

Monthly Pulse Check

Economy. FI. FX

October 10th 2025

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



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

Macro outlook

- ❖ Political gridlock led to the infamous government shutdown, during which the production of most publicly available economic data was suspended. Clearly, this will not help the Federal Reserve determine the appropriate monetary policy. Furthermore, the longer the shutdown lasts, the greater the likelihood of an increase in the unemployment rate in October. In addition, it was revealed that the **US economy** grew by 3.8% SAAR in Q2, up from the initially estimated 3.3% SAAR. The key drivers of this higher growth were non-housing investment and consistently strong consumer spending. Regarding inflation, it is worth noting that the effective tariff rate has so far been clearly below the level announced by the White House, which could send a positive message to the Fed. In the **Eurozone economy**, we are still seeing some signs of reviving economic growth, with the majority of IFO subindices pointing to a clear recovery since the start of the year. Furthermore, we believe that expansionary monetary policy will continue to contribute to livelier activity over the subsequent year. Finally, **China** has not yet shown any convincing signs of recovery. Instead, the government is preparing to tackle the significant backlog of unpaid bills owed by local governments to the private sector, which is estimated by some to be worth over \$1 trillion, according to a Bloomberg report. If true, this would be another step towards resolving the issue of local government debt.
- ❖ **Poland.** Our forecast for 2025 GDP growth is still at 3.8%. Incoming data suggest a stable contribution from consumer spending. The outlook for investment remains uncertain – we expect a rebound in the second half of the year. Although August saw a sharp and unexpected decline in construction output, we anticipate a dynamic recovery in September. The improvement in domestic demand will likely be accompanied by a negative trade balance contribution to GDP – external demand remains weak, indicating limited room for export acceleration.

Monetary policy: Fed, ECB, NBP

- ❖ Fed: There were no surprises from the US central bank when it met last month, as it delivered what had already been priced in. As a result, the Fed cut interest rates by 25 basis points, while underscoring downside risks to the labor market in the statement. However, Powell expressed greater concern about elevated inflation (a by-product of the tariff policy). However, as we have previously noted in this publication, the US government has so far been unable to implement the promised level of tariffs. Consequently, the possible inflationary effects could be less visible. Taking all of this into account, we have chosen to revise the projected interest rate path downwards and now anticipate two additional cuts, with the terminal rate reaching 3.5%.
- ❖ ECB: The September meeting, at which all rates were left unchanged, was quite boring. The statement was also left unchanged, which perfectly encapsulates the current status quo within the Governing Council. The new projection showed marginally higher inflation for the current and subsequent years, though it will still be below 2% in 2026. We do not expect any policy changes in the foreseeable future.
- ❖ NBP: In line with market expectations, the Polish central bank cut rates by 25bps, which took the reference rate to 4.5%. The statement did not point to any further moves in the nearest future. During his press conference, Governor Glapiński adopted a hawkish stance, emphasising the upside risks to inflation arising from elevated core prices and wage growth, the unfreezing of electricity prices for households, the introduction of ETS2 from 2027 onwards, and the current lax fiscal policy. That said, we remain cautious regarding further cuts and anticipate only two additional moves before reaching the terminal rate of 4%.

FX Market

- ❖ The first month after the summer lull in the FX market did not result in any significant changes in terms of volatility. The major currency pair moved in a fairly narrow range, as did the PLN against both the EUR and the USD. Looking ahead, we continue to claim that the Polish currency is likely to depreciate gradually. We base this assumption on the following factors. Firstly, the monetary easing cycle in Poland has not yet ended. Secondly, political friction between the Polish government and president could hinder the former's efforts to implement a convincing fiscal consolidation policy.

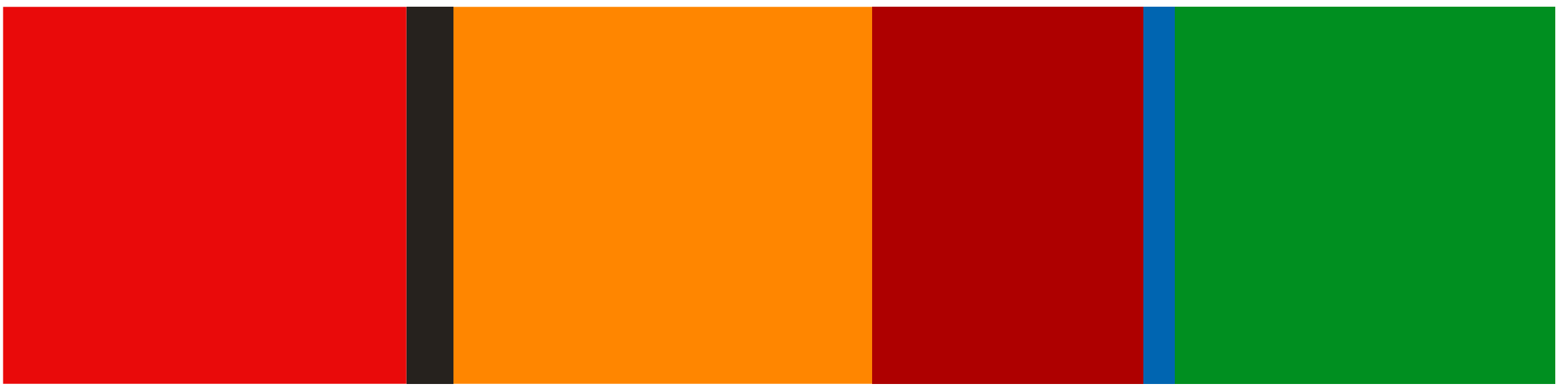
Major forecasts

		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	3.4	4.1	4.5	4.4	4.1	4.1	4.2	3.0	3.8	4.2
Individual consumption y/y	%	4.3	4.5	0.2	3.5	2.5	4.4	4.6	4.5	4.2	3.0	2.8	2.9	2.9	3.9	3.2
Investment y/y	%	3.6	3.9	-4.3	-6.9	6.3	-1.0	5.8	11.0	10.7	12.0	9.9	7.7	-0.9	4.4	10.0
Inflation rate (eop)	%	2.7	2.6	4.9	4.7	4.9	4.1	2.9	2.8	2.7	3.3	3.2	3.3	3.7	3.7	3.0
Unemployment rate (eop)	%	5.3	4.9	5.0	5.1	5.4	5.2	5.6	5.8	5.9	5.7	5.4	5.5	5.1	5.8	5.5
Employment y/y	%	-0.8	-0.5	0.0	-0.4	-0.8	0.0	-0.2	-0.1	-0.1	-0.2	-0.2	-0.3	-0.4	-0.3	-0.2
Wages y/y	%	14.4	14.7	13.4	12.4	10.0	8.8	8.6	8.2	6.9	6.5	6.6	6.7	13.7	8.9	6.7
Current account	% GDP	1.6	1.3	0.5	0.2	-0.4	-0.9	-1.3	-1.4	-1.3	-1.1	-0.9	-0.5	0.0	-1.4	-0.5
GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-6.6	-6.9	-6.4
Primary GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-4.4	-4.4	-3.8
GG debt	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	55.3	60.6	66.1
NBP repo rate (eop)	%	5.75	5.75	5.75	5.75	5.75	5.25	4.75	4.50	4.00	4.00	4.00	4.00	5.75	4.50	4.00
EUR/PLN (eop)	%	4.29	4.31	4.28	4.28	4.19	4.24	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	3.60	3.64	3.51	3.55	3.60	3.64	3.64	4.00	3.66	3.61

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

Highlights of this edition

- ❖ The government shutdown has undoubtedly been in the spotlight recently, but in the background, we can see that [the US economy](#) is far from entering a recession. In fact, the economy grew by almost 4% SAAR over the three months to June, largely due to consistently strong consumer spending. Furthermore, it transpires that the effective tariff rate has thus far been lower than the announced rate. This could mean lower upside risks for inflation going forward.
- ❖ We have consistently argued that [the Eurozone economy](#) is gradually gaining momentum. Recently, we found some evidence to support this assumption. Specifically, we examined the IFO subindices to determine whether the German economic engine has ignited or is still sputtering. What we found is quite encouraging. It turns out that most of the German sectors covered by the IFO survey have seen some improvement, with some experiencing a particularly notable increase. Furthermore, the Economy Ministry has already revised German GDP growth upwards for 2025, while the state central bank has shared some positive comments in its monthly economic bulletin. All of this information strengthens our belief that the Eurozone economy is on its way to the accelerating path.
- ❖ Poland's economy is showing signs of acceleration, as reflected in ours [GDP tracker](#).. We anticipate a 4.1% y/y growth in Q3 and 3.8% for the full year. The rebound is expected to be primarily driven by [consumer](#) spending. In contrast, Meanwhile, industrial production and construction remain subdued (further info [here](#) and [here](#)). The main theme in the coming quarters will be the delayed impact of spending from the Recovery and Resilience Facility. We expect only modest stimulus from both fiscal and monetary policy.
- ❖ [Inflation](#) surprised positively in September – auxiliary core inflation measures suggest a slight weakening of the inflationary trend. Additionally, the saga regarding energy prices has come to an end. These figures allowed MPC to cut interest rates in October, effectively frontloading the previously expected trajectory. We still anticipate a cautious approach going forward. We expect interest rate cuts of around 50 bps in 2026 – with the policy rate stabilizing at 4%, which we consider the terminal rate.
- ❖ The most important news on [the fiscal front](#) we have recently got was the new debt management strategy presented by the Ministry of Finance. According to this strategy, the debt-to-GDP ratio will exceed the constitutional limit of 55% in 2028, reaching 57.2%. This would require the government to create a budget for 2030 with no deficit, or a deficit that reduces the debt-to-GDP ratio. However, as finance minister said, the strategy does not take into account additional fiscal measures aimed at consolidating public finances that the government is set to implement. Thus, the debt path is likely to be lower. On top of that, Poland had its rating outlook cut from stable to negative by both Fitch and Moody's in September, which sends a warning signal to the government given the fact that fiscal consolidation can be difficult to implement before the 2027 parliamentary elections.
- ❖ [The Polish zloty](#) has remained stable despite the central bank's monetary easing. However, the PLN is expected to weaken gradually due to two main risks. Firstly, further rate cuts in Poland without similar moves in the Eurozone, particularly if they cause real interest rates to fall, will pressure the currency. Secondly, fiscal policy concerns may deter investors: the President might veto deficit-reduction measures that burden households, and Poland's failure to join fiscal consolidation efforts could negatively impact sentiment, leaving the zloty exposed.

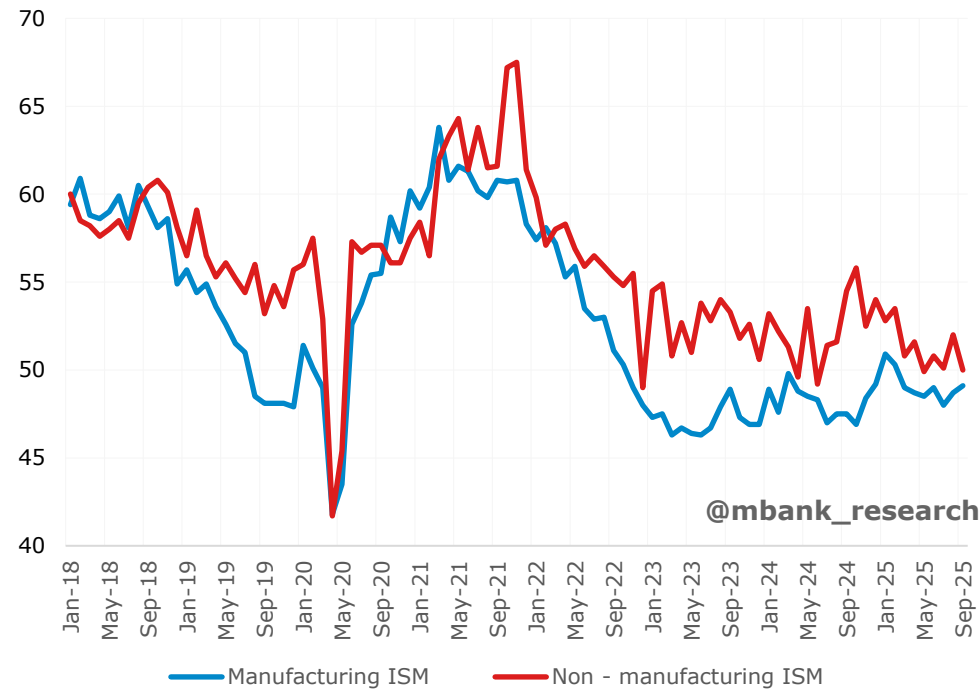


Global economy



USA: Economy health check

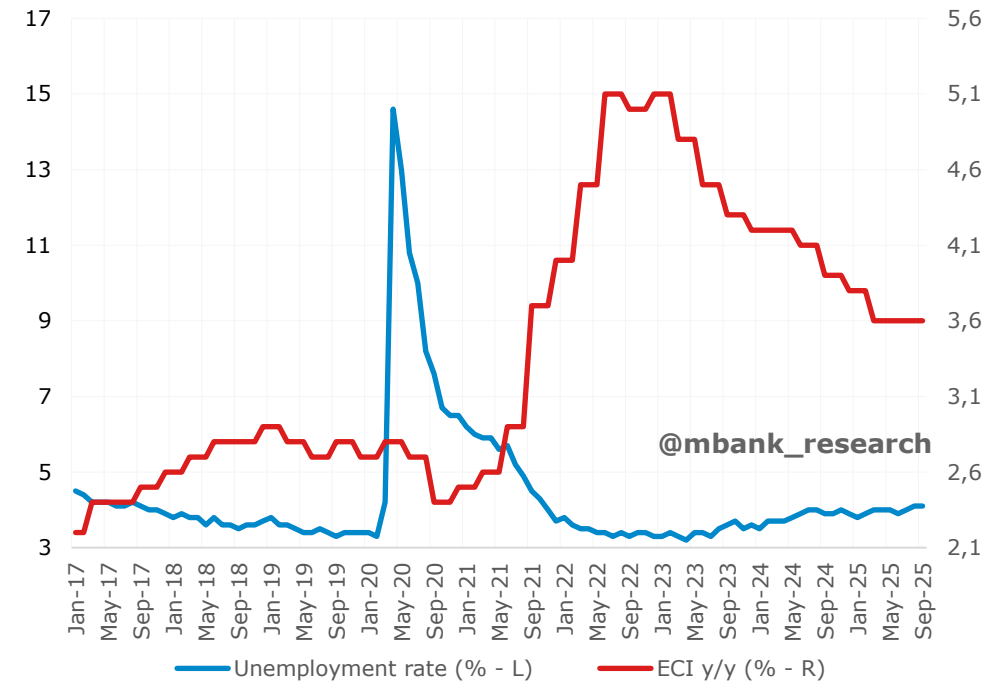
ISM PMI: manufacturing & non-manufacturing



Source: ISM.

The US government has shut down again after political parties failed to reach an agreement on financing. Consequently, economic data produced by various state agencies has been suspended. When will the shutdown end? It is worth noting that the longest shutdown, at the beginning of Trump's first presidency, lasted 35 days. However, most previous shutdowns were shorter, lasting just several days. What are the possible ramifications? Given that many government employees have been furloughed, an increase in the jobless rate in October is likely. Bloomberg estimates suggest that a spike to 4.6–4.7% could occur once furloughed workers are counted as temporarily unemployed. Furthermore, the Fed is lacking relevant macroeconomic data, especially concerning the labor market, at a time of heightened uncertainty. This will not help when it meets later this month. What about the economy? Following the latest revision, the US economy expanded by 3.8% SAAR in Q2, up from the previous estimate of 3.3% SAAR, thanks to solid non-housing investment and invariably strong consumer spending. This bodes well for future growth, as has already been confirmed by the Atlanta GDPNow model, which points to a growth rate of 3.8% in Q3. In terms of inflation, it is worth noting that the effective tariff rate has so far been clearly below the level announced by the White House. If this continues, it could mean lower upside risks for CPI in the eyes of the Fed.

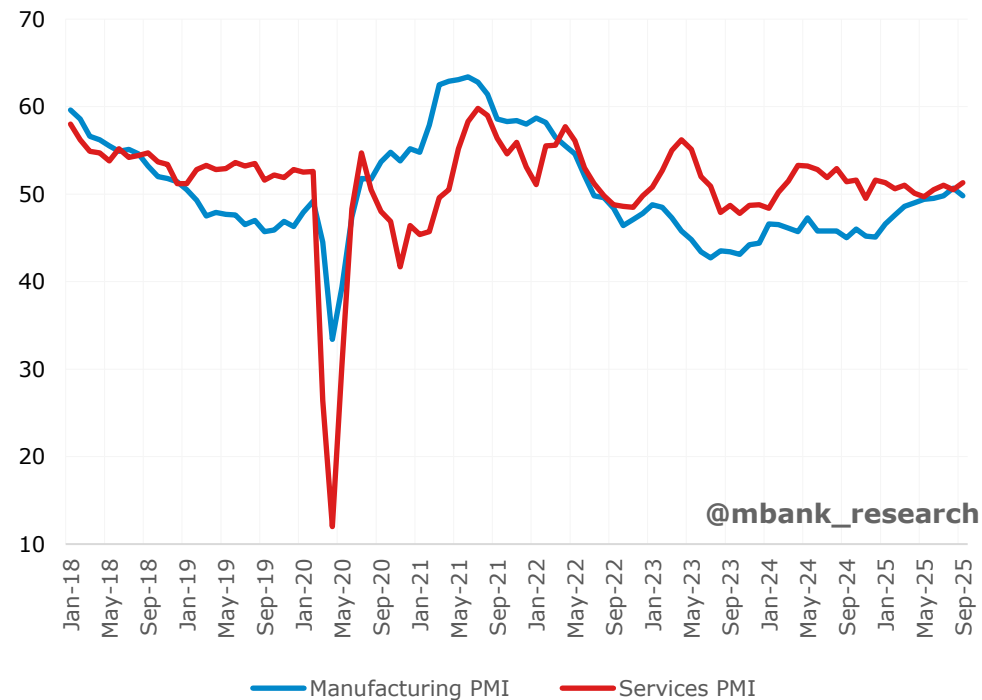
Labor market: wages & unemployment rate



Source: FRED.

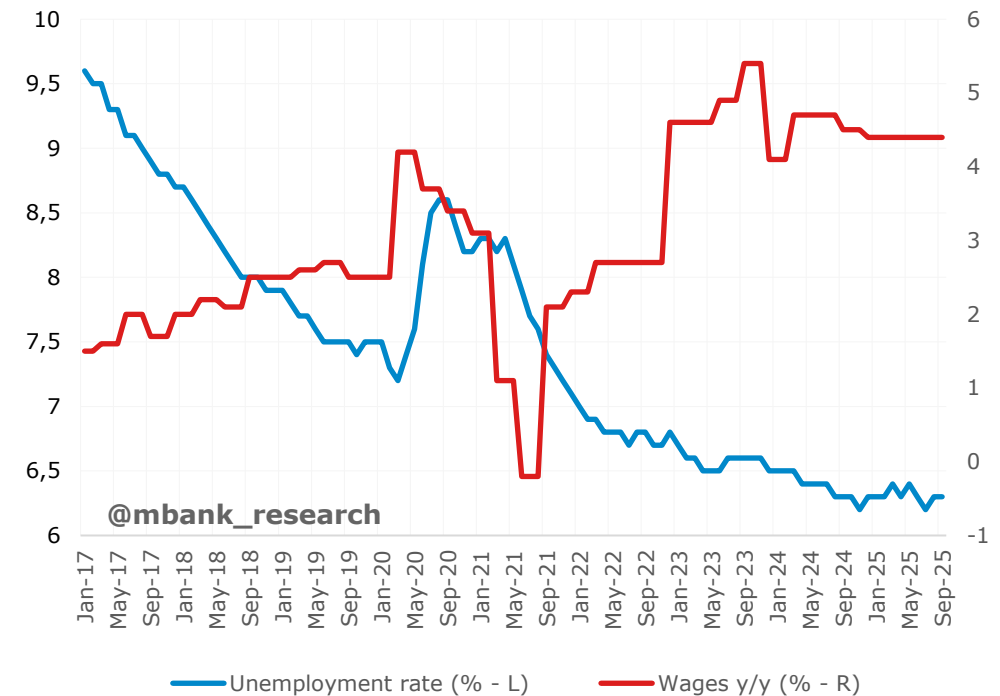
Euro area: Economy health check

PMI: manufacturing & services



Source: Markit.

Labor market: wages & unemployment rate

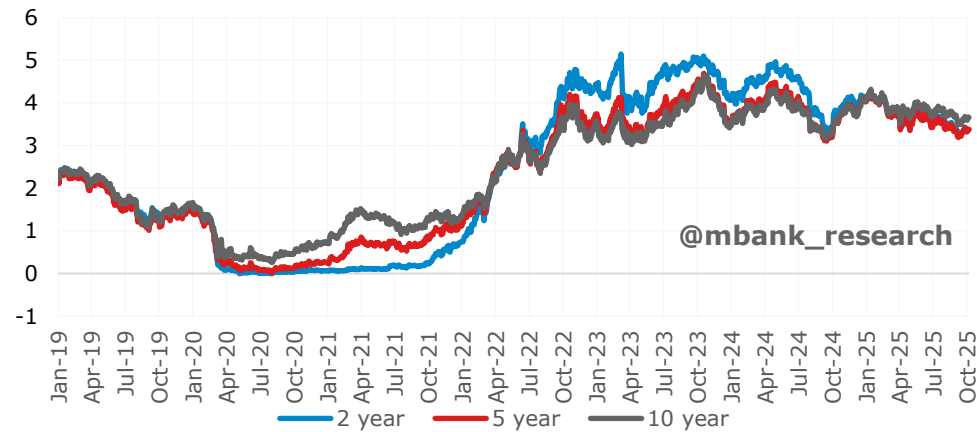


Source: Eurostat.

Our key message remains the same: we consistently argue that the Eurozone economy is gradually gaining momentum. It seems that the worst is behind us and the German economy could see an uptick in the future, though the latest (weird) industrial production release for August could contradict this. Note that the Economy Ministry recently upgraded its 2025 GDP forecast from 0% to 0.2% — obviously not a game changer, but still. Furthermore, the latest monthly economic bulletin from the Bundesbank states that, despite the ongoing unfavorable conditions, the third quarter got off to a surprisingly strong start. Production increased across all categories of goods, with manufacturers of capital goods in the machine building and automotive industries performing particularly well. A statement like that offers a glimmer of hope, doesn't it? We also examined soft indicators from the German economy (derived from the IFO survey) and came to the following conclusions. Since the beginning of the year, activity has increased visibly in most sectors. The most impressive increase has been observed in the construction sector, although the wholesale trade sector has also seen a clear improvement. Manufacturing and services have also seen growing activity, with only the retail trade sector failing to show a material improvement. Nevertheless, the overall picture shows the IFO index at its highest level since before the war. For now, we will leave you with this positive message.

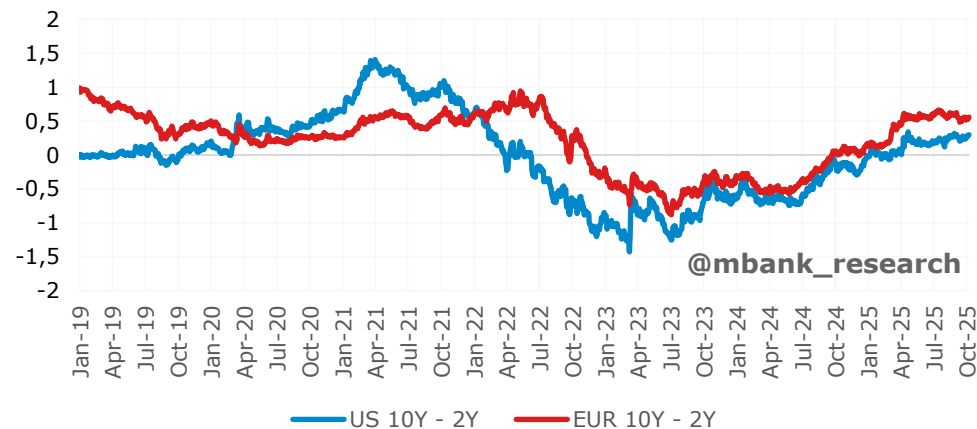
Global rates

US swap rates (%)



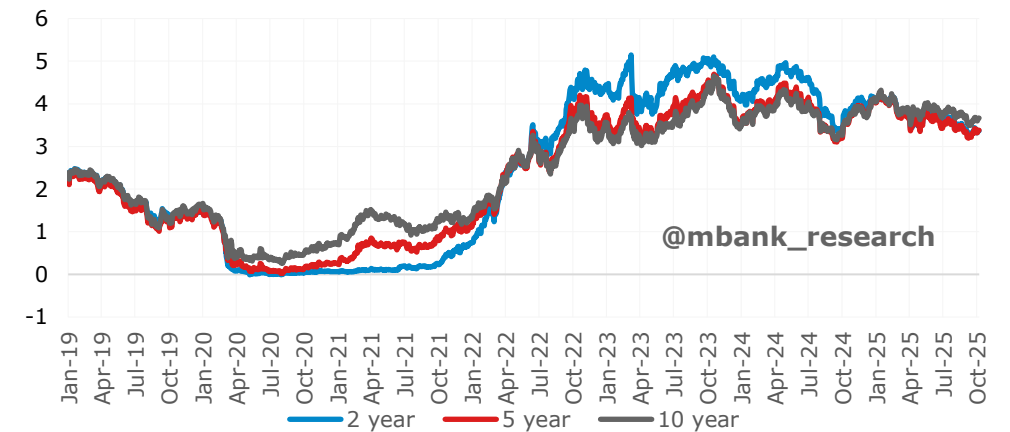
Source: Bloomberg.

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



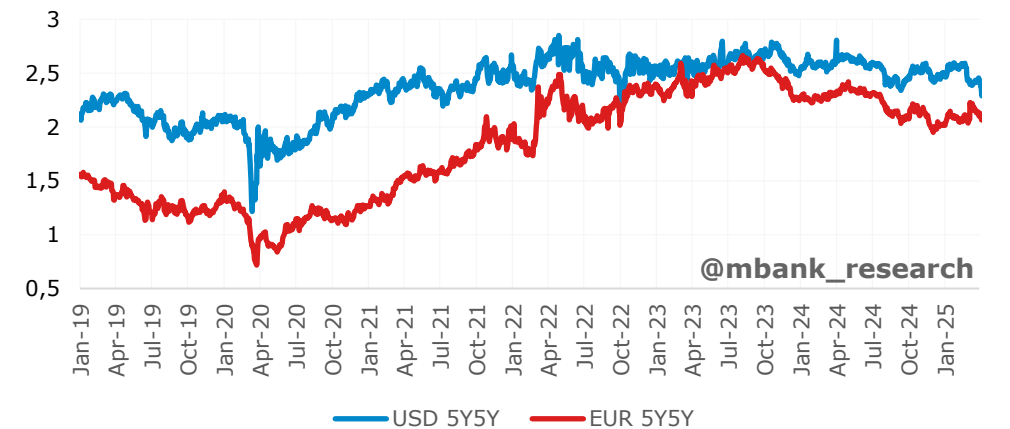
Source: Bloomberg.

EU swap rates (%)

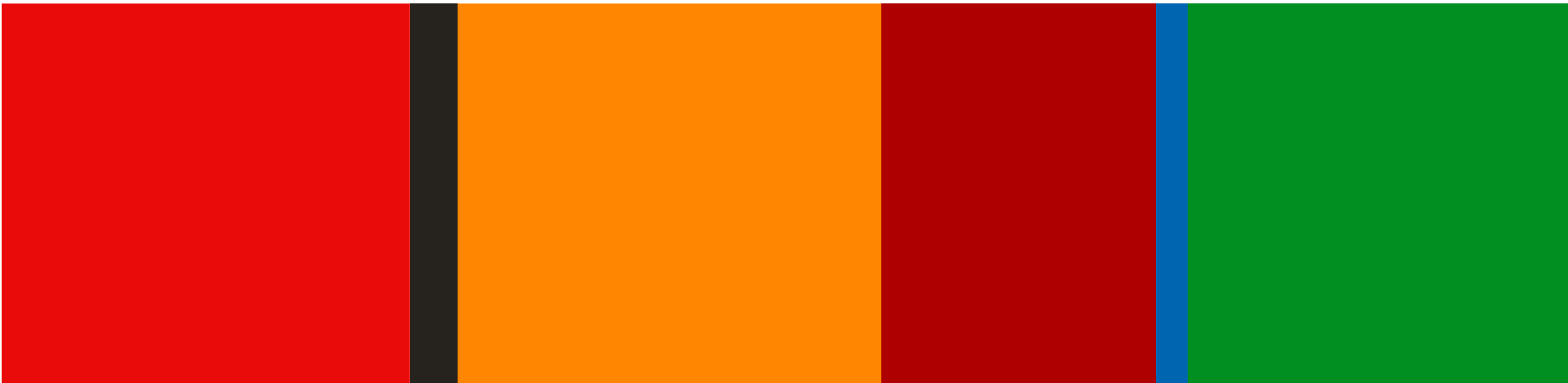


Source: Bloomberg.

US and EZ inflation expectations (%)



Source: Bloomberg.

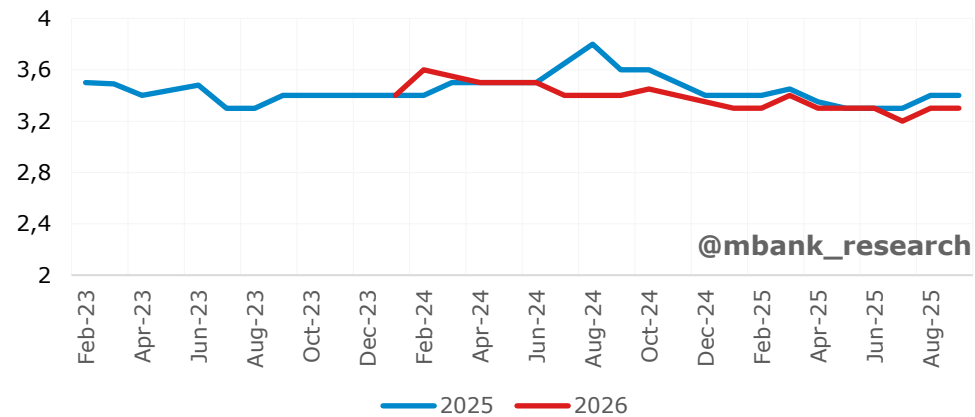


Poland



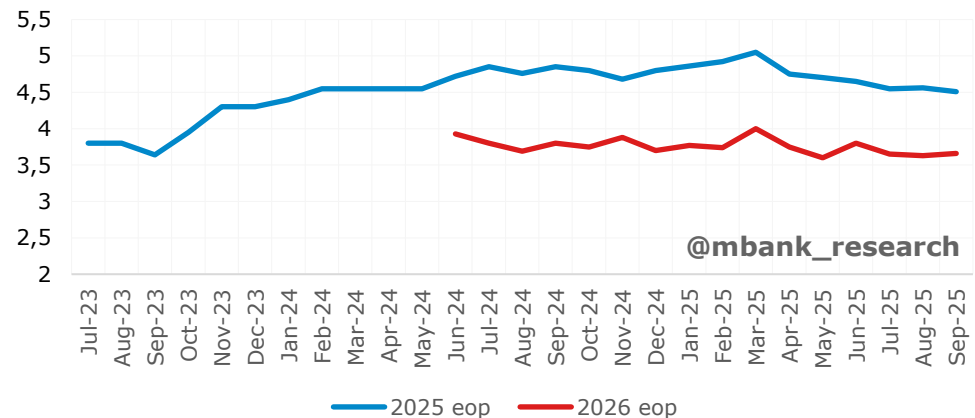
Poland: What is expected?

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



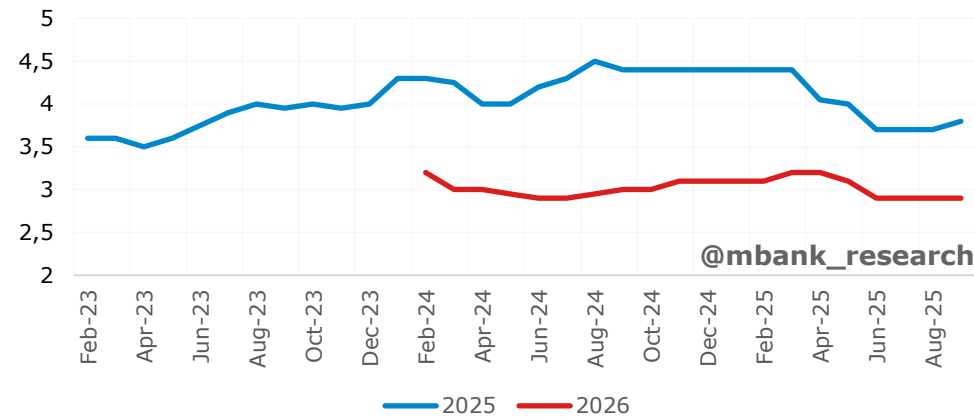
Source: Bloomberg.

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



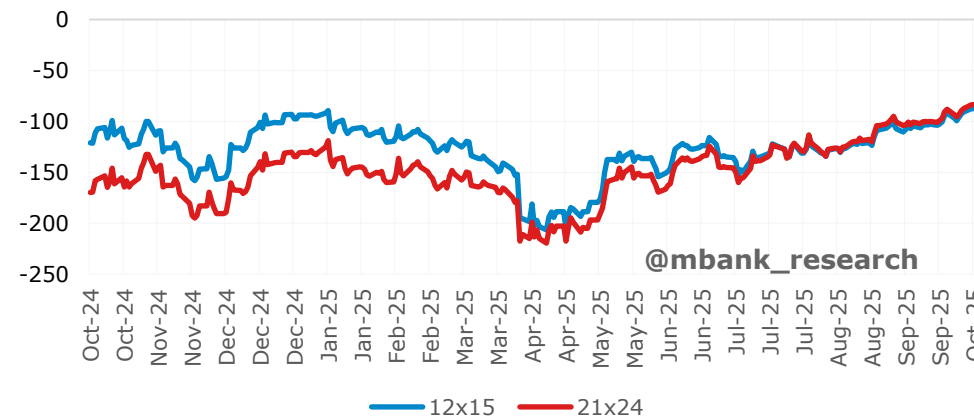
Source: Bloomberg.

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



Source: Bloomberg.

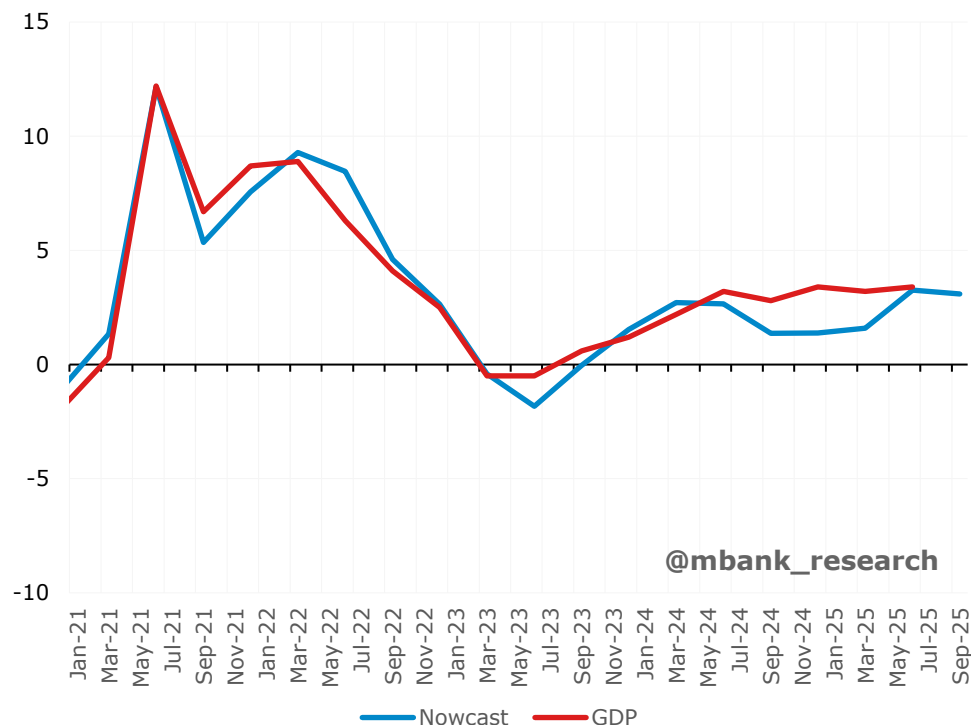
Rate changes priced in by FRA (bps)



Source: Bloomberg.

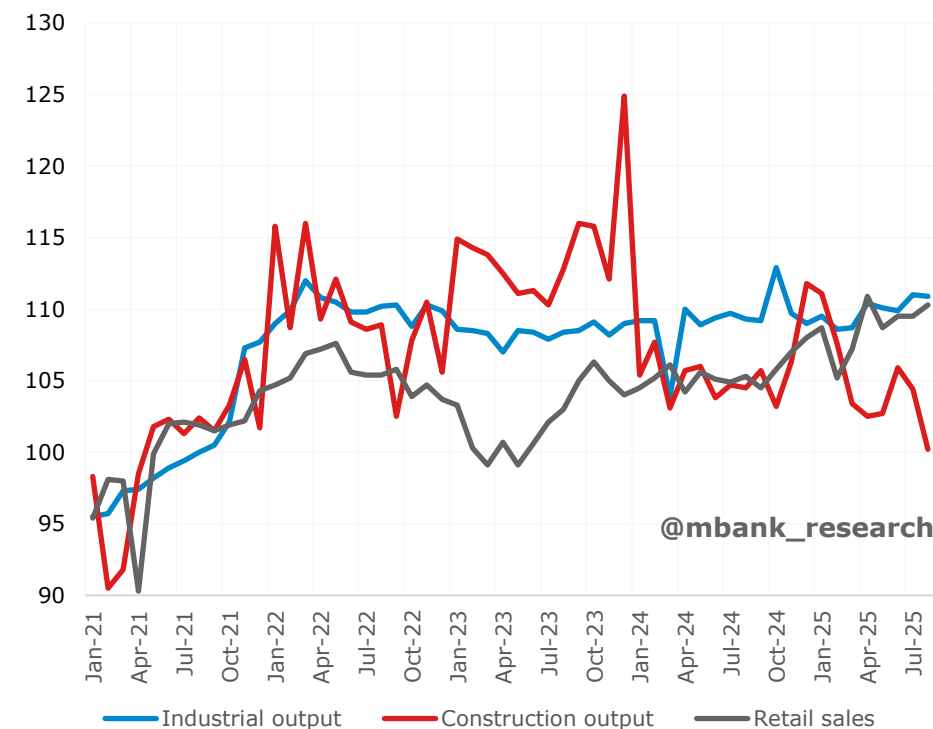
Poland: What monthly prints told us recently?

GDP momentum nowcasting



Source: Own elaboration.

Seasonally adjusted (index 2021 = 100)

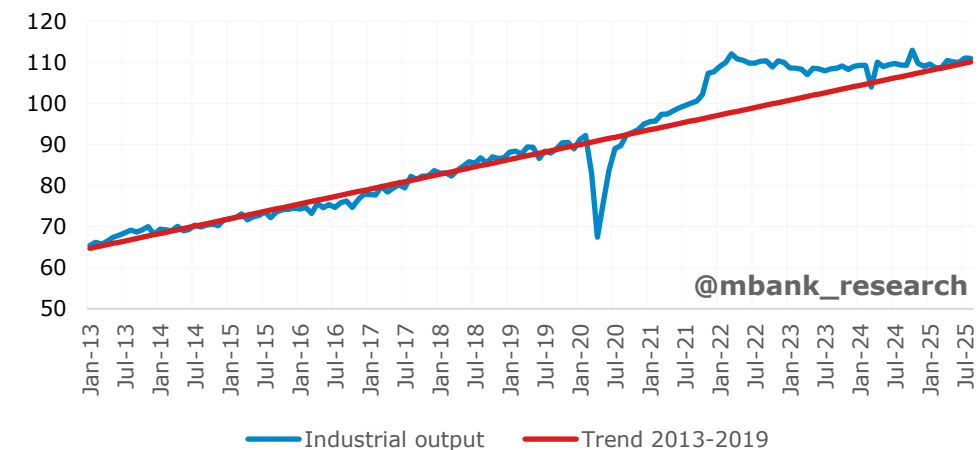


Source: Statistics Poland.

Current data mainly highlight strength on the consumer side. Retail sales rose by 3.1% y/y in August, with double-digit growth in purchases of durable goods and cars. However, this seems more like a continuation of solid momentum rather than a signal of acceleration. The scale of real wage growth suggests a stabilization in the 3–5% range over the coming months. Against this backdrop, the industrial sector looks notably weaker, with growth likely to reach only 1–2%. Weak economic conditions in the European Union leave little room for potential improvement. September also shocked with a very poor result in construction output (a decline of nearly 7%). This, however, appears to be a temporary issue – we still expect strong impulses from the Recovery and Resilience Facility and investments financed by cohesion funds.

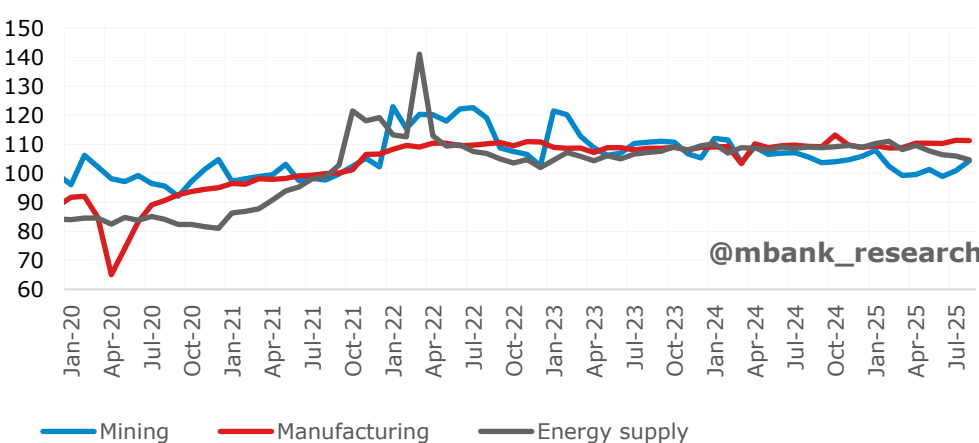
Poland: Industrial output

Industrial production (index 2021 = 100, sa)



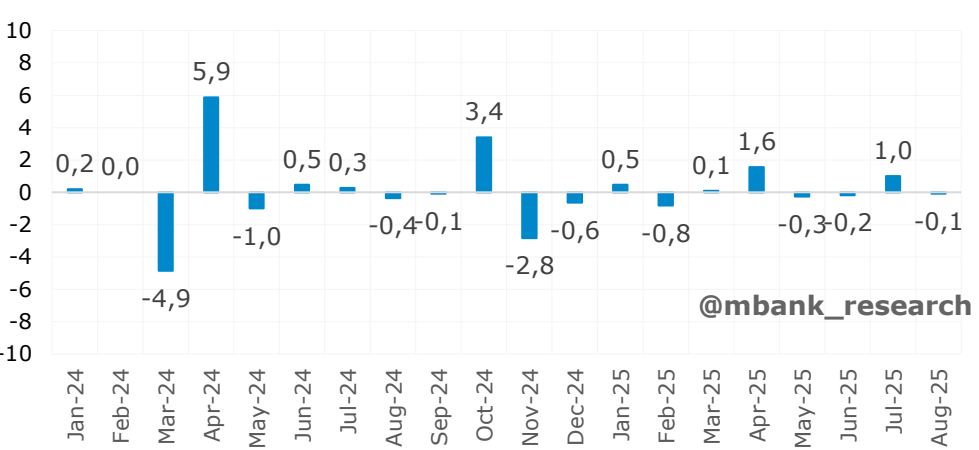
Source: Own elaboration based on Statistics Poland.

Main categories (index 2015 = 100, sa)



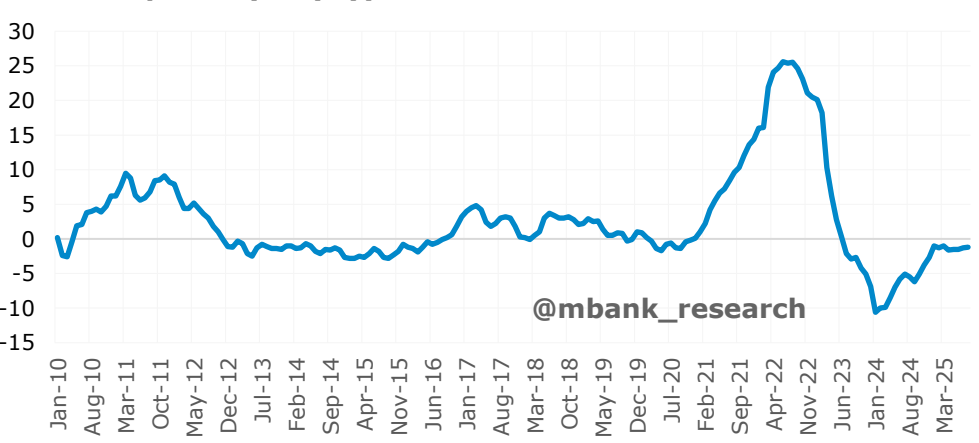
Source: Own seasonal adjustment based on Statistics Poland.

Momentum (% , m/m, sa)



Source: Own elaboration based on Statistics Poland.

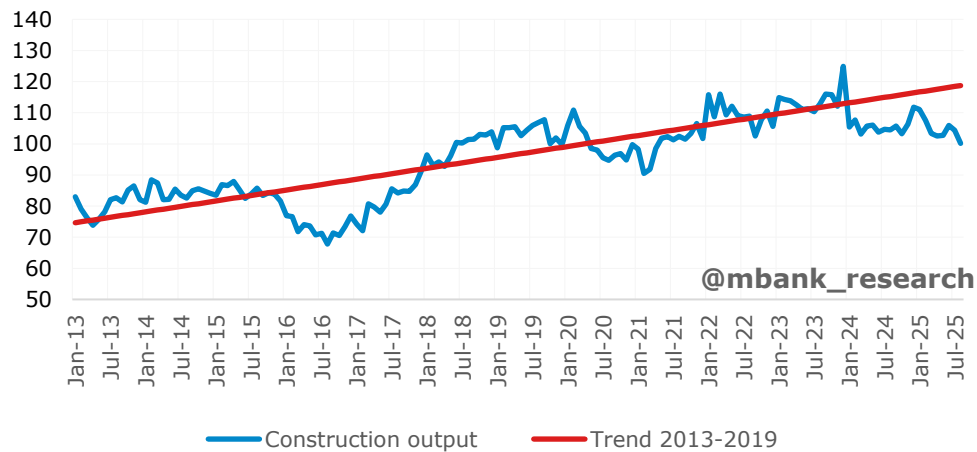
Producer prices (% , y/y)



Source: Own elaboration based on Statistics Poland.

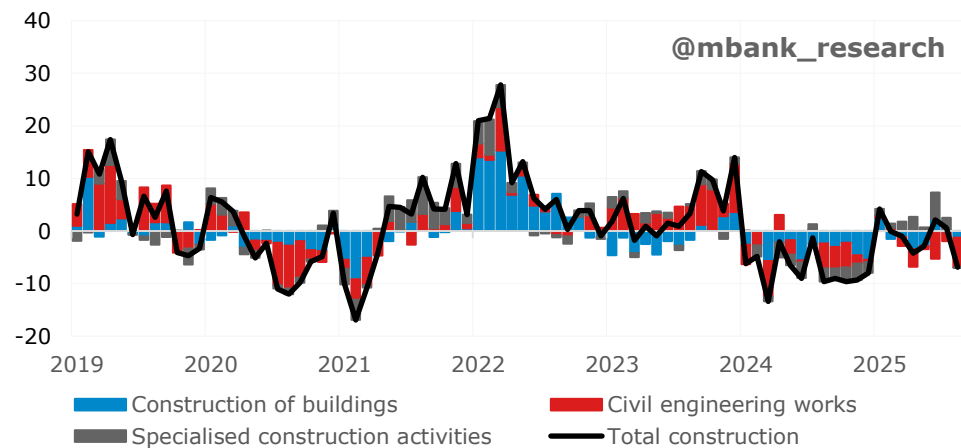
Poland: Construction

Construction output (index 2021 = 100, sa)



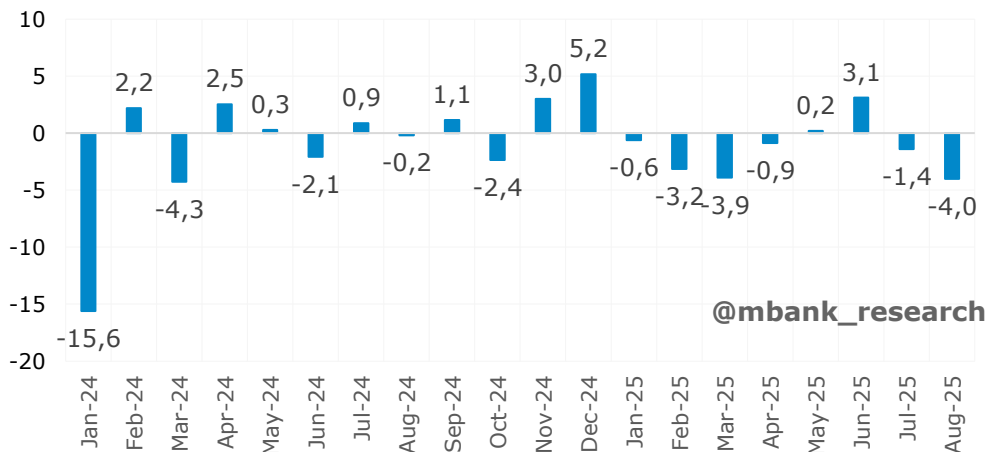
Source: Own elaboration based on Statistics Poland.

Contribution to y/y growth



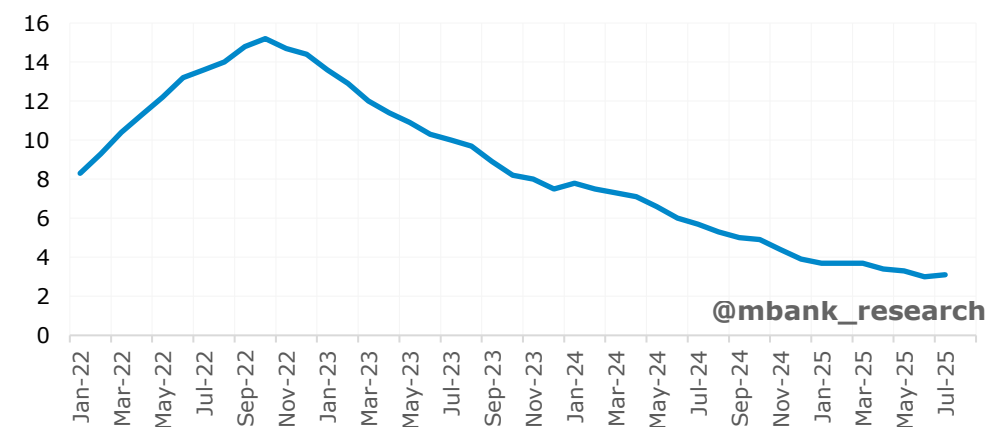
Source: Own elaboration based on Statistics Poland.

Momentum (% , m/m, sa)



Source: Own elaboration based on Statistics Poland.

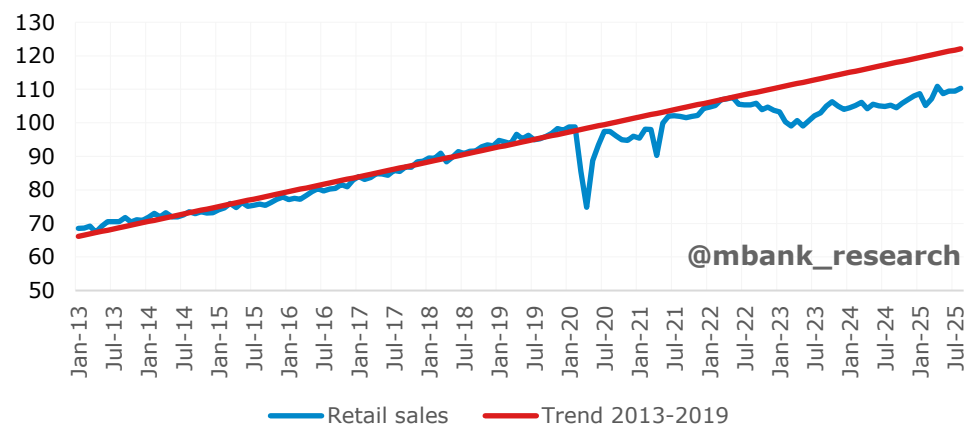
Construction prices (% , y/y)



Source: Statistics Poland.

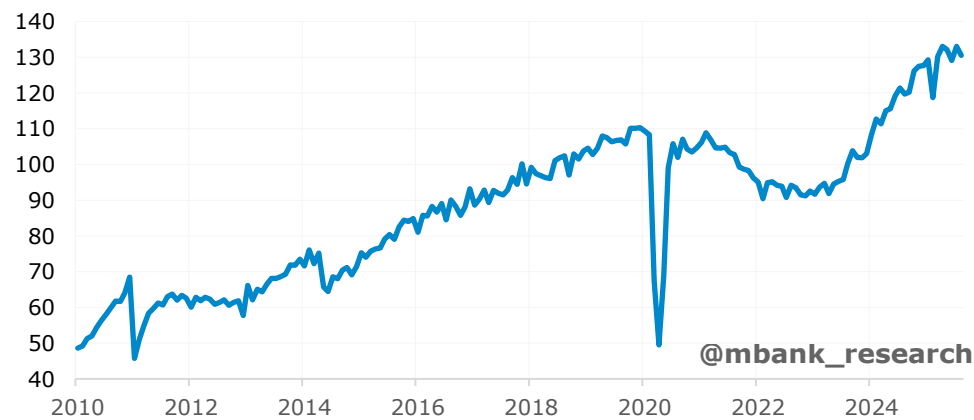
Poland: Retail sales

Retail sales (index 2021 = 100, sa)



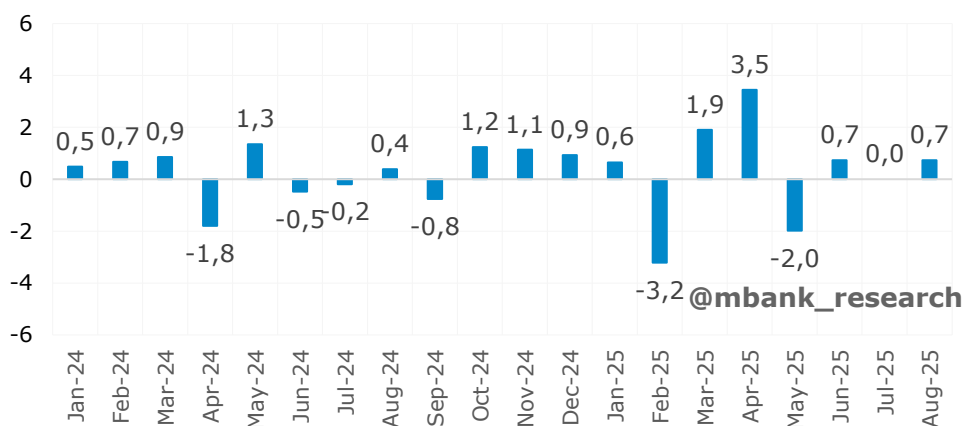
Source: Own elaboration based on Statistics Poland.

Retail sales – Motor vehicles (index 2021= 100, sa)



Source: Own seasonal adjustment based on Statistics Poland.

Momentum (% , m/m, sa)



Source: Own elaboration based on Statistics Poland.

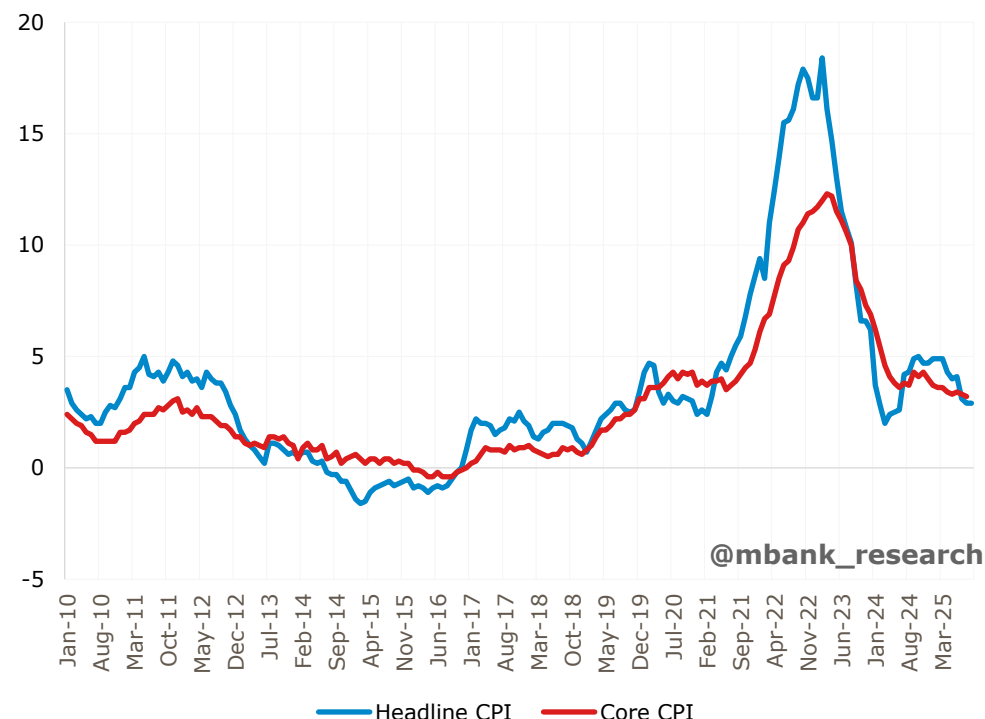
Retail sales - Solid, liquid and gaseous fuels (index 2015 = 100, sa)



Source: Own seasonal adjustment based on Statistics Poland.

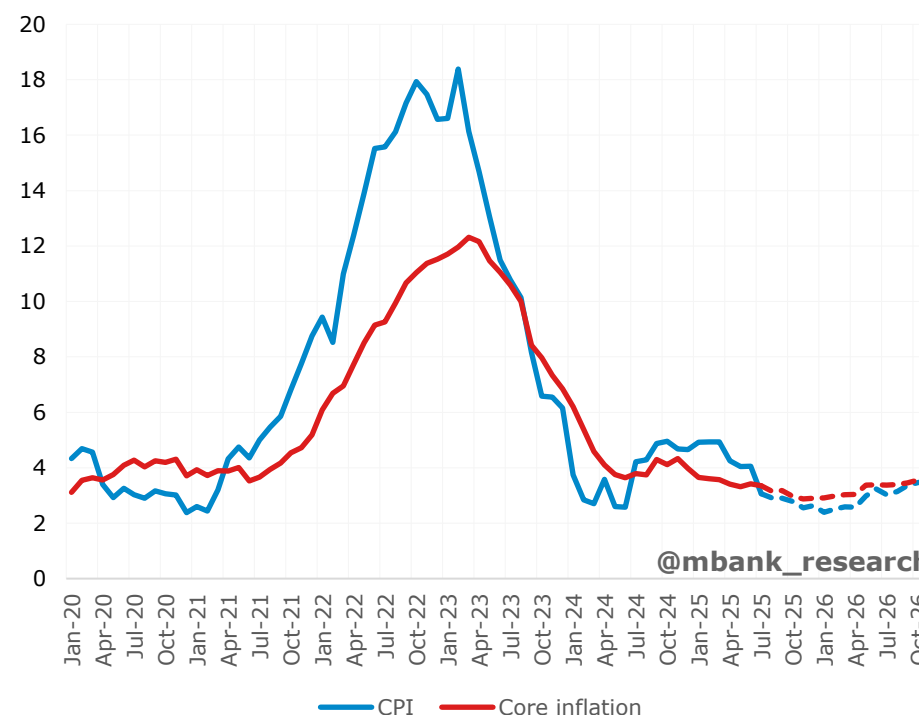
Poland: How do inflationary trends look like?

Headline inflation, broad perspective (% y/y)



Source: Own elaboration based on Statistics Poland.

Inflation forecasts (% y/y)

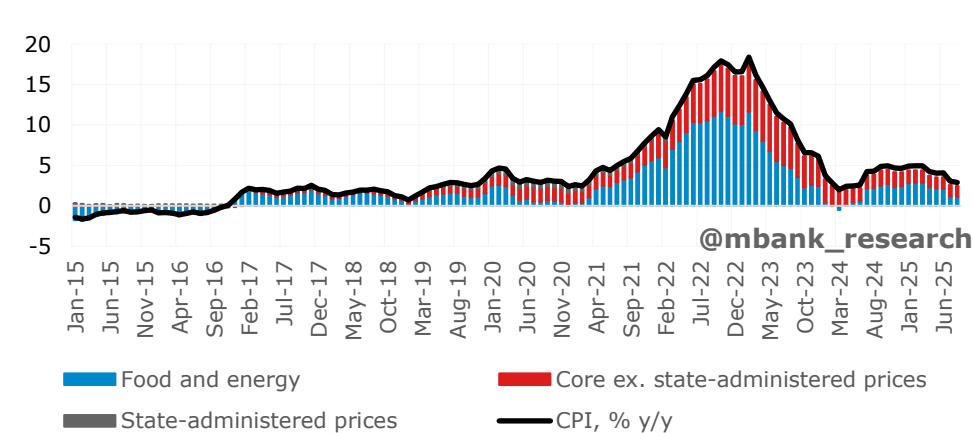


Source: Own elaboration based on Statistics Poland, NBP.

Inflation surprised positively in September – CPI rose by 0.1 pp to 2.9%, while market forecasts had suggested a reading of 3.1%. The main surprise came from food prices, while core inflation remained stable at 3.2%. Nevertheless, auxiliary measures suggest a slight weakening of the inflationary trend – the 15% trimmed mean fell from 3.2% to 3.0%, and inflation excluding administered prices declined from 2.7% to 2.5%. Additionally, the saga regarding energy prices has come to an end – tariffs will remain frozen at current levels until the end of the year. These figures allowed for greater comfort in lowering interest rates. That's why the MPC decided to cut in October, effectively frontloading the previously expected trajectory. Nonetheless, we still anticipate a cautious approach going forward. We expect inflation in the coming months to hover around 3% – the long-term trend may be more stable than the MPC anticipates. Therefore, we expect stabilization in November and December and interest rate cuts of around 50 bps in 2026 – with the policy rate stabilizing at 4%, which we consider the terminal rate

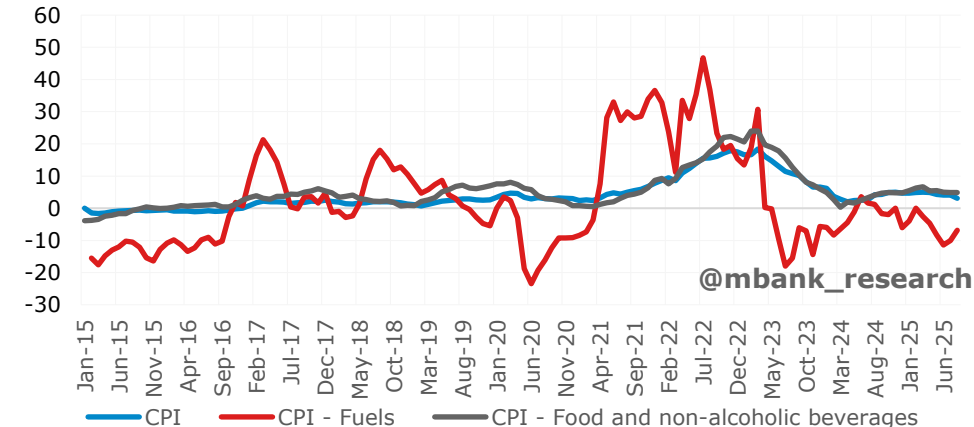
Poland: Inflation tracker (additional measures)

Contribution to inflation (pp.)



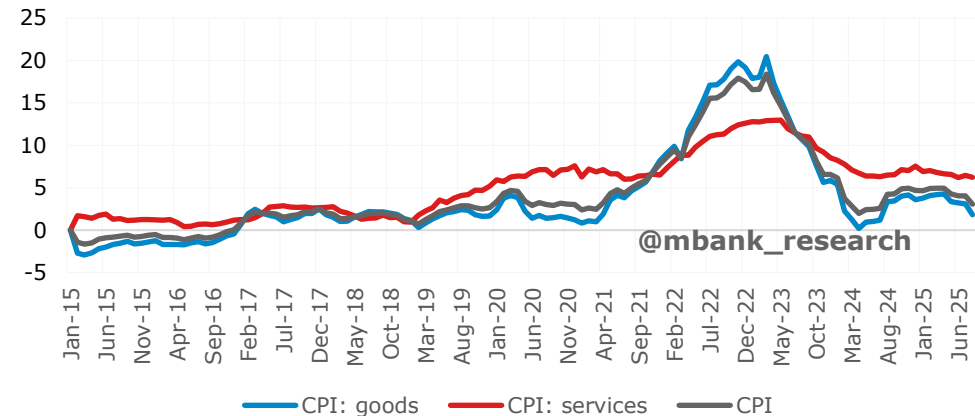
Source: Own elaboration based on Statistics Poland.

Food and fuel prices (% y/y)



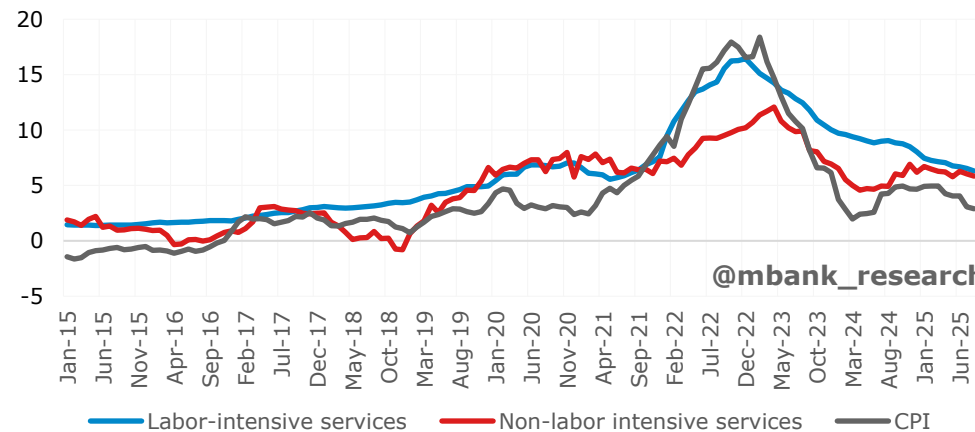
Source: Own elaboration based on Statistics Poland.

Goods and services prices (% y/y)



Source: Own elaboration based on Statistics Poland.

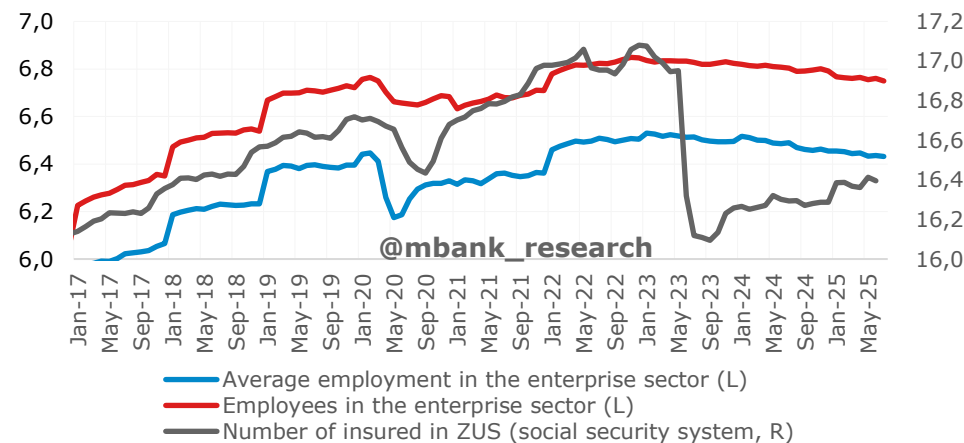
Services (% y/y)



Source: Own elaboration based on Statistics Poland.

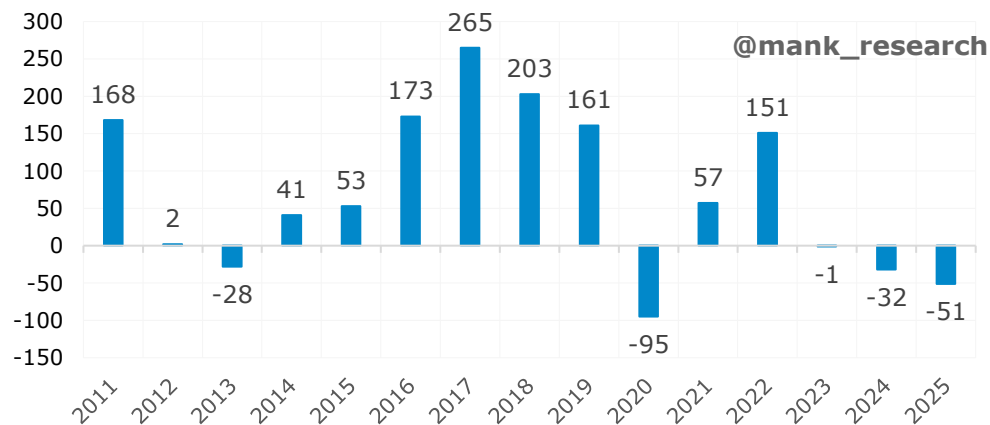
Poland: Labor market tracker - employment

Employment (in milions)



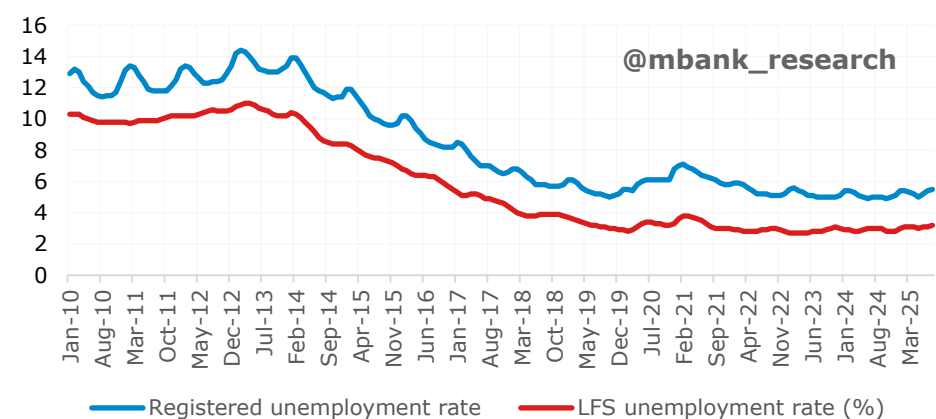
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Monthly employment change in August (thousand jobs), enterprise sector



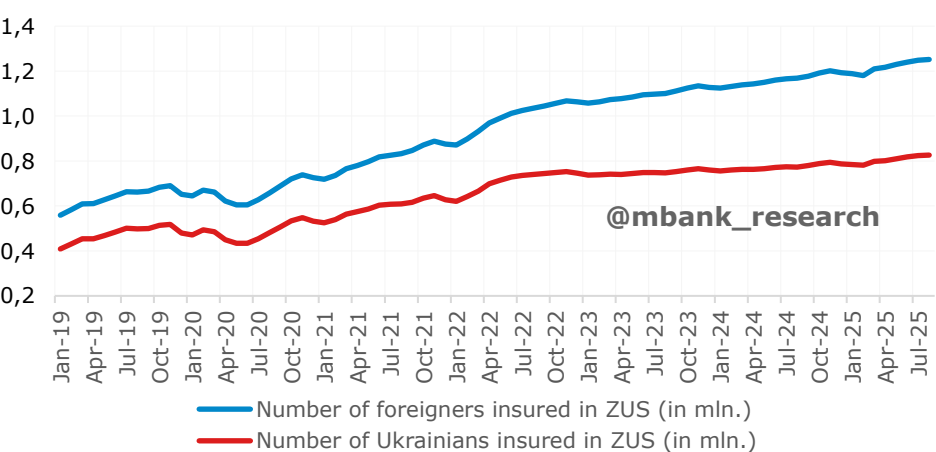
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Unemployment rate (%)



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

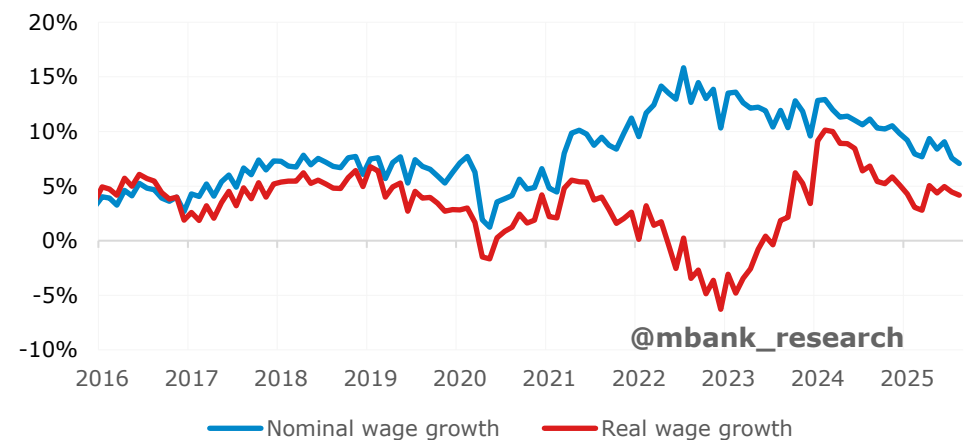
Immigration in the labor force



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

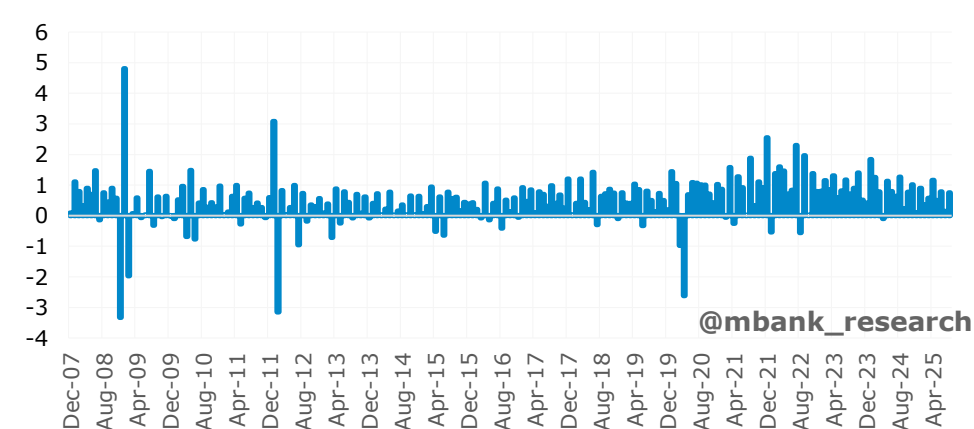
Poland: Labor market tracker - wages

Wage growth (%*, y/y, nsa*)



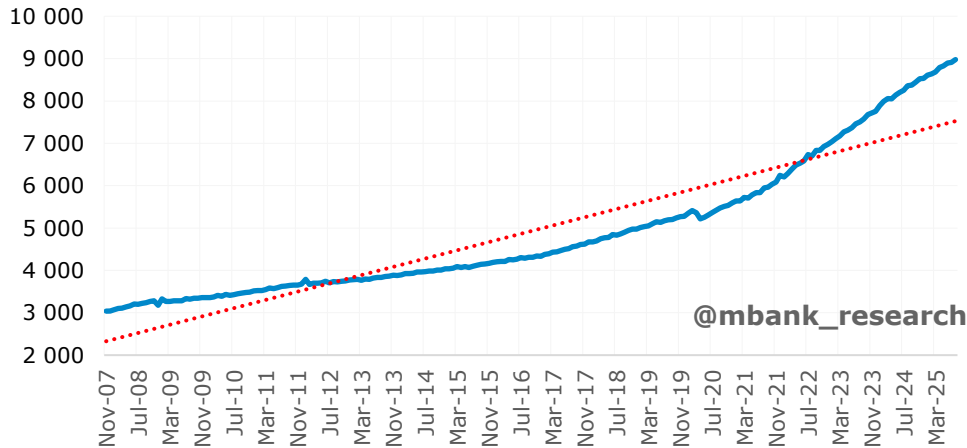
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

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



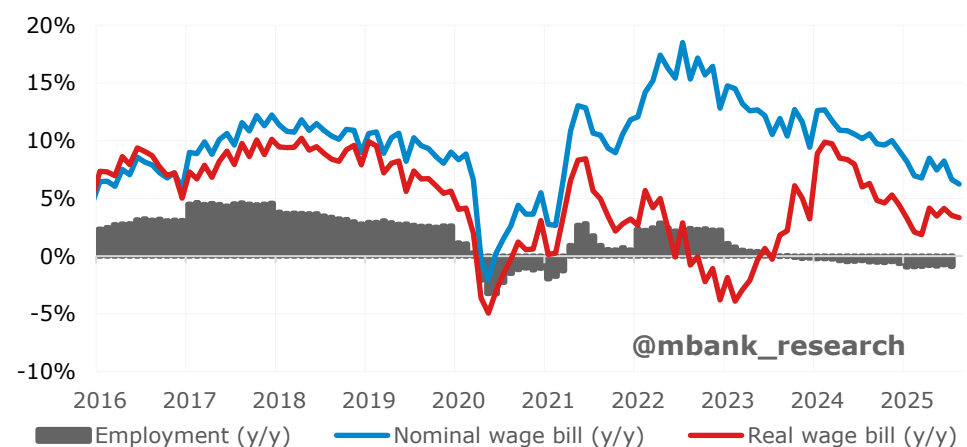
Source: Own seasonal adjustment based on Statistics Poland, ZUS Statistical Portal.

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



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

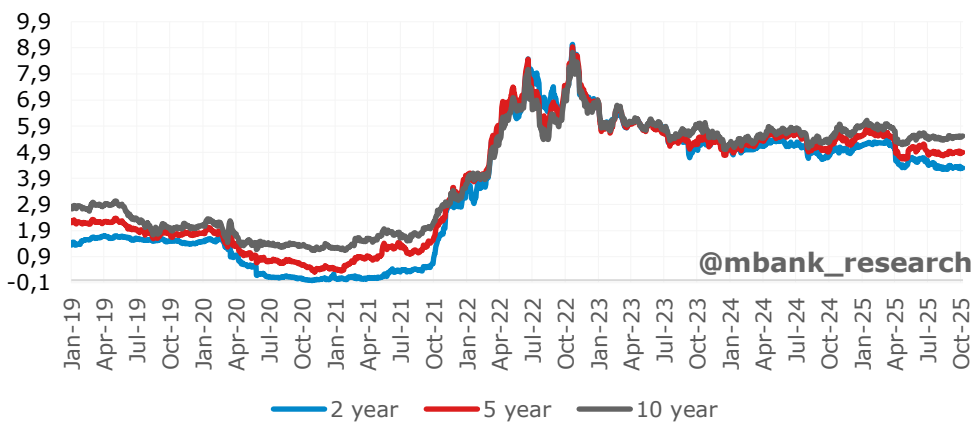
Wage bill (%*, y/y*)



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

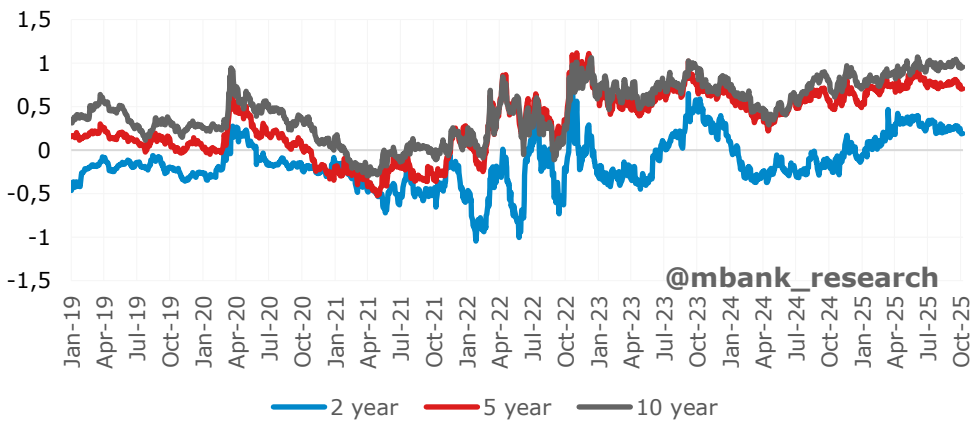
Poland: Interest rates

POLGBs (%)



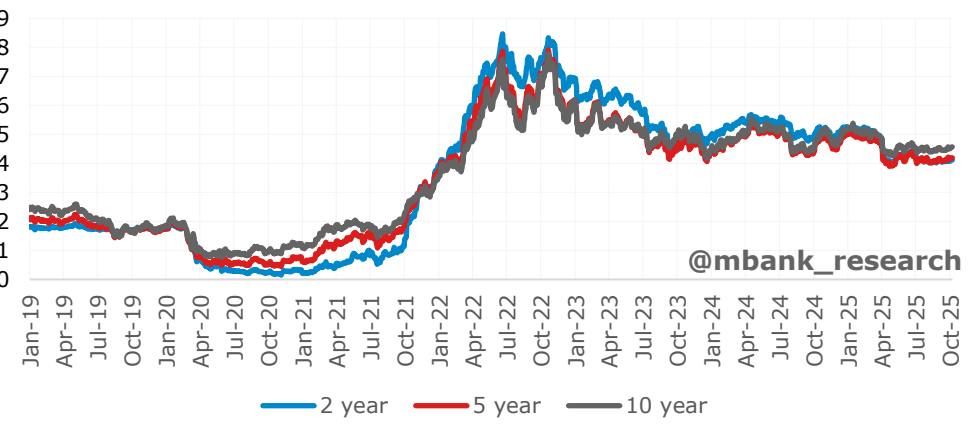
Source: Bloomberg.

ASW spread (pp)



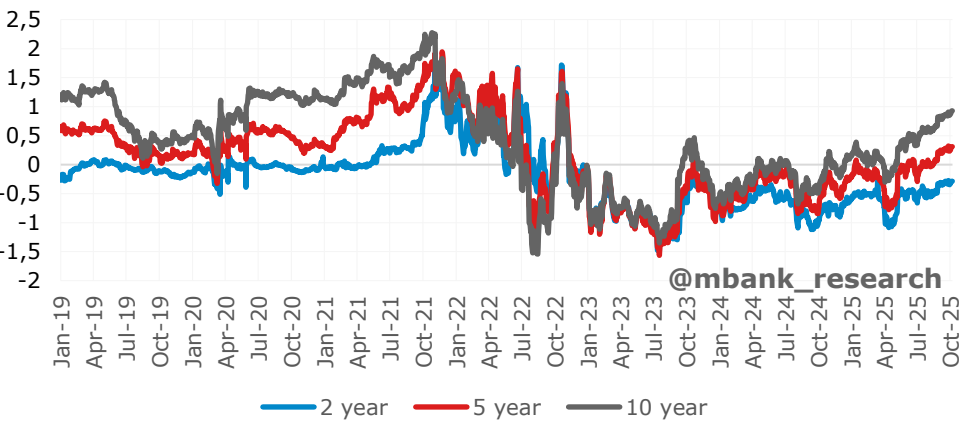
Source: Bloomberg.

PL IRS (%)



Source: Bloomberg.

POLGB yield minus 3m WIBOR (pp)



Source: Bloomberg.

Poland: Fiscal & external outlook

Fiscal balance

- ❖ After August there was a PLN 172 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). The general govt (GG) deficit is estimated at 6.9% of GDP, according to the 2026 draft budget.
- ❖ Poland had its rating outlook cut from stable to negative by both Fitch and Moody's in September, while their respective ratings remained unchanged at A- and A2. Fitch cited increased political challenges regarding fiscal measures and a lack of a credible fiscal consolidation strategy, a point we recently raised, which could make it difficult to reduce the budget deficit before the 2027 parliamentary elections. Moody's message was similar. Note that Moody's gives Poland a higher credit rating than Fitch and S&P.
- ❖ The minimum wage is expected to increase by 3% on 1 January 2026. If implemented, this will be a much lower growth rate than in the corporate sector. Furthermore, a similar growth rate is anticipated across the entire public sector. Overall, this could further dampen wage pressures in the economy.
- ❖ The MoF has updated its multi-year debt management strategy for the period 2026–2029. According to this strategy, the debt-to-GDP ratio will exceed the constitutional limit of 55% in 2028, reaching 57.2%. This would require the government to create a budget for 2030 with no deficit, or a deficit that reduces the debt-to-GDP ratio. It should be noted that the strategy assumes the deficit will decline below 5% only in 2029 (4.7%). Finally, the report anticipates a significant increase in debt in the case of non-budgetary funds due to the impact of the COVID-19 Response Fund and the Armed Forces Support Fund. The Minister of Finance said that the strategy does not take into account additional fiscal measures aimed at consolidating public finances that the government is set to implement; therefore, the debt path is likely to be lower than assumed.
- ❖ The Ministry of Finance has stated that a substantial increase in corporate income tax (CIT) on the banking sector will not hinder credit growth in the economy. The MoF is hoping that the president will not veto the bill.
- ❖ The MoF has already financed the whole 2025 borrowing needs and as much as 3% of the 2026 borrowing needs.
- ❖ The energy watchdog has announced a new electricity tariff of PLN 573 MWh for households in Q4, compared to PLN 623 MWh previously. This decision will not affect inflation, as the price for households is effectively frozen at PLN 500 MWh by the end of the year.
- ❖ The Ministry of Finance recently raised over PLN 26 billion through outright bond and bill auctions. Financing of the gross borrowing needs for 2025 has been completed, while the level of gross borrowing needs for 2026 stands at 3%.
- ❖ Graphical summary of current fiscal data in next two slides ([here](#) and [here](#)).

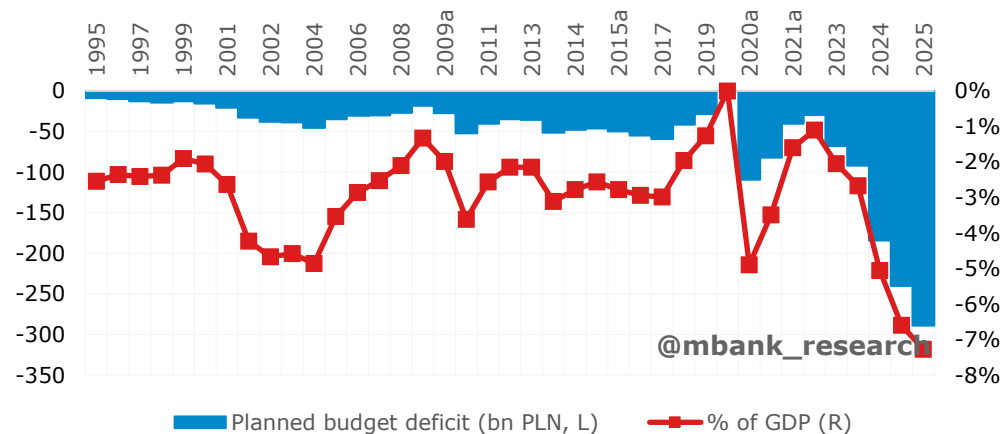
External balance

- ❖ The current account (CA) balance recorded a deficit of 1.1% of GDP after July, measured as a 12-month rolling sum. We have long anticipated a gradual narrowing of the surplus, and recent developments confirm this view. The deterioration observed in recent months has been driven primarily by the goods balance, which has already turned negative, while the services balance surplus deteriorated. Any near-term improvement is unlikely - we expect a stronger deficit in the coming months.
- ❖ The FDI-adjusted CA remains in surplus (0.5% of GDP after July). Also, capital account posted a surplus of 0.6% of GDP after July. This results in a current account surplus of 1% of GDP after adjusting for both FDI and capital flows, which suggests that the deterioration in the CA balance is unlikely to have significant adverse effects on the broader economy. Looking ahead, we expect that most inflows from European funds will be reflected in the capital account, which should help reinforce Poland's external position.
- ❖ Graphical summary [here](#).

Poland: Fiscal monitor #1

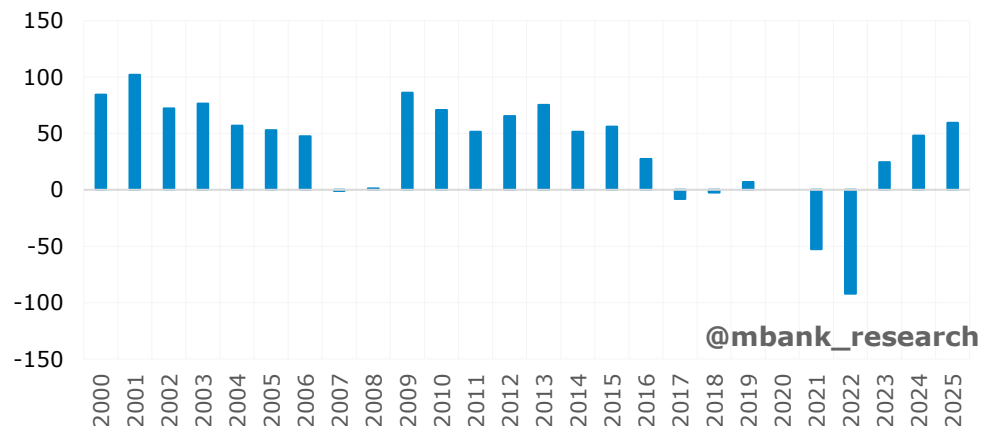
Want more? See our Polish Debt Monitor -> [LINK](#)

Planned budget deficit



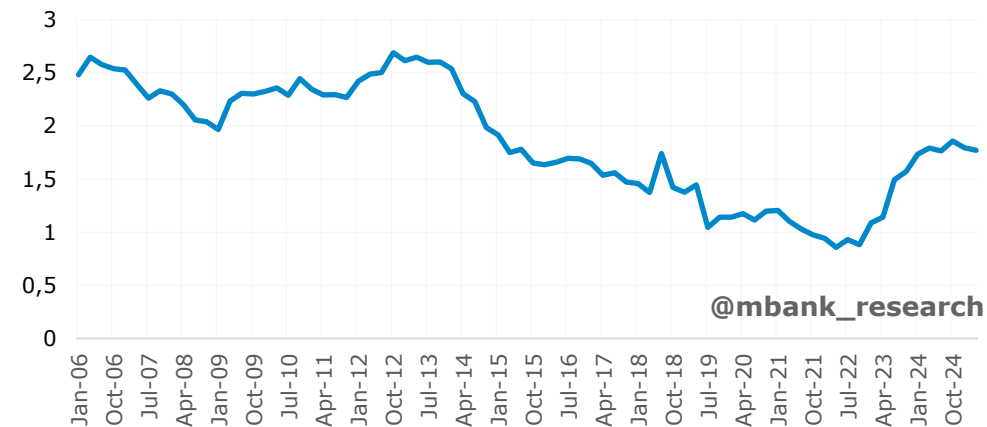
Source: Ministry of Finance, a – budget novel.

Central budget deficit after July as % of yearly planned deficit



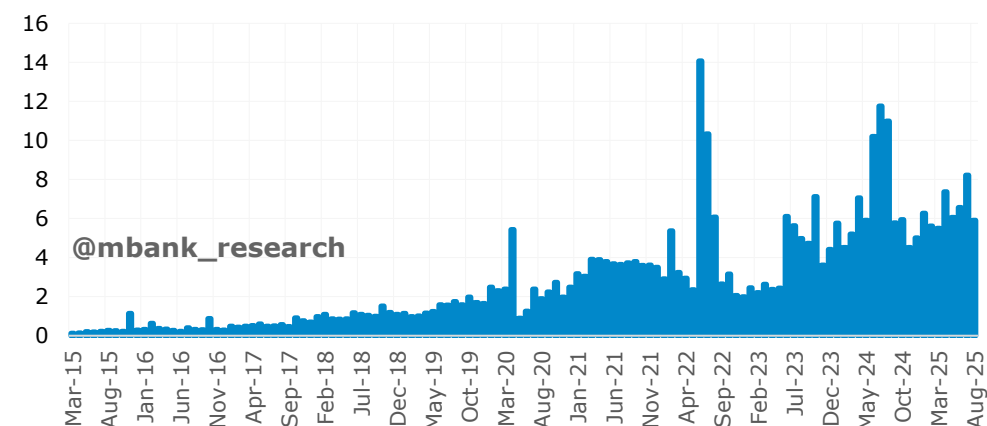
Source: Macrobond, * in 2020 there was 0 budget planned, negative value means surplus.

State debt servicing costs (% GDP, quarterly)



Source: Macrobond.

Retail bonds sold per month (bIn PLN)

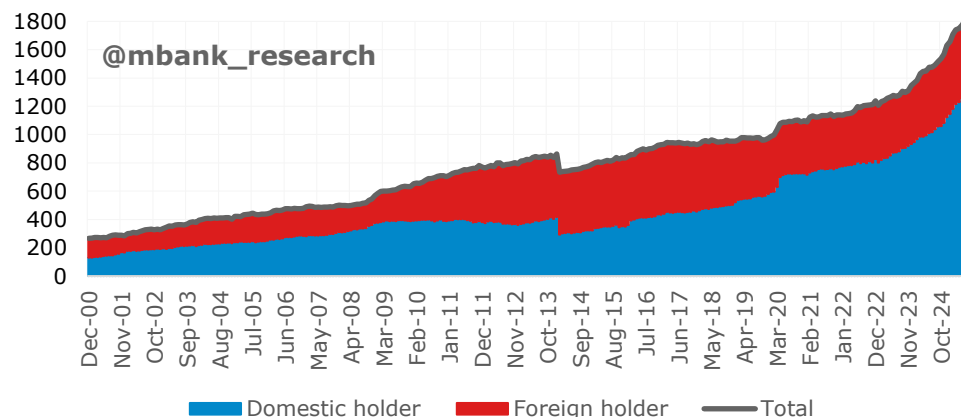


Source: Ministry of Finance.

Poland: Fiscal monitor #2

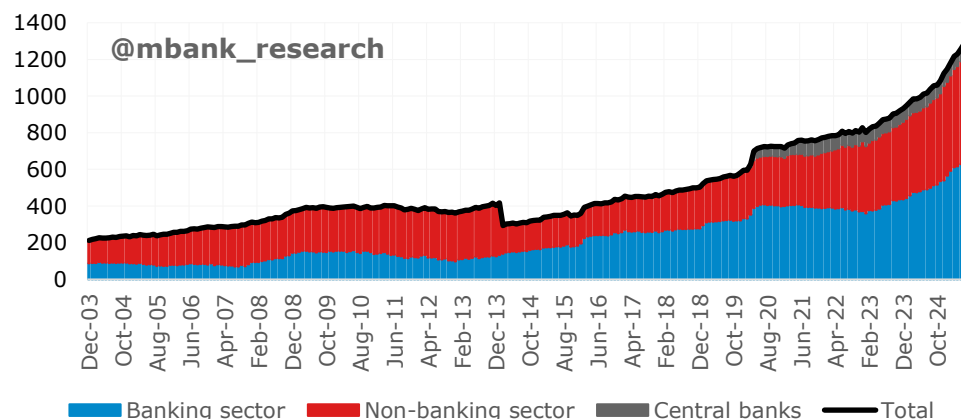
Want more? See our Polish Debt Monitor -> [LINK](#)

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



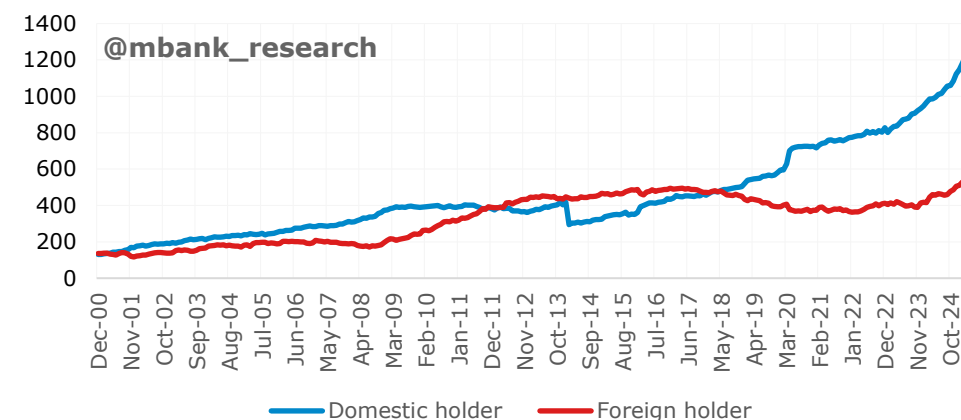
Source: Macrobond. *Last reading: March 2025

State treasury debt – domestic holders* (bIn PLN)



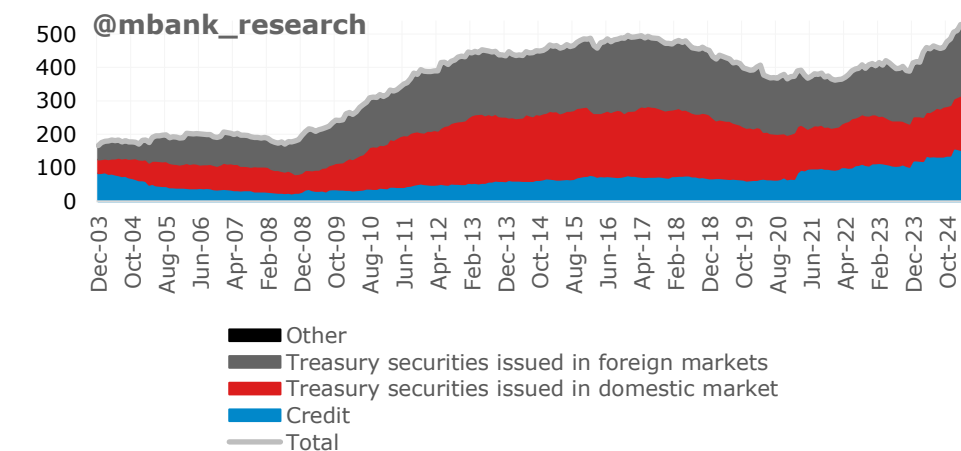
Source: Macrobond. *Last reading: March 2025

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



Source: Macrobond. *Last reading: April 2025

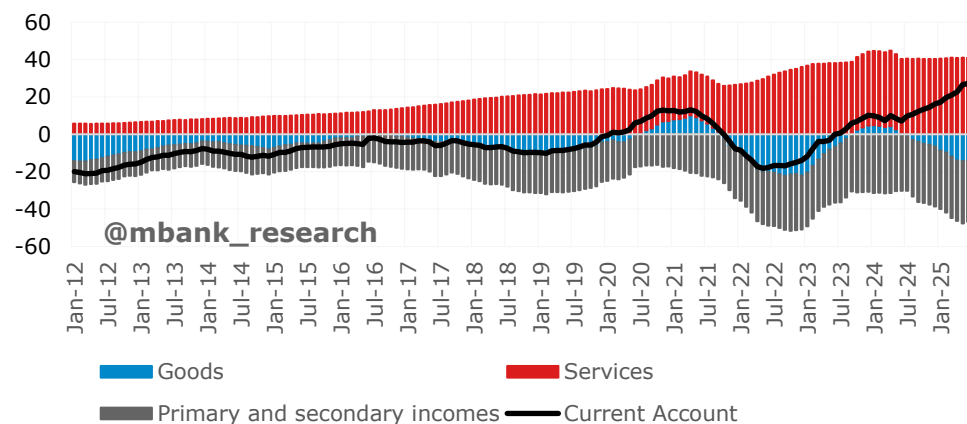
State treasury debt – foreign holders* (bIn PLN)



Source: Macrobond. *Last reading: March 2025

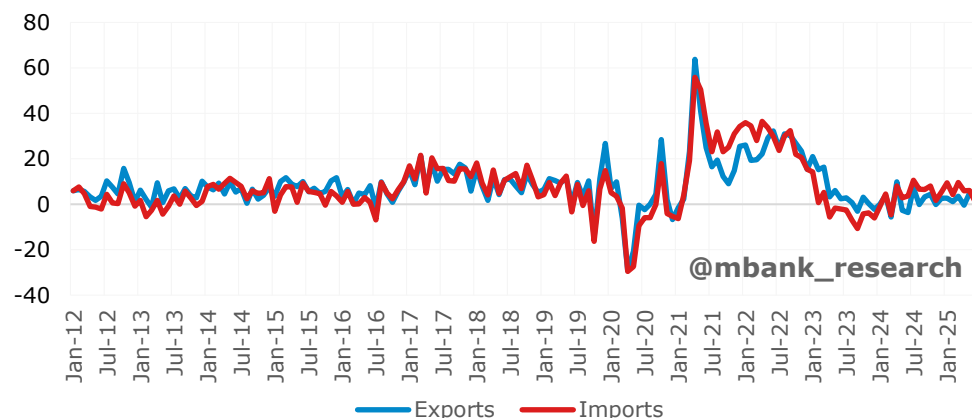
Poland: External balance monitor

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



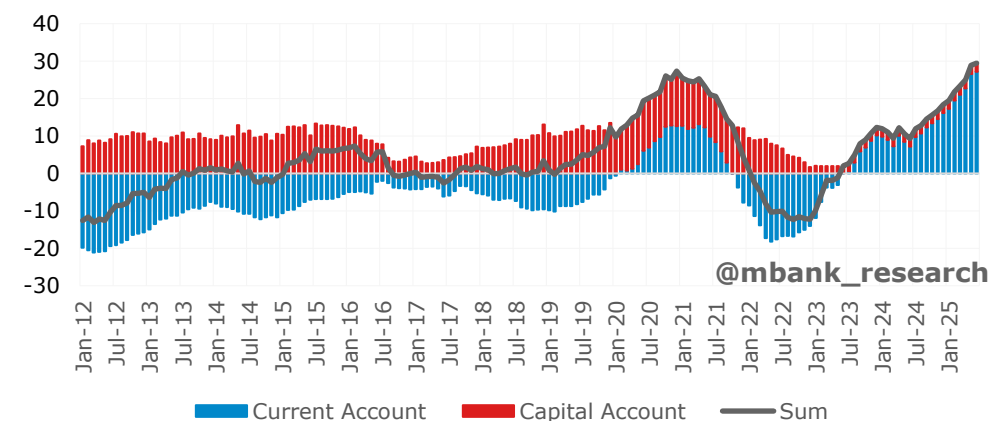
Source: Own elaboration based on NBP.

Exports and imports dynamics (% , y/y)



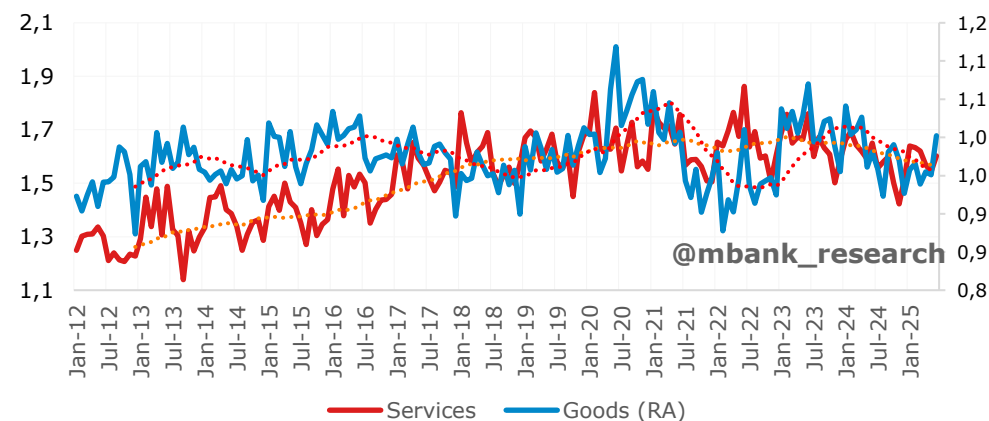
Source: Own elaboration based on NBP.

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



Source: Own elaboration based on NBP.

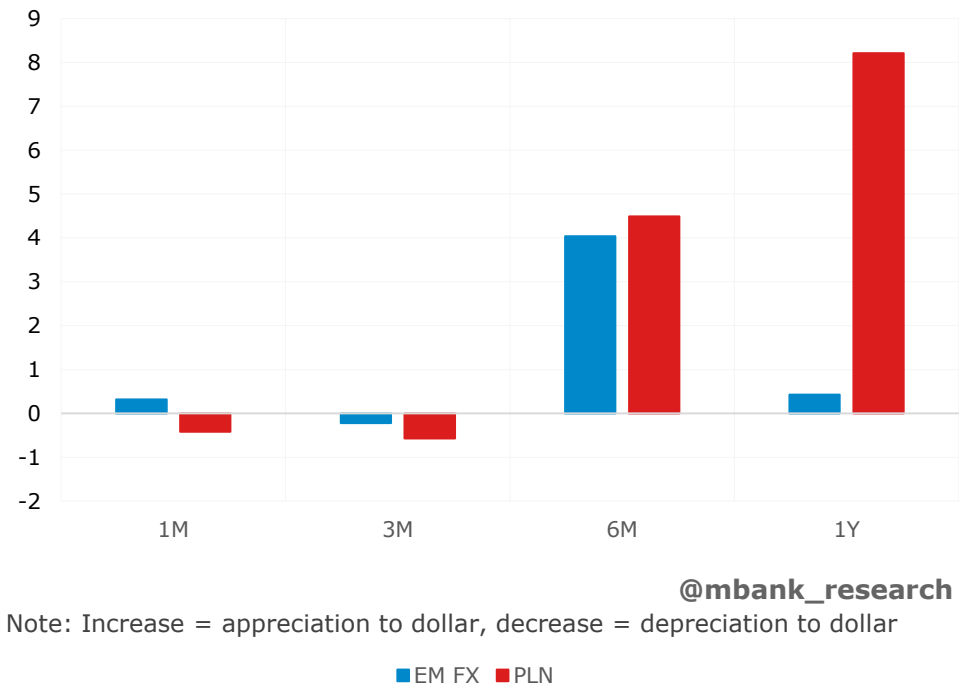
Exports to imports ratio



Source: Macrobond.

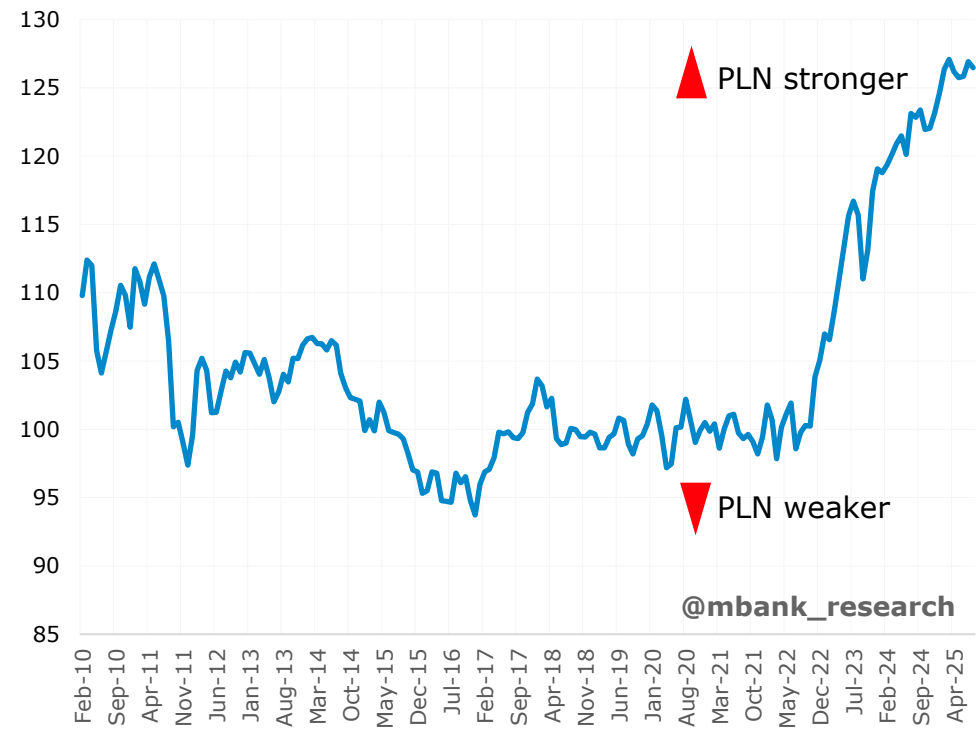
Poland: PLN gets stronger as summer ends

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



Source: Bloomberg.

Real effective exchange rate (mind the dates)



Source: BIS.

The Polish currency has seen little change recently, and the same pattern has been observed with the major currency pair. Given that the Polish central bank is proceeding with monetary easing, it can be concluded that this factor has not had a significant impact on the PLN. Nevertheless, we still believe that further cuts in Poland, coupled with a lack of such moves in the Eurozone, could cause the zloty to weaken. This is particularly likely if real interest rates fall, due to falling nominal rates and a potential rise in inflation. In addition, fiscal policy also needs to be taken into account. What do we mean by this? Firstly, the president might not be willing to accept government measures aimed at reining in the budget deficit in the current setup. This assumption particularly concerns measures that directly burden households; therefore, measures that directly impact companies seem less likely to be vetoed. Secondly, if Poland fails to join the march towards fiscal consolidation when it finally commences, this could become an issue in the eyes of investors, leaving the PLN exposed. This is why we see PLN to weaken gradually from the current levels.

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