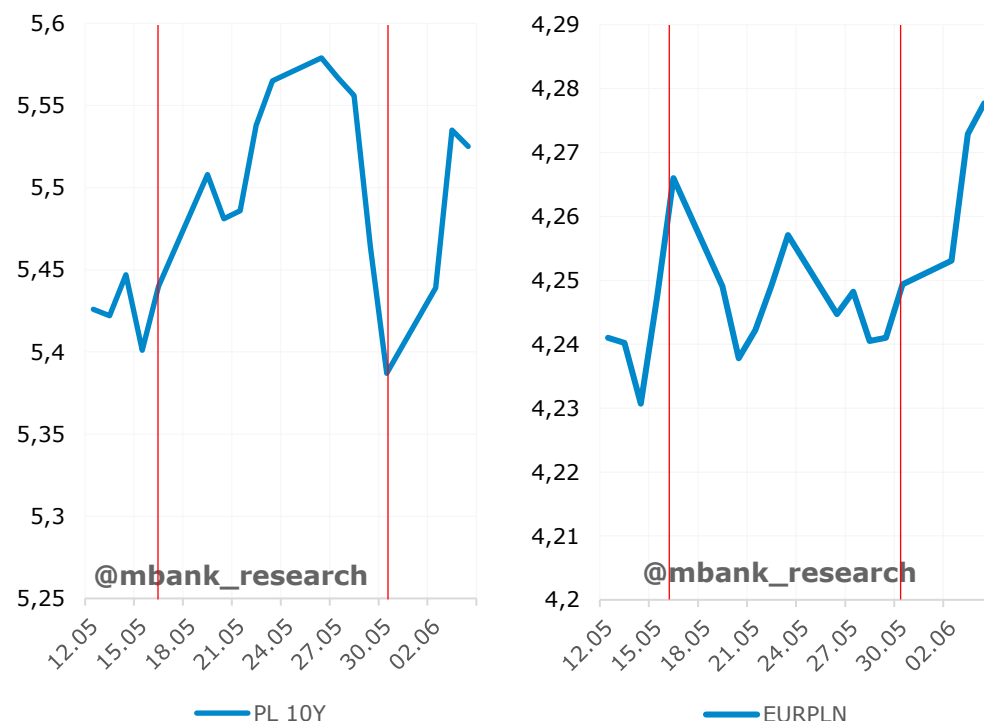


Source: BIS.

We wrote last month that the tide was finally turning for Polish monetary policy, with a possible adverse impact on the PLN. We stand by this view even if the Polish currency performed somewhat better than its EM peers compared to the US dollar. The most important event from recent days was undoubtedly the presidential election's result with PiS-affiliated candidate Karol Nawrocki beating the current mayor of Warsaw Rafał Trzaskowski in the runoff. Such an outcome raises questions regarding possible fiscal consolidation in the upcoming years. If the assumed consolidation does not materialize, then the policy mix might become even more PLN friendly, with fiscal policy (relative to other countries) getting more expansionary and monetary policy responding with a hawkish squawk. Nevertheless, our baseline assumes some fiscal consolidation will be possible from 2026 onwards, or the EC will stay so lenient for everybody that each country will be allowed to run a very high budget deficit. With the macro background supportive of further rate cuts, we still expect the zloty to depreciate against the euro over the coming quarters.

Presidential election: *status quo* likely to persist

10Y bond and EURPLN reactions to the presidential election's results



Source: Bloomberg. The red vertical lines mark the last business day before the first and the second round.

- ❖ **PiS-affiliated candidate Karol Nawrocki won the presidential election** beating his competitor Rafał Trzaskowski in the runoff. Thus, PiS will maintain control of the presidency when the incumbent, Andrzej Duda, ends his term in a few weeks.
- ❖ From a market point of view, Nawrocki was greeted with Polish asset prices declining immediately after the runoff. Having said that it is worth to note that what we saw was just a reassessment of probabilities concerning various scenarios for the future. Situation is less clear now but far from deeply problematic. Polish economy survived many government changes and many political constellations.
- ❖ It is now not about Trzaskowski's defeat but a change of support visible in the first round: the right and far right got >20% of votes. This means that classic duopoly (PiS vs PO) has been slowly but surely ending. Whoever wins next general elections will have to rule with Konfederacja (liberal in economic issues, anti-EU and with conservative world view). It is hard to say how this party would behave as coalition partner, though. Investors are somewhat more sceptical now, whether fiscal consolidation can happen in a form even closely resembling the previous path (causal relation: current coalition would be even more willing to engage in further spending / lower taxes to lure voters ahead of 2027 elections). In our opinion it is fair to say that this is another risk factor, but we see it as not materially different now compared to the past.
- ❖ In our view, Nawrocki could make it harder to reach necessary agreements to keep obtaining EU-funds. However, this really becomes a threat when current government doesn't survive. Chances are non-zero but still not substantial. **We should rather expect a stalemate, but this would not be much different from what we saw till now.** Of course, judiciary reform is out of reach now, but Nawrocki is unlikely to block deregulation bills.

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mBank Research is:

Marcin Mazurek, Ph. D.
Chief Economist

Email:
marcin.mazurek@mbank.pl

Arkadiusz Balcerowski, CFA
Economist

Email:
arkadiusz.balcerowski@mbank.pl

Natalia Pawelec
Economist

Email:
natalia.pawelec@mbank.pl

Agnieszka Kukułka, Ph. D.
Economist

Email:
agnieszka.kukulka@mbank.pl