Monthly Pulse Check

Economy. FI. FX

January 16th 2026

For contact details and classification of the report see the last page

Our view in a nutshell (≥1Y horizon)

Macro outlook

- **US:** The outlook ahead of the US economy still looks pretty well. It was confirmed by the latest Q3 GDP release. Moreover, the GDPNow does not point to any deceleration in the last quarter of 2025. It is true that the labor market has cooled down of late, but it has not worsened enough to justify lower rates in our mind (we do not expect negative employment numbers). We still expect that inflation is going to stay elevated in the coming quarters.
- **Euro Area**: We remain relatively optimistic. We believe the economy can manage to grow as much as 1.4% in 2026, more than the consensus calls for now. The Eurozone GDP tracker also points to a further growth acceleration in the last quarter of 2025. At the same time, we are aware of downside risks like a delay of increased public expenditures in the German economy.
- **China:** Finance Ministry has recently communicated that fiscal policies in the new year will be more proactive, this is in line with previous comments from various officials. These are not only empty words as Beijing aims to provide nearly $9 billion to subside its consumer goods trade-in drive in 2026. Note that the subsidies have been offering since mid-2024, though with little success so far. In 2026, we assume the China's economy to grow by 4.5%.
- **Poland.** We expect 2026 GDP growth at 4.2%. The first quarters of the year should bring a rapid rebound in investment activity, consistent with annual growth of around 9%. At the same time, consumption should deliver more or less stable growth, supported primarily by steady real wage growth, keeping the overall expansion on a solid trajectory. Inflation is likely to remain close to 2% in Q1, creating room for the MPC to lower rates towards 3% through the year.

Monetary policy: Fed, ECB, NBP

- **Fed**: The central bank delivered another 25bps rate decrease in December, as widely expected. We were far away from a unanimous decision though. The minutes also confirmed a deep division among FOMC members. Given the fact that the Fed expects the economy to grow 2.3% this year (up from 1.8% envisaged in September), and inflation is seen clearly above the target, we doubt that the central bank will slash rates aggressively. Moreover, the latest launch of a criminal investigation by the DoJ into Powell does not increase the odds of lower rates in the near-term as it would be perceived as a loss to Fed's independence. We also doubt that any potential new Fed chair will manage to gather a majority to support deep rate cuts. Our forecast remains unfazed – 3.5% for the upper limit.
- **ECB**: No surprise came in December, hence rates were left intact. The new projection saw higher GDP growth in this and the following year, and a bit higher inflation in 2026. However, inflation in this year is forecast almost exactly at 2%, subtly lower for 2027. Therefore, there is no high chance for inflation undershooting in the coming months. Given ECB members' reluctance to either higher or lower rates, we keep our stance – no changes to rates in the foreseeable future.
- **NBP:** The Monetary Policy Council left interest rates unchanged at its January meeting. The statement did not contain any significant changes. Given the fact that the MPC will not know a January inflation release until mid-February, we do not expect a rate cut next month as well. The outlook will evolve in March, when the MPC will be already aware of very low inflation in January (maybe even below 2%). This is when we expect another 25bps cut. The terminal rate forecast of 3% this year remains intact.

FX Market

- The new year did not bring any sharper swings on the PLN market. The Polish currency has moved slightly down against the US dollar due to the EURUSD slide, while it has barely changed vs. the euro. Looking ahead, there are two major points to pay attention to. The first is our January CPI forecast which we believe is likely to be even subtly below 2%. The second is the NBP's reaction to such low release. We think that the NBP will feel emboldened to pull the trigger again at the end of the first quarter. It could make rate cut bets more aggressive, and thereby weaken the PLN.

Major forecasts

		2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2024* Q1-Q4	2025* Q1-Q4	2026* Q1-Q4
GDP y/y	%	2.3	3.4	2.8	3.5	3.2	3.3	3.8	4.0	4.4	4.6	4.2	3.8	3.0	3.6	4.2
Individual consumption y/y	%	3.9	4.2	0.2	3.6	2.6	4.5	3.5	3.6	3.6	3.5	3.6	3.2	2.9	3.5	3.5
Investment y/y	%	4.0	5.0	-2.8	-5.1	6.4	-0.7	7.1	9.6	11.0	11.9	8.2	6.1	-0.9	5.0	9.2
Inflation rate (eop)	%	2.7	2.6	4.9	4.7	4.9	4.1	2.9	2.4	2.0	2.4	2.2	2.4	3.7	3.6	2.2
Unemployment rate (eop)	%	5.3	4.9	5.0	5.1	5.3	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	0.0	0.1	0.1	0.1	0.0	-0.2	-0.4	-0.2	0.0
Wages y/y	%	14.4	14.7	13.4	12.4	10.0	8.8	7.5	7.3	6.8	6.6	6.4	6.0	13.7	8.4	6.5
Current account	% GDP	1.5	1.3	0.7	0.3	-0.4	-0.7	-0.8	-0.8	-1.0	-1.2	-1.2	-1.1	0.3	-0.8	-1.1
GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-6.6	-6.9	-6.4
Primary GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-4.4	-4.4	-3.9
GG debt	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	55.1	60.6	66.4
NBP repo rate (eop)	%	5.75	5.75	5.75	5.75	5.75	5.25	4.75	4.00	3.75	3.50	3.25	3.00	5.75	5.75	3.00
EUR/PLN (eop)	%	4.29	4.31	4.28	4.28	4.19	4.24	4.27	4.22	4.25	4.30	4.35	4.35	4.29	4.23	4.31
USD/PLN (eop)	%	3.98	4.02	3.85	4.13	3.87	3.60	3.64	3.59	3.54	3.52	3.57	3.57	4.00	3.68	3.55

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

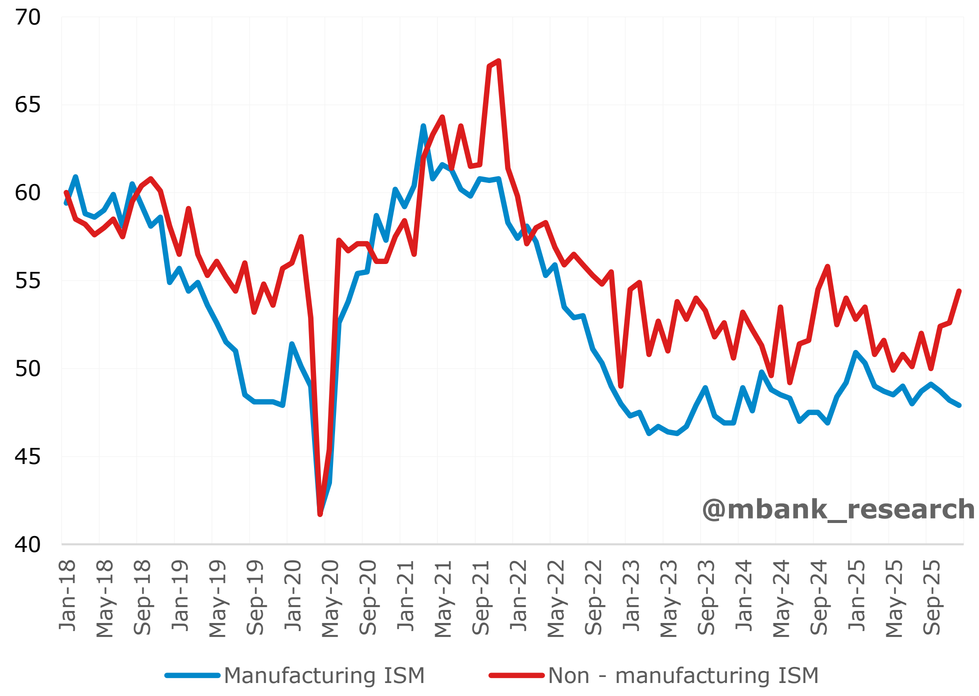
Highlights of this edition

- The US economy does not stop surprising market participants. It was proven by another splendid GDP release for Q3 (4.3%), while the GDPNow implies Q4 growth even higher at around 5% now! Employment growth has slowed, but it is still able to ‘produce’ 30-40k of employees every month. The inflation issue has not been solved yet, as price growth remains elevated. Our assumption for 2026 is the economy will grow 2.2% vs. 1.8% the consensus expects.
- Our take to the Eurozone economy remains intact. We still believe that higher growth is around the corner. This is why we anticipate 2026 growth to be above the level the consensus expects (1.4% vs. 1%). The rosier outlook has also been noticed by the central bank. The new projection implies annualized growth at 1.2% vs. 1% envisaged in September. Simultaneously, we do not change our mind regarding inflation. It has stabilized recently and nothing suggests that something could derail it in the near-term.
- Poland’s economy is showing signs of acceleration, as reflected in our GDP tracker. We anticipate a 4.0% y/y growth in Q4 and 4.4% for Q1. Industrial production and construction so far remained subdued (further info here and here). In case of industry, remaining winter months will be boosted significantly by energy production due to higher heating needs. However, higher spending on this category may weigh on retail sales in Q2 as households rebuild savings. Nevertheless, in the next two months, consumer spending on durable goods is still expected to be strong.
- Inflation surprised on the downside in Q4 and is set to fall toward 2% in January, driven by lower energy tariffs, lower fuel prices, and subdued food prices and a slight drop in core inflation (2.5-2.6%). CPI will stay low through the first half of the year before rebounding subtly. A full-year reading should oscillate close to 2.2% or less.
- While the govt approved the 2026 draft budget bill some time ago, the Polish President has yet to sign it. Moreover, he vetoed an increase of excise as well as a sugar fee, but both were included in the draft bill by the govt. However, the government claims that it does not plan to amend the draft budget bill due to presidential actions. It should be noted that the govt can legally base its activities on the draft budget bill until the official budget is signed. We elaborate in detail on this process. On top of that, the Polish energy watchdog approved new electricity and gas tariffs for households in 2026, with average electricity bills slightly higher, while the average gas bill will be slightly lower. Finally, nothing suggests that the govt will have any difficulty issuing bonds. It recently successfully issued EUR 3.25 billion in Eurobonds, with demand nearly quadrupling supply.
- The Polish currency has commenced the new year barely changed. However, if we take a closer look at the USDPLN chart, we can see some upswing in recent days which has been propelled by the EURUSD slide. Such a move has not been seen in the EURPLN. We sill believe in the weaker zloty as lower inflation should prompt the NBP to cut rates towards 3%. No one can exclude that market participants may briefly price in even lower rates. Among risks to our forecast is the MoF’s stance as it can prefer the stronger zloty and thus exchange more FX volumes on the market (yet, given low inflation, this preference may not be so obvious).

Global economy

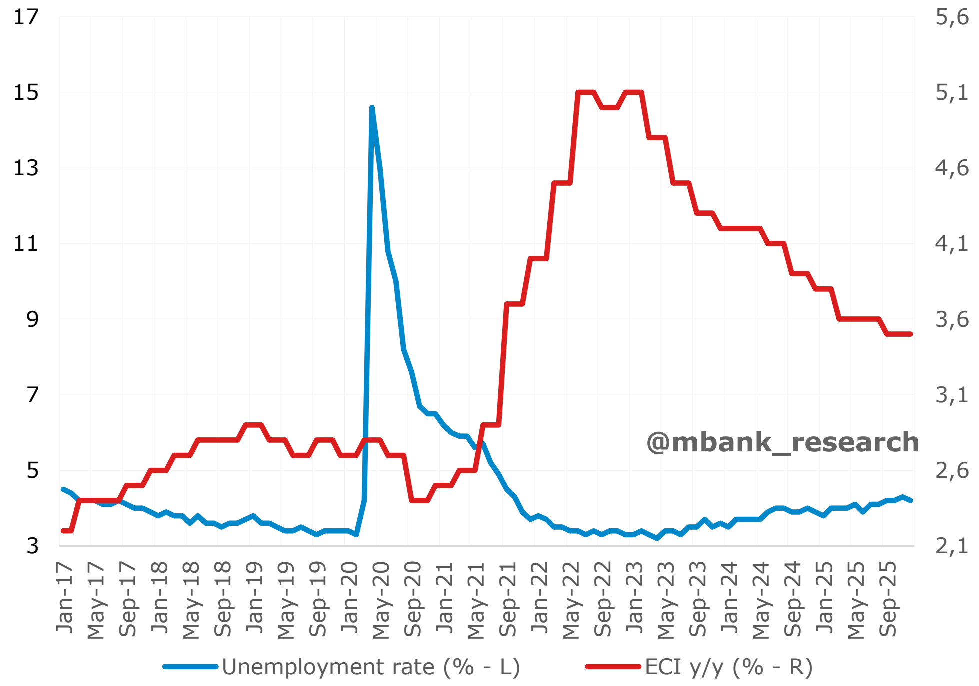
USA: Economy health check

ISM PMI: manufacturing & non-manufacturing



Source: ISM.

Labor market: wages & unemployment rate

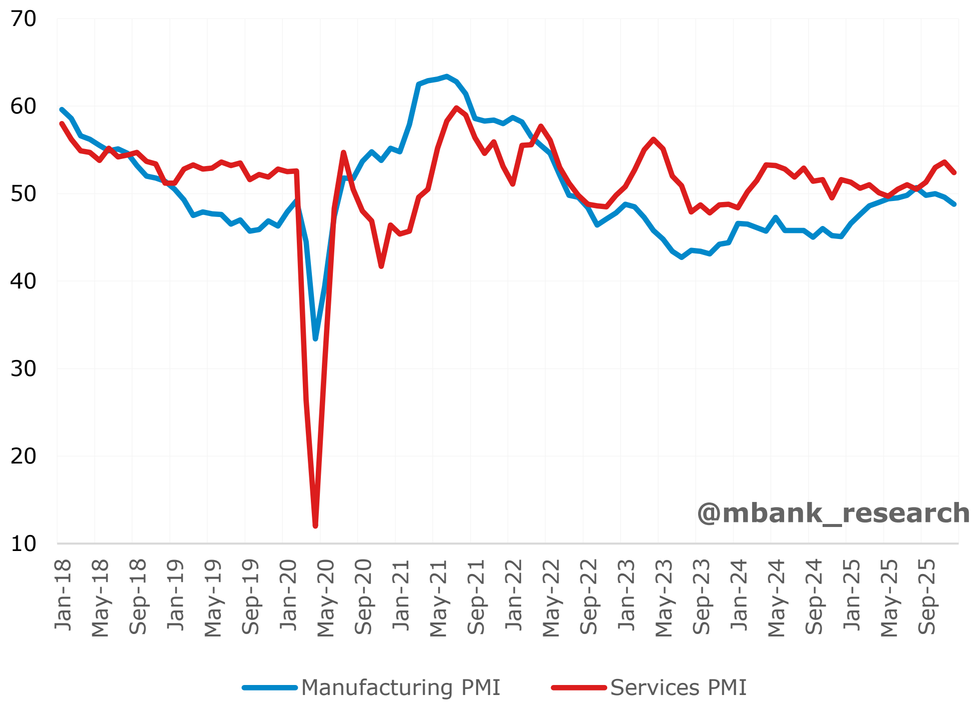


Source: FRED.

The US economy does not want to decelerate at all. After growing 3.8% annualized growth in Q2, it even manager to exceed this level in Q3 recording an annualized growth rate of 4.3%. Higher growth was registered in personal consumption expenditures (3.5%), while investment growth improved from -13.8% in Q2 to -0.3% in Q3. It is worth noting that investment in nonresidential remained positive, while residential investment once again saw a decline. After a turbulent first half of the year caused by tariffs, Q3 saw a stabilization of next exports' contribution to growth (1.6pp). Finally, final sales to domestic purchasers, the pivotal measure of domestic demand, grew 2.9% vs. 2.4% in Q2 (the best outcome in a year). To sum up, there is no evidence of any economic slowdown (by the way, the GDPNow implies Q4 growth at around 5% now!). What about the labor market and inflation? Firstly, it is true that employment growth has lost momentum lately, but it is still rising at the pace sufficient to stabilize the jobless rate. Secondly, inflation stays elevated, which might be a factor discouraging at least some Fed members to cut rates aggressively. Therefore, unless the labor market conditions get substantially worse, we doubt the Fed will push rates to the level the market is currently pricing in (closer to 3%). Finally, even FOMC minutes from December showed a deep division among members. Looking ahead, it is crucial to keep a close eye on what happens after the DoJ launched criminal investigation into Powell. There is a risk the market might start pricing in some probability of Fed's losing its credibility (a downside factor for the dollar).

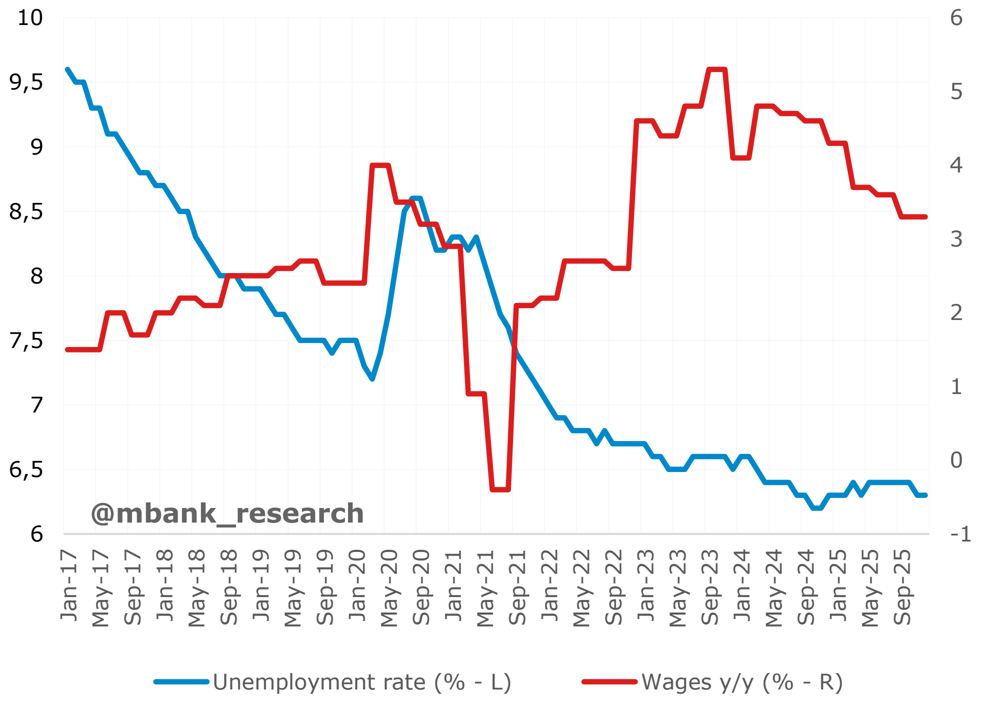
Euro area: Economy health check

PMI: manufacturing & services



Source: Markit.

Labor market: wages & unemployment rate

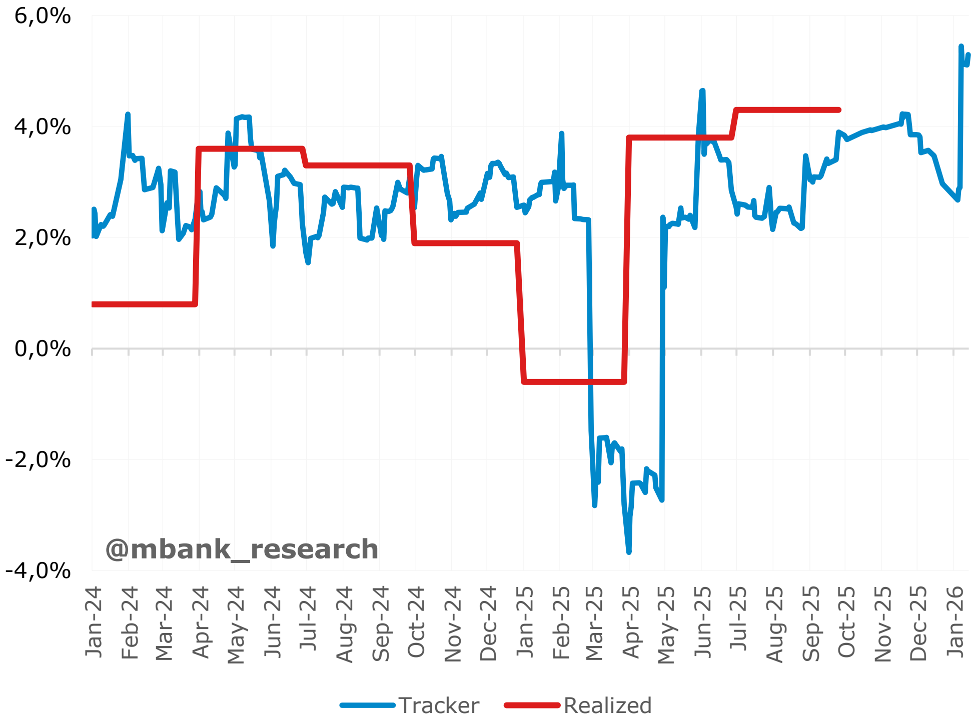


Source: Eurostat.

We began the new year with welcoming a new member of the Eurozone – Bulgaria. The country became the 21st member of the common currency union. However, joining the Eurozone coincided with numerous protests against the government over corruption. As a result, the govt was forced to step down. To sum up, Bulgaria faces a lot of challenges ahead in terms of grappling with corruption. Moving to the economy itself, the Eurostat slightly revised up the Q3 GDP growth rate from 0.2% to 0.3%. Note that the ECB's newest projection from December assumed no change compared to the preliminary release. Looking ahead, we bank on some improvement in economic activity, thereby discouraging the central bank from thinking about lower rates. Inflation also does not call for any changes in rates, as it has stabilized around 2% of late. What about rate hikes given the fact that we believe in a turnaround in economic activity? Well, the comments conveyed by the most hawkish ECB members from recent weeks do not suggest any immediate need even to consider pushing rates higher. For instance, Schnabel does not expect rate hikes in the foreseeable future. That is all – rates will not change anytime soon.

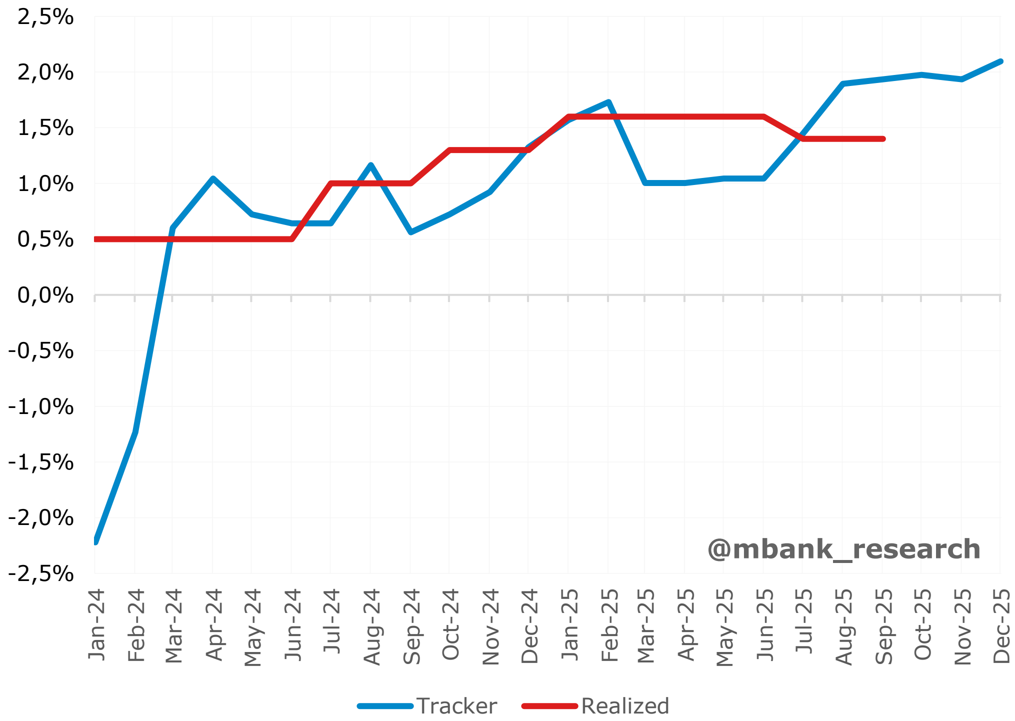
GDP Tracker: US and Euro area

US, QoQ, SAAR



Source: Atlanta Fed GDPNow, Macrobond.

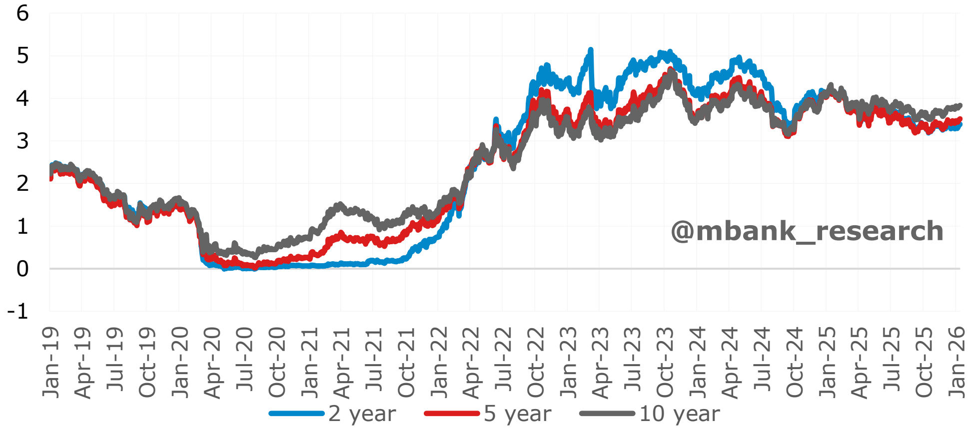
Euro area, YoY



Source: Banca d’Italia, Macrobond.

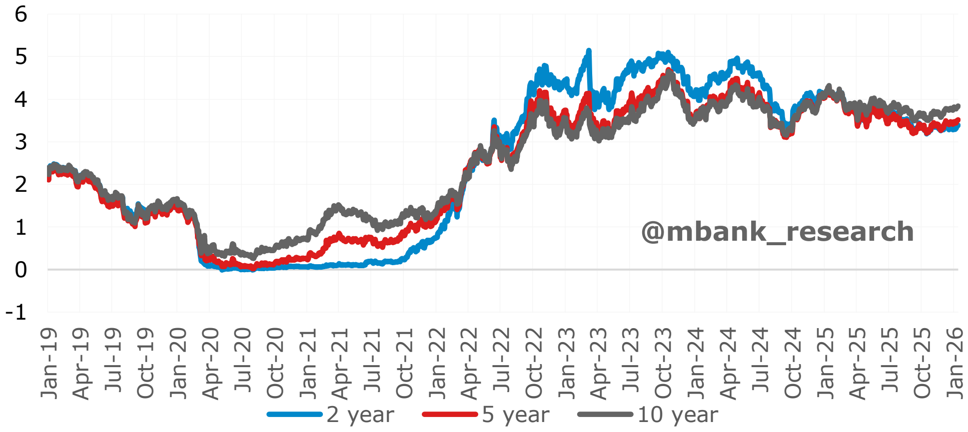
Global rates

US swap rates (%)



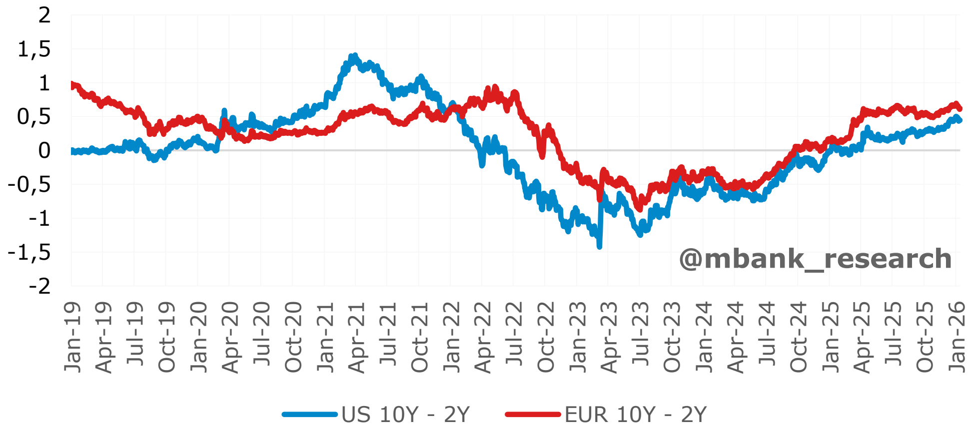
Source: Bloomberg.

EU swap rates (%)



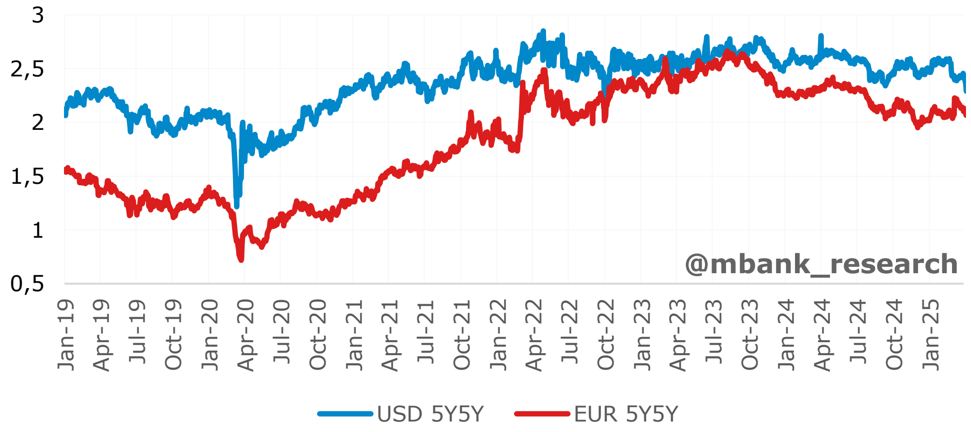
Source: Bloomberg.

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



Source: Bloomberg.

US and EZ inflation expectations (%)

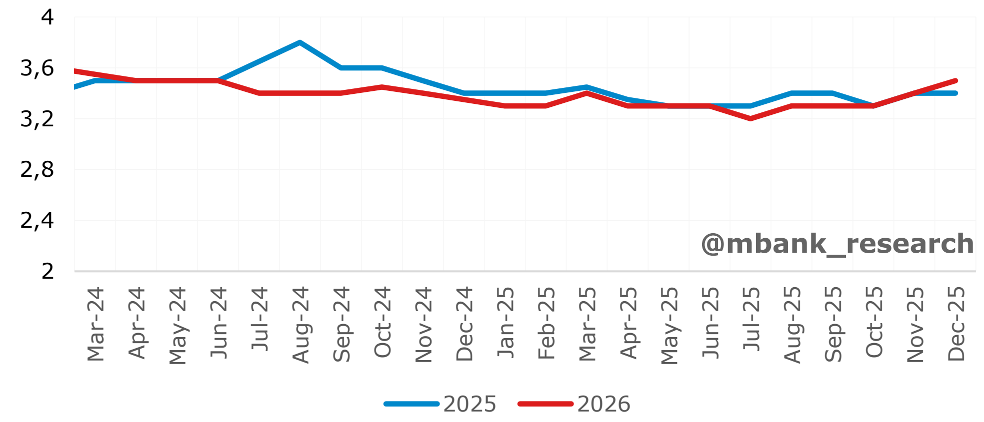


Source: Bloomberg.

Poland

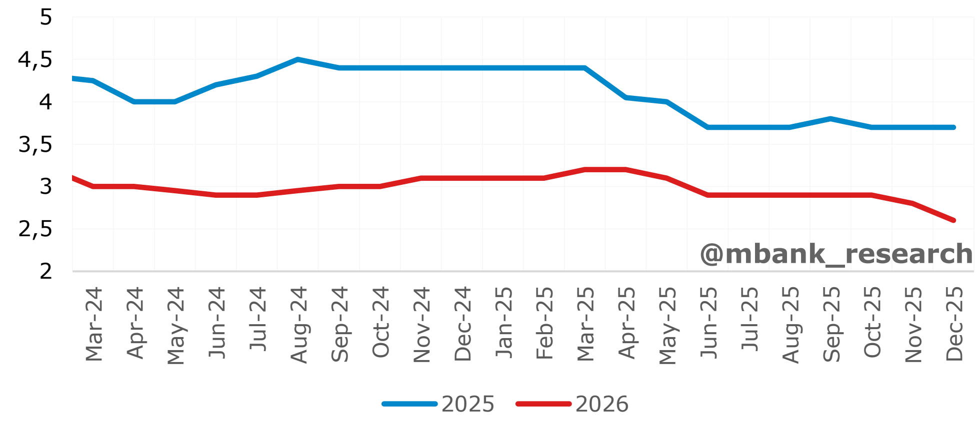
Poland: What is expected?

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



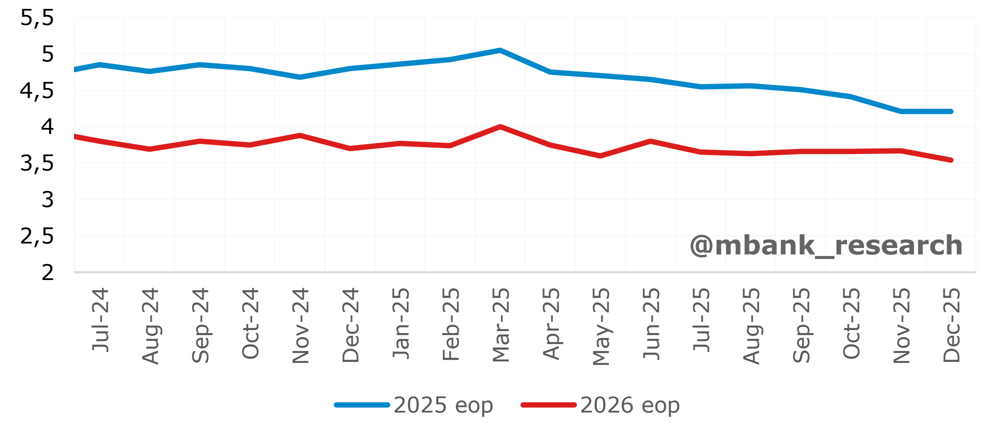
Source: Bloomberg.

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



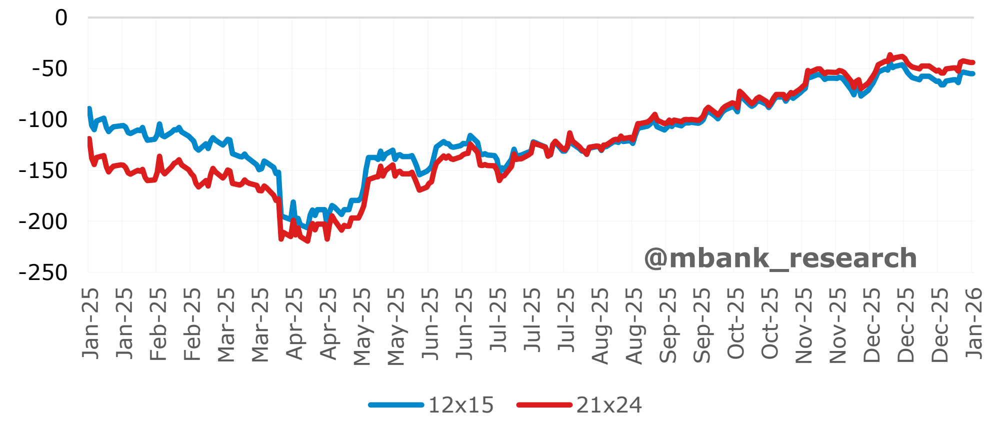
Source: Bloomberg.

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



Source: Bloomberg.

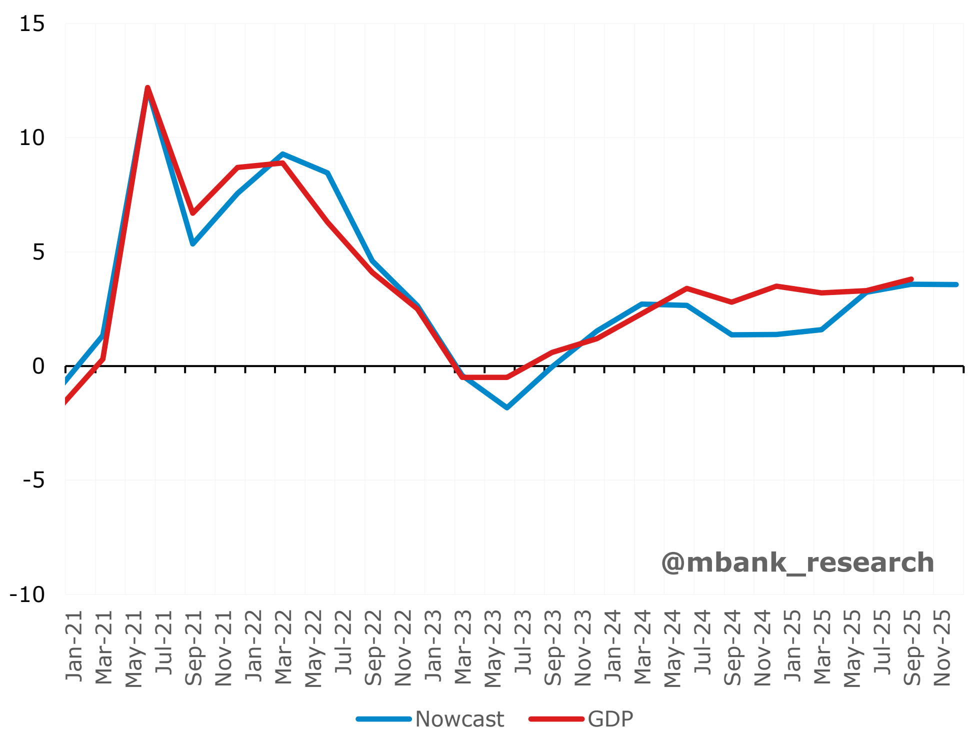
Rate changes priced in by FRA (bps)



Source: Bloomberg.

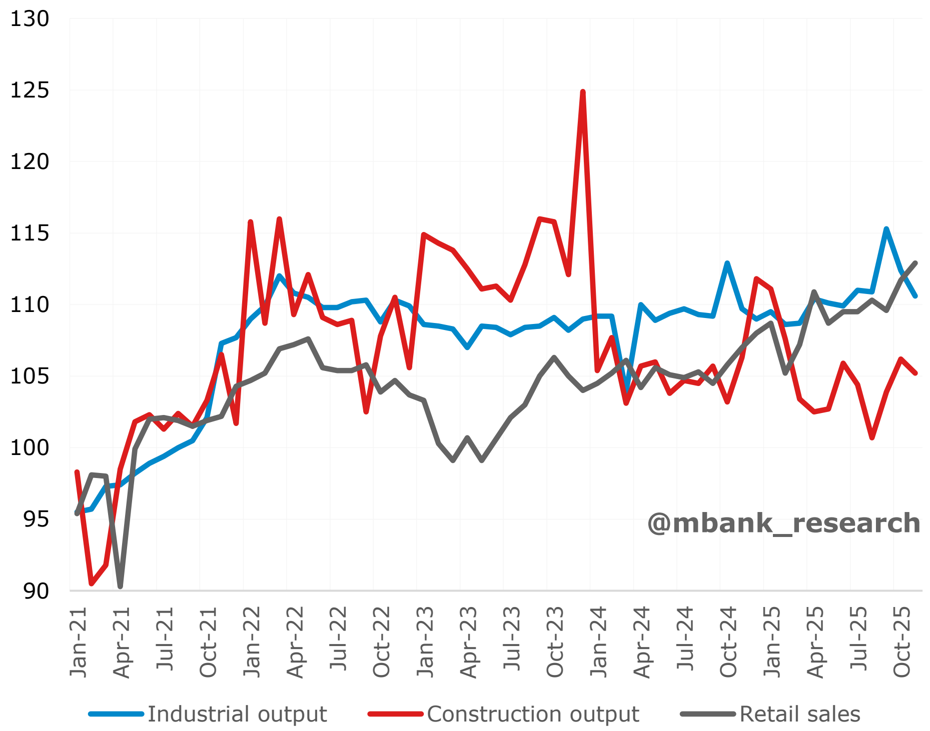
Poland: What monthly prints told us recently?

GDP momentum nowcasting



Source: Own elaboration.

Seasonally adjusted (index 2021 = 100)

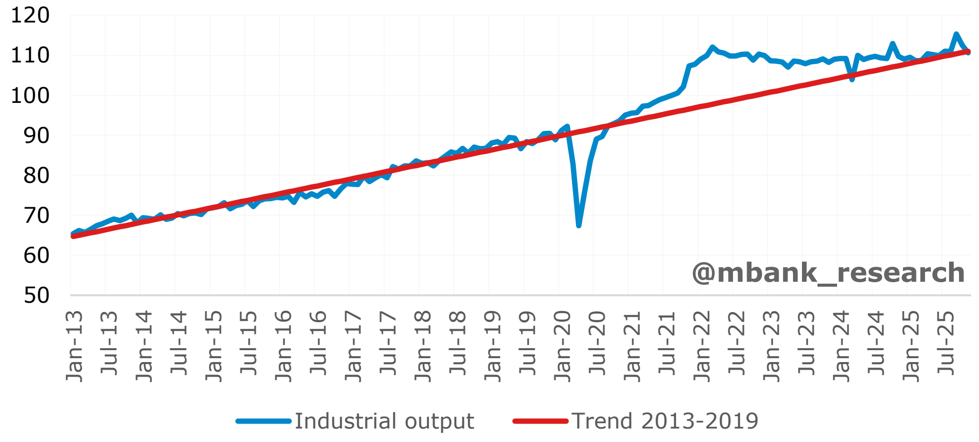


Source: Statistics Poland.

Economic activity data disappointed sharply in November — industrial production fell by 1.1%, construction output stagnated at 0.1%, and retail sales at 3.1% can hardly be considered strong given that the consensus was 1pp higher. We see the weak November print as a one-off rather than the start of a broader slowdown. The weakness in retail sales was mainly driven by lower purchases of non-durable goods, while sales of cars and household electronics/appliances grew at double digit rates. In the case of industrial output, the remaining winter months will be boosted significantly by energy production due to higher heating needs. However, higher spending on this category may weigh on retail sales in Q1/Q2 as households rebuild savings and exceptionally severe winter (based on past years) could undercut expenditure on some discretionary goods. For now, we expect GDP growth of around 4% in Q4 2025 and 4.4% in Q1 2026.

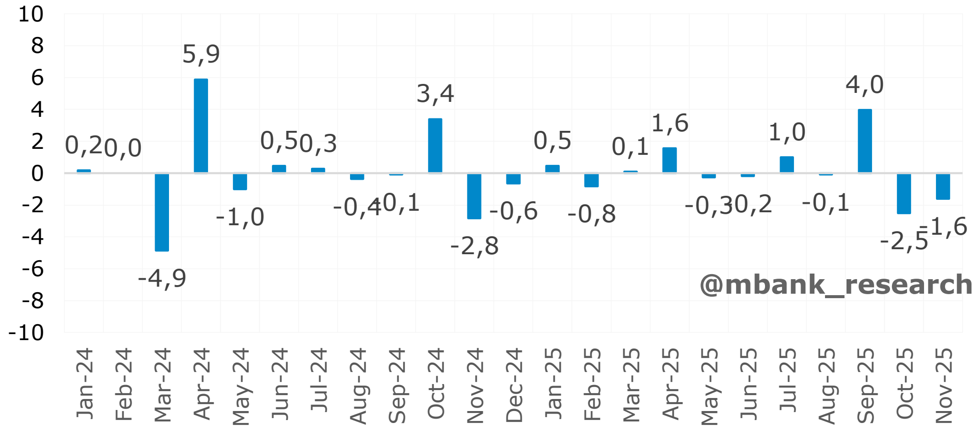
Poland: Industrial output

Industrial production (index 2021 = 100, sa)



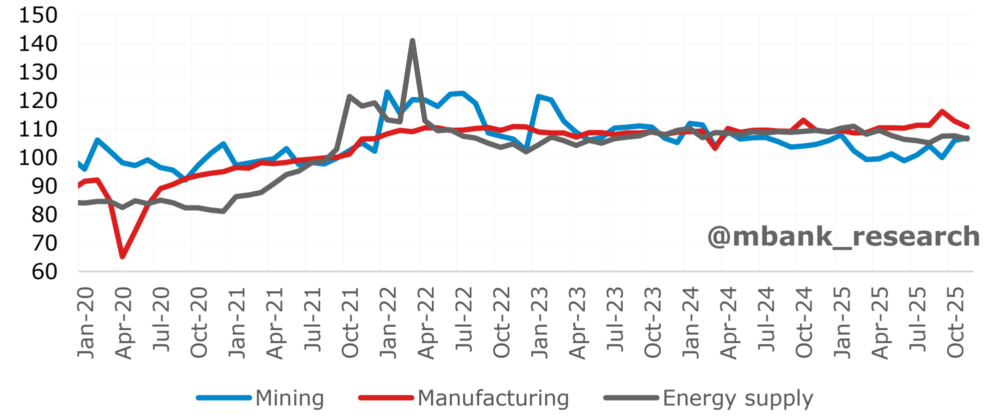
Source: Own elaboration based on Statistics Poland.

Momentum (%, m/m, sa)



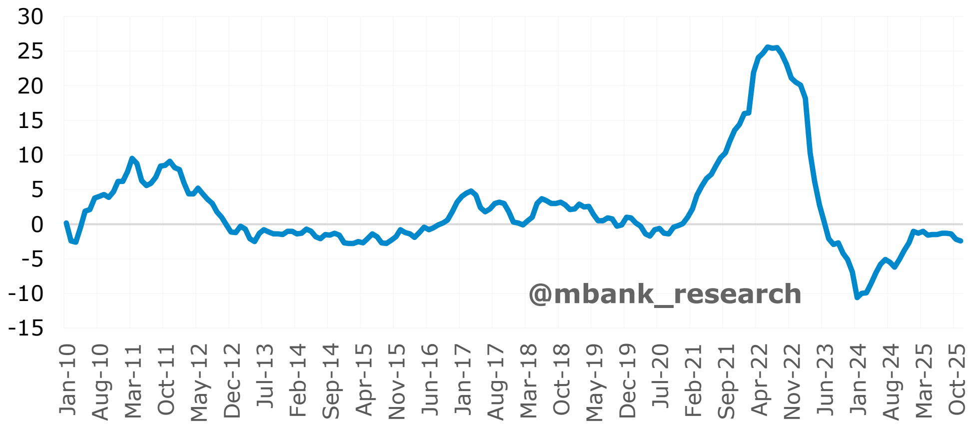
Source: Own elaboration based on Statistics Poland.

Main categories (index 2015 = 100, sa)



Source: Own seasonal adjustment based on Statistics Poland.

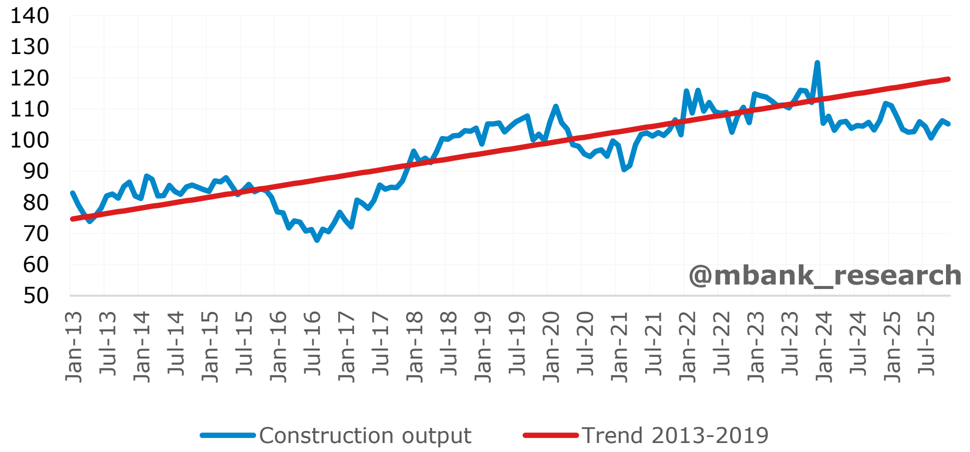
Producer prices (%, y/y)



Source: Own elaboration based on Statistics Poland.

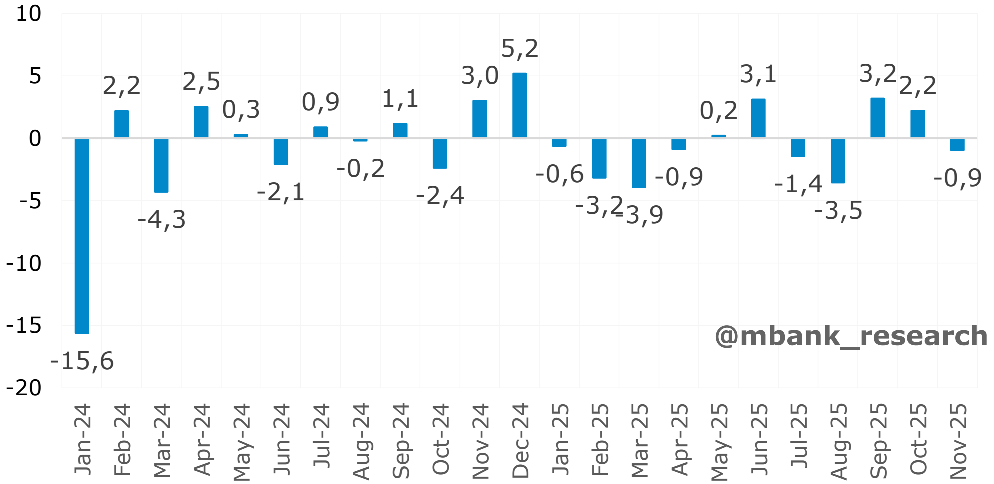
Poland: Construction

Construction output (index 2021 = 100, sa)

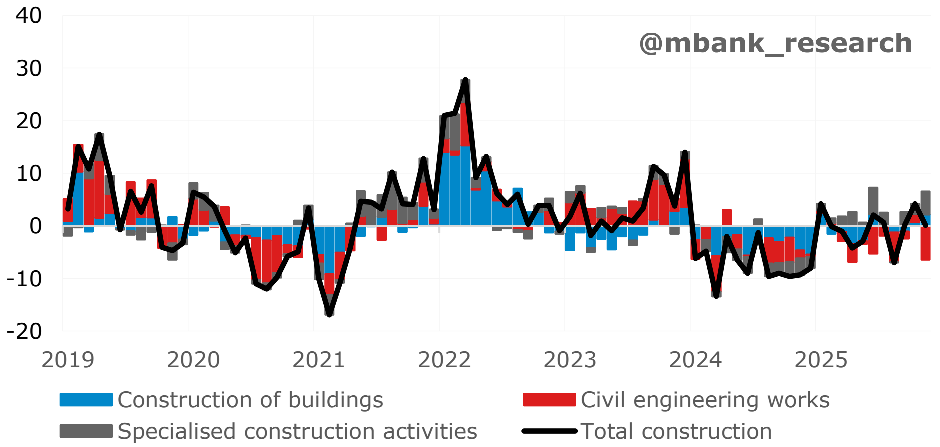


Source: Own elaboration based on Statistics Poland.

Momentum (%, m/m, sa)

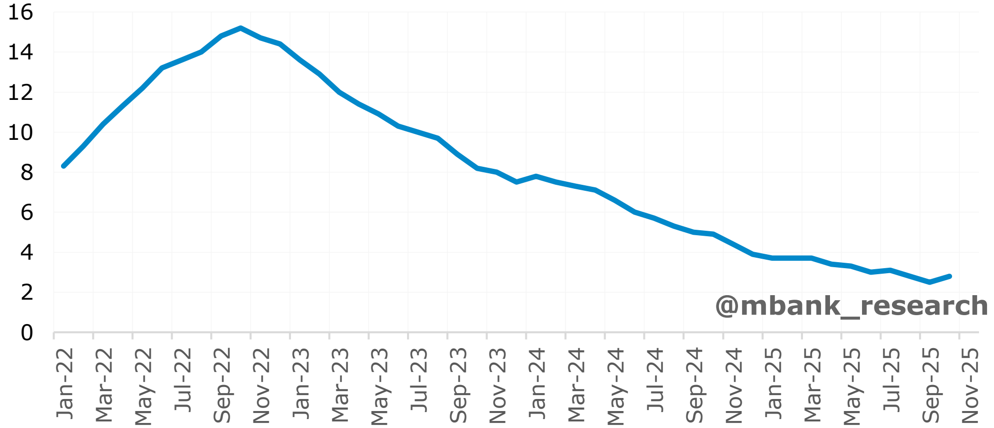


Contribution to y/y growth



Source: Own elaboration based on Statistics Poland.

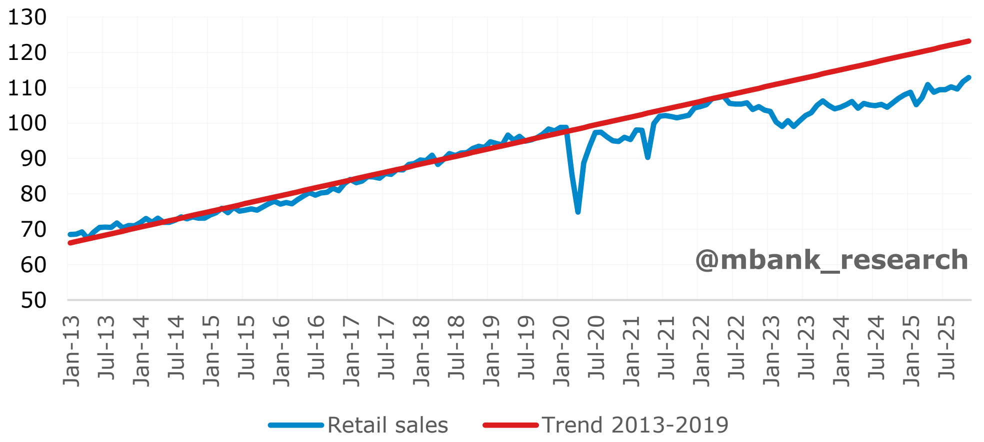
Construction prices (%, y/y)



Source: Statistics Poland.

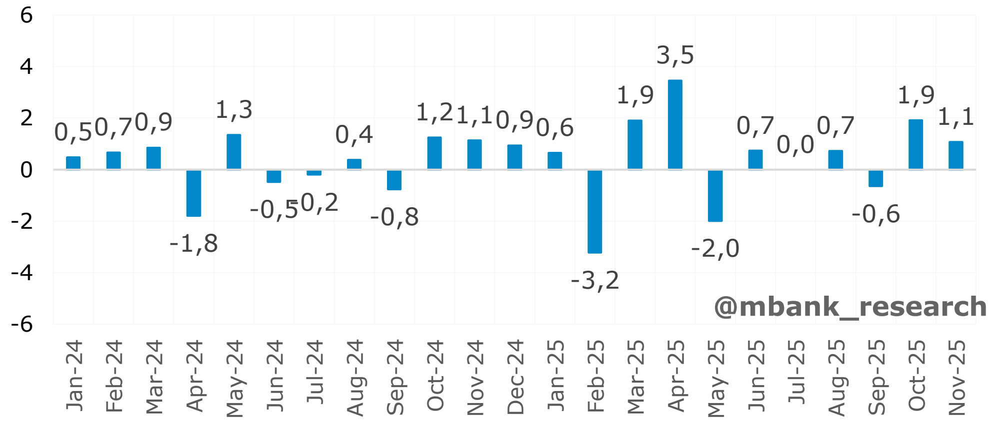
Poland: Retail sales

Retail sales (index 2021 = 100, sa)



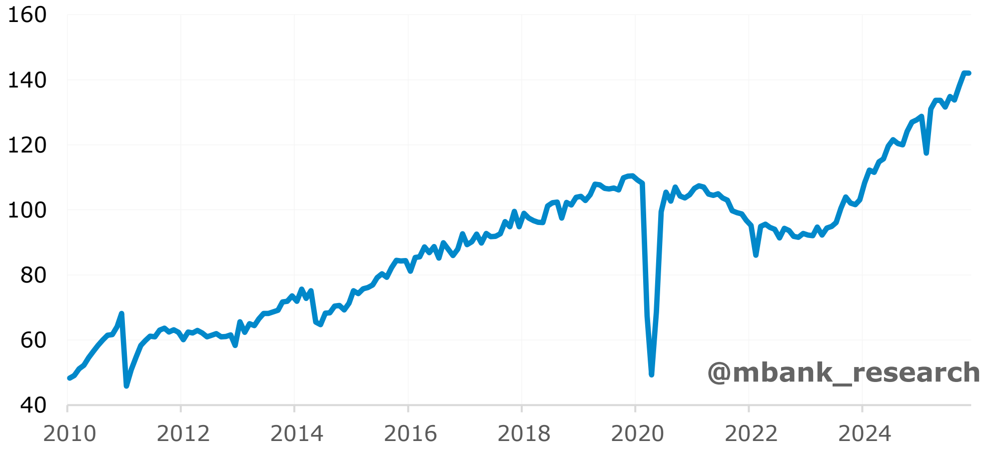
Source: Own elaboration based on Statistics Poland.

Momentum (%, m/m, sa)



Source: Own elaboration based on Statistics Poland.

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



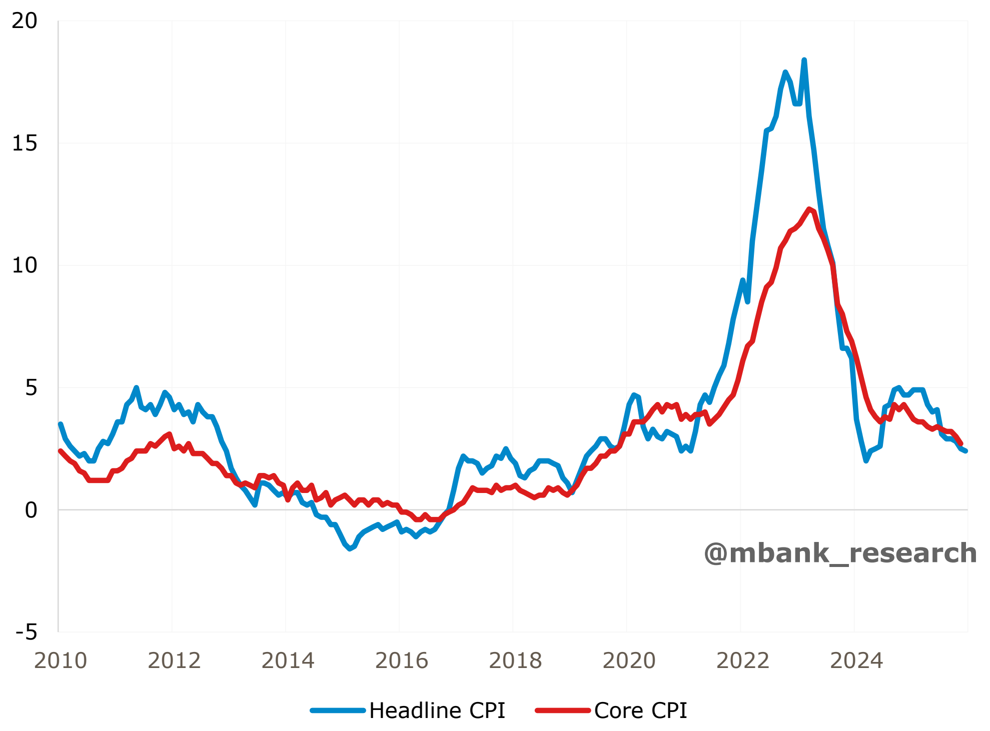
Source: Own seasonal adjustment based on Statistics Poland.

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

Source: Own seasonal adjustment based on Statistics Poland.

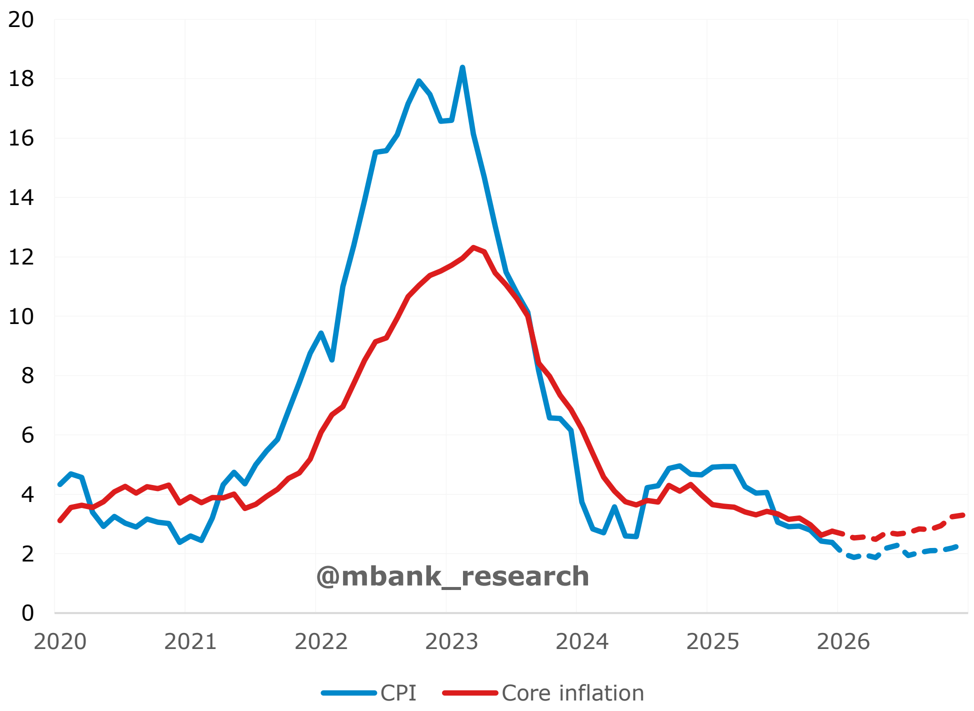
Poland: How do inflationary trends look like?

Headline inflation, broad perspective (%, y/y)



Source: Own elaboration based on Statistics Poland.

Inflation forecasts (%, y/y)

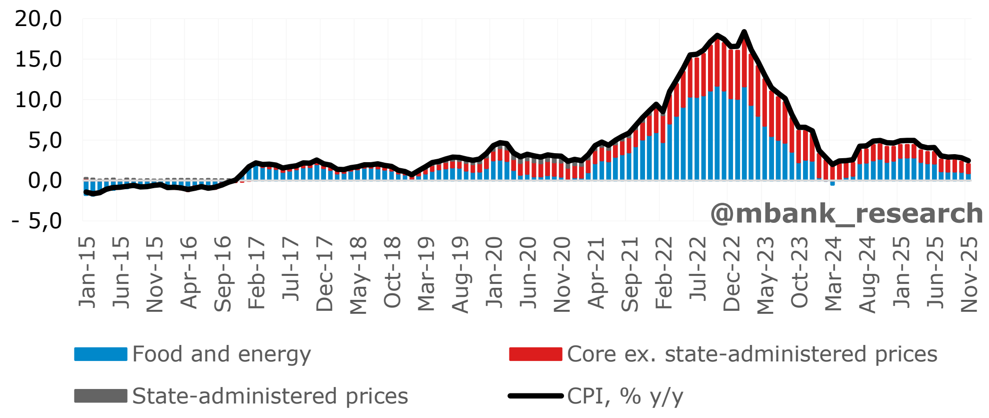


Source: Own elaboration based on Statistics Poland, NBP.

Inflation consistently surprised to the downside in Q4 – in December it reached 2.4%, with core inflation at around 2.8%. We expect another sharp decline at the start of the new year – January CPI will hover around 2%. This will result from a combination of several factors. The increase in energy prices will be very weak due to the new URE electricity tariffs. We will also see a deep drop in fuel prices following the recent fluctuations in Brent crude. At the same time, we expect low growth in food prices and likely a decline in core inflation towards 2.5–2.6%. Similar outcomes will persist throughout the rest of Q1. CPI will remain low in the first half of the year and rebound in the second. Cyclically, the output gap should continue to close, which will help stabilize core inflation. In addition, increases in regulated prices — for example water and sewage services — will also contribute. Overall, for the entire year, we expect a reading of around 2.2% or lower.

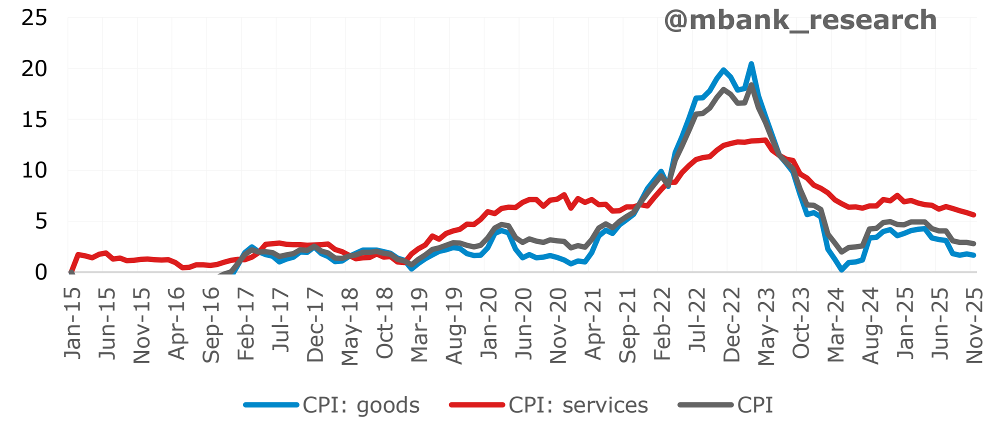
Poland: Inflation tracker (additional measures)

Contribution to inflation (pp.)



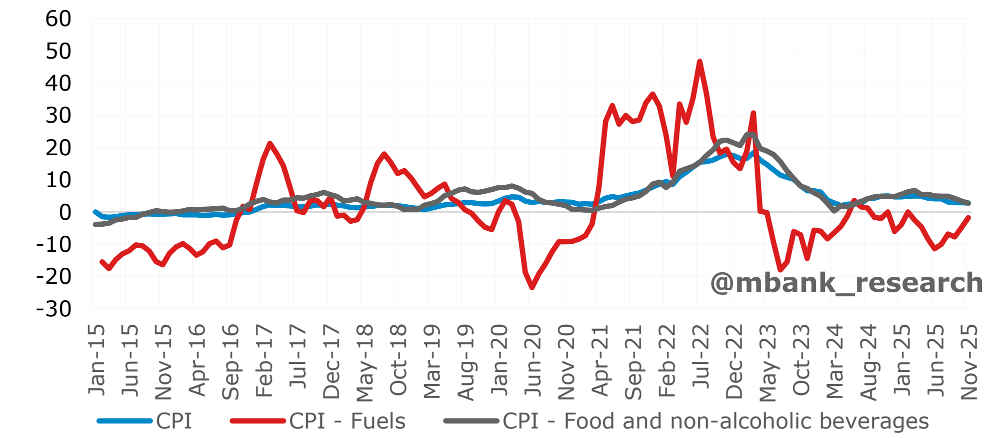
Source: Own elaboration based on Statistics Poland.

Goods and services prices (%, y/y)



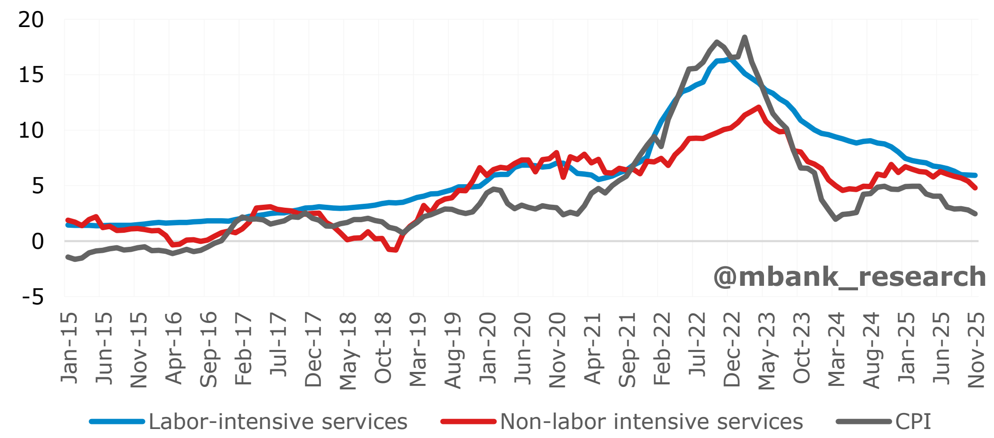
Source: Own elaboration based on Statistics Poland.

Food and fuel prices (%, y/y)



Source: Own elaboration based on Statistics Poland.

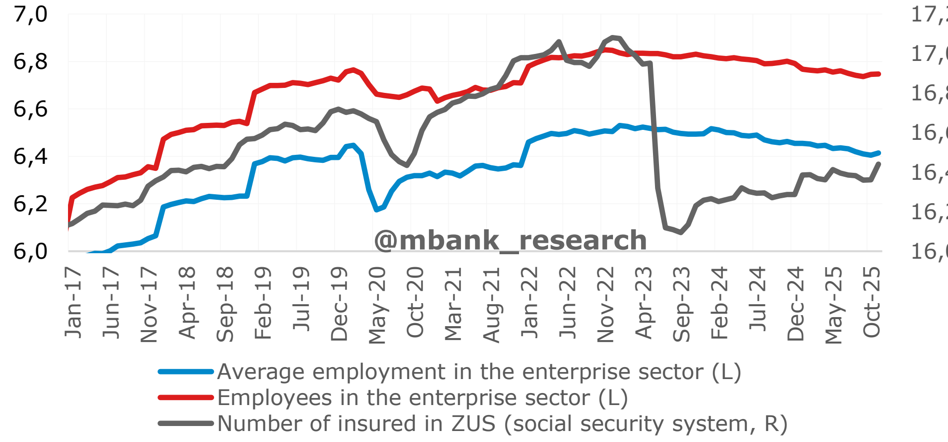
Services (%, y/y)



Source: Own elaboration based on Statistics Poland.

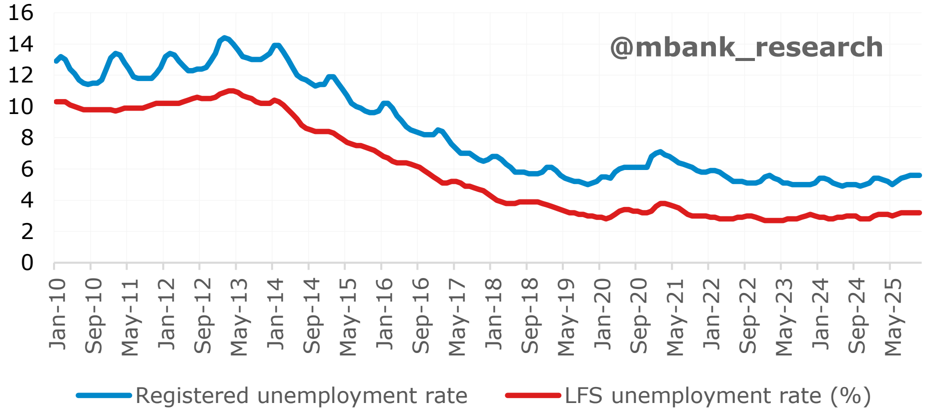
Poland: Labor market tracker - employment

Employment (in milions)



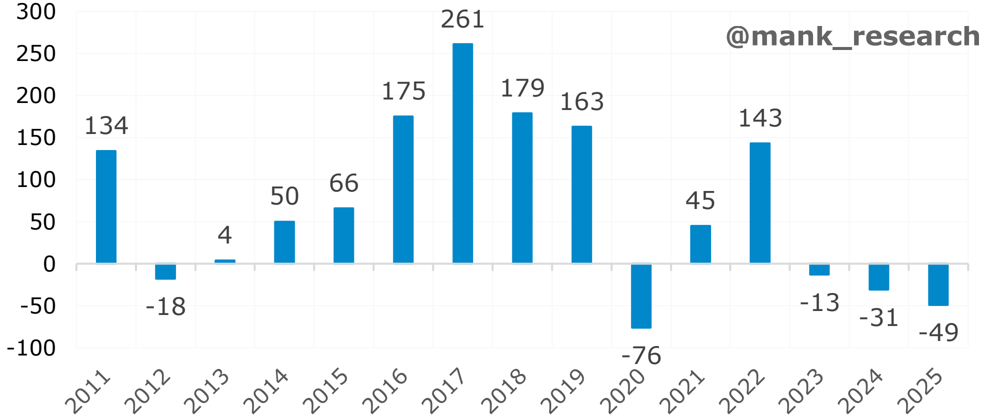
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Unemployment rate (%)



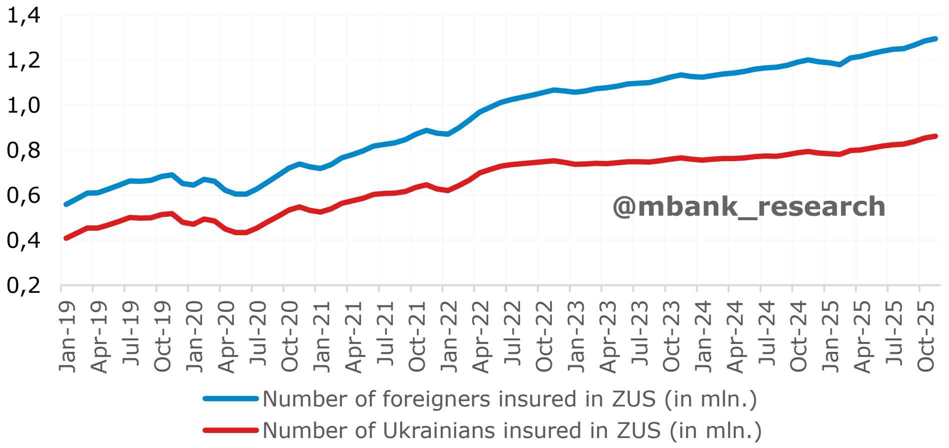
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

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



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

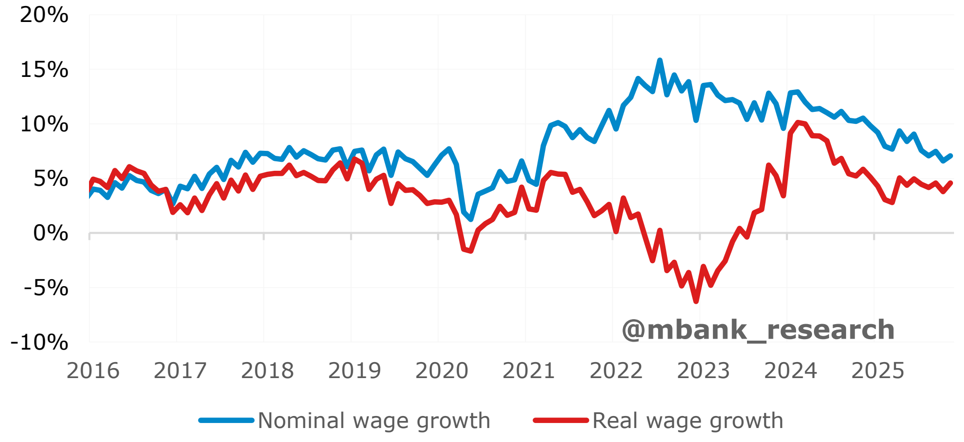
Immigration in the labor force



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

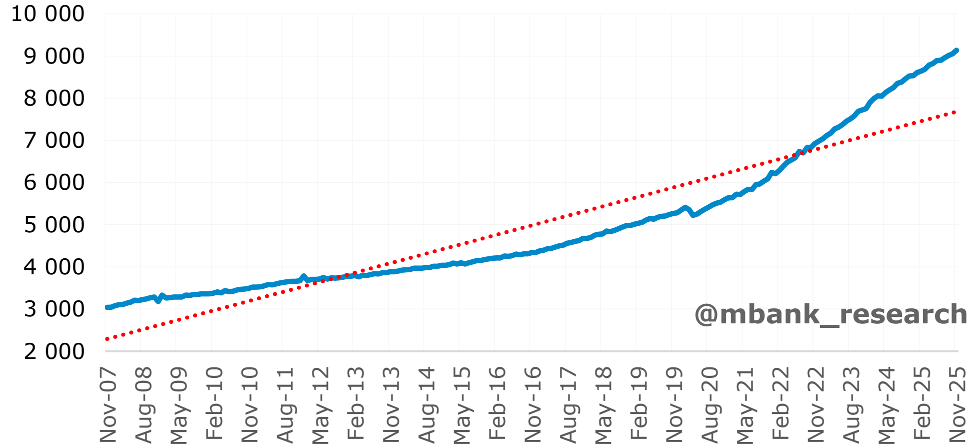
Poland: Labor market tracker - wages

Wage growth (%, y/y, nsa)



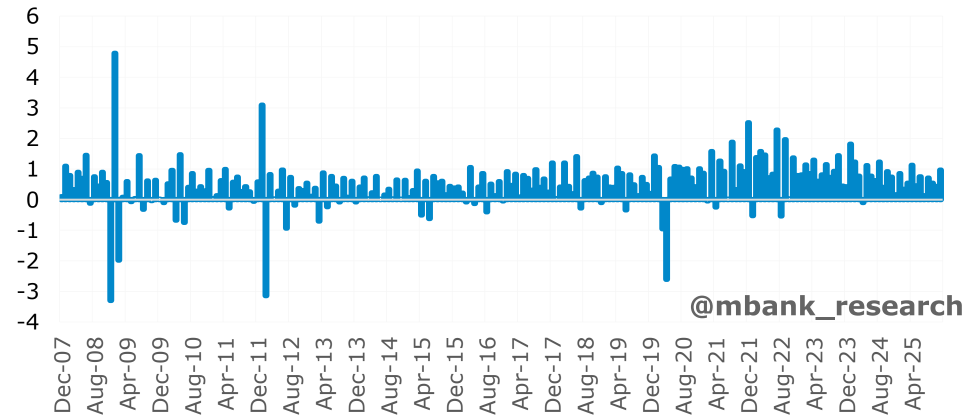
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

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



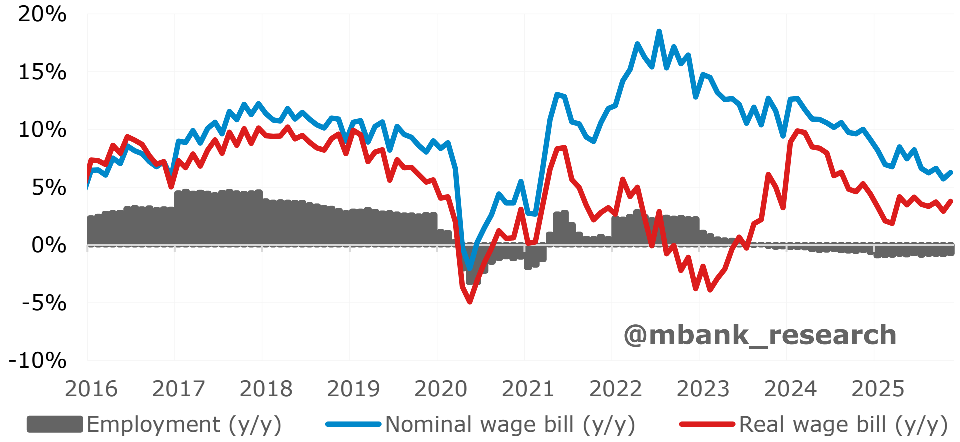
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

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



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

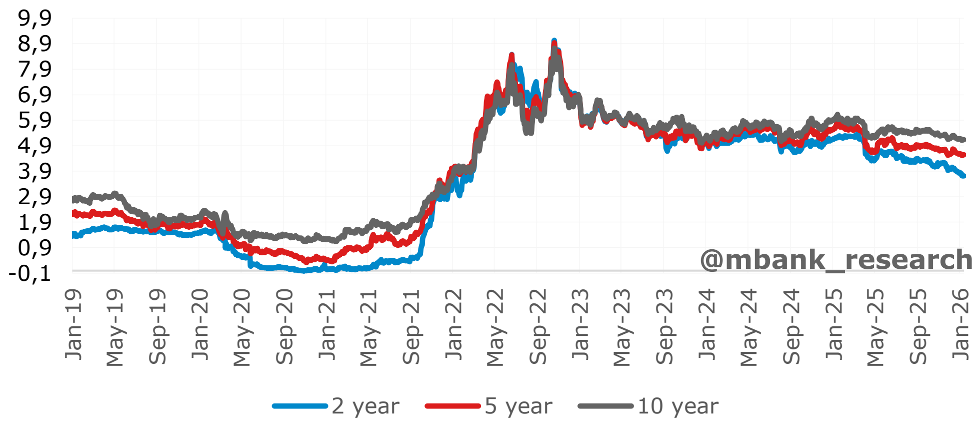
Wage bill (%, y/y)



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

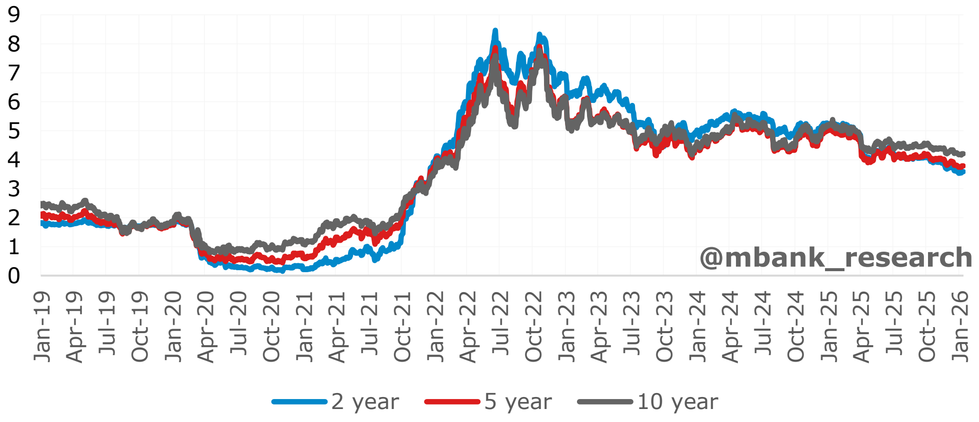
Poland: Interest rates

POLGBs (%)



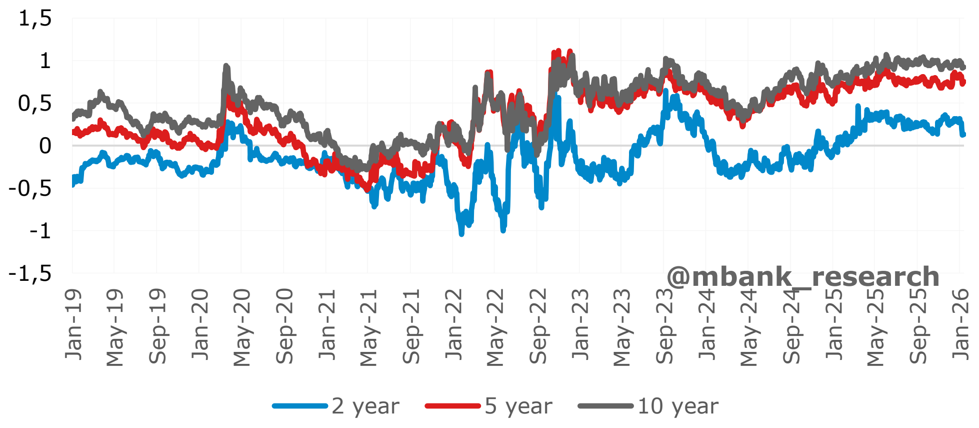
Source: Bloomberg.

PL IRS (%)



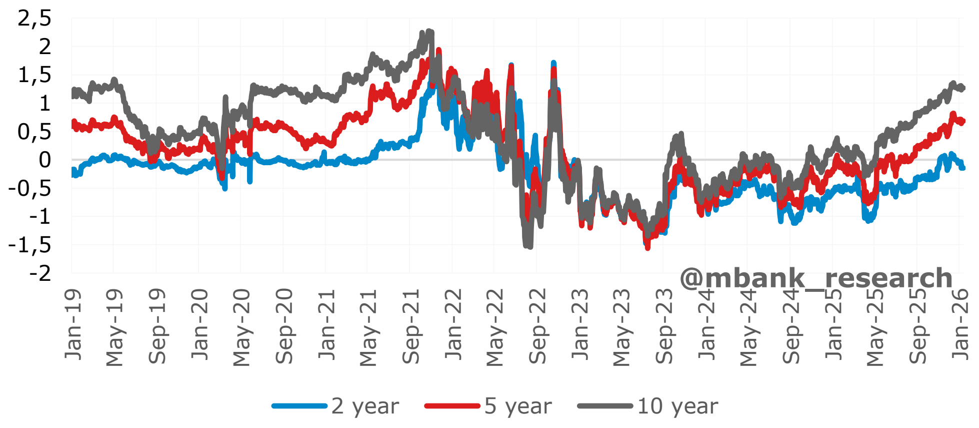
Source: Bloomberg.

ASW spread (pp)



Source: Bloomberg.

POLGB yield minus 3m WIBOR (pp)



Source: Bloomberg.

Poland: Fiscal & external outlook

Fiscal balance

- After November there was a PLN 245 billion deficit in the central budget. The 2026 draft budget bill projects a deficit of PLN 271.7 billion, equivalent to 6.5% of GDP. The same level is projected for the general government (GG) deficit. Consequently, net borrowing needs are expected to rise to PLN 422.9 billion in 2026, up from the revised 2025 figure of PLN 300.5 billion. Of the PLN 422.9 billion, PLN 240.8 billion will be financed in the domestic market and the remainder in the foreign market. Despite the fact that the 2026 borrowing needs are higher than in 2025, the Ministry of Finance (MoF) does not plan to issue more government bonds (neither POLGBs nor Eurobonds) as a significant portion of these needs will be covered by EU funds.
- Polish President vetoed a possibility to increase excise on alcoholic beverages in 2026 and 2027 as well as the govt’s proposal to increase a so-called sugar fee. Notice that the govt assumed earlier that it would gather additional money from those taxes. It means that the 2026 budget revenue is going to be lower by approximately PLN 3.1 billion. The MoF claims that it does not mean the 2026 draft budget bill will have to be amended whatsoever.
- Polish President has yet to sign the 2026 draft budget bill. Deadline expires on Tuesday (20.01). Consequences of not signing or conditional signing are nuanced. Therefore we explained them in detail in the next slide (here).
- The Polish energy watchdog approved new electricity and gas tariffs for households in 2026. As a result, the average electricity bill will increase by 2-3% compared to the frozen price applicable until the end of 2025. Meanwhile, the average gas bill will decrease by 1%. These new tariffs align closely with our predictions. This implies that January headline CPI will be very low, around 2%.
- Poland's membership in the eurozone could be a source of economic disruption, the MoF wrote in the latest edition of the Monitor of Convergence with EMU. It added though, that in the longer term, thanks to the implementation of structural reforms strengthening the potential and productivity of the Polish economy, the degree of similarity to the eurozone member states should increase.
- The Ministry of Finance has raised over PLN 28 billion through outright bond and bill auction since the beginning of December. Moreover, it also successfully placed Eurobonds worth EUR 3.25 billion (EUR 2 billion – 5Y, and EUR 1.25 billion – 10Y). It is worth noting that demand amounted to EUR 12 billion, which underscores the continued strong interest of foreign investors. After all of these auctions, the level of gross borrowing needs for 2026 stands at 26%.
- Graphical summary of current fiscal data in next two slides (here and here).

External balance

- The current account (CA) balance recorded a deficit of 0.7% of GDP after November, measured as a 12-month rolling sum. 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 as well (more than 1pp decline since mid-2023). Any near-term improvement is unlikely - we expect a stronger deficit in the coming months.
- The FDI-adjusted CA remains in surplus (0.3% of GDP after November), though it has narrowed notably of late. Also, capital account posted a surplus of 0.7% of GDP after November. This results in a current account surplus of 0.9% 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.

What happens if the President does not sign the budget bill?

1. (Status quo). The Budget Act for 2026 was submitted to the President on 13 January. The deadline for a decision expires on 20 January. The most important element stabilizing the system – the Budget-Related Act – has already been signed (18 December 2025), which means that the “legal foundation” for state finances is secured (the Budget Act itself is only a table – a record of agreed amounts on the revenue and expenditure sides). Since the Budget-Related Act is already in force, the government has the right to collect new rates (but not those resulting from acts vetoed by the President; unfortunately, the higher CIT for banks applies regardless of what happens, because it was included in the draft) and to apply the wage freeze in the public sector even if the main expenditure “table” is not formally signed. This drastically reduces the risk of a state paralysis.

2. Presidential vetoes on tax acts (excise duty, sugar levy) have caused the revenue side of the budget to be overstated. This means that the real deficit will be higher than planned. The government will likely use this as a “legal safety fuse” – under the Public Finance Act, lower revenues give the Minister of Finance the right to impose top down expenditure blocks within ministries, allowing strict fiscal discipline without the need to immediately amend the law. Risk: The government may be accused of running the economy on the basis of a budget built on false assumptions, although this would be difficult to argue, since the President vetoed the acts after the draft had been submitted to Parliament.

3. Subsequent review – “Signature with reservation”: The President may sign the budget while simultaneously referring it to the Constitutional Tribunal (CT) ex post. In this scenario, the budget enters into force and the state functions normally. This is the optimal scenario for market stability and business predictability (with the caveat of an initial revenue shortfall, but the amount is small and already known to the market).

4. Preventive review – “Blocking entry into force”: If the President refers the budget to the CT before signing it, the act is not published. The government then switches to operating on the budget draft (Art. 219(4) of the Constitution). This state may last up to 2 months – the time the CT has to issue its ruling.

5. Risk to “Parliamentary Amendments”: The main risk of operating on the draft (instead of the signed act) is that the draft does not include amendments introduced during parliamentary work (e.g., additional funds for science or housing). The government would then have to operate on the original amounts, which may impact specific sectors of the economy.

6. Impact on the Deficit (Revenue Stability): Thanks to the signed Budget-Related Act, the revenue side of the budget is protected. The government has tools to control inflows. Even without the signed main Budget Act, levies are collected in line with the new, higher plan (VAT tightening, excise duty).

7. Provisional budget – an unnecessary instrument: Under the current legal framework, adopting a provisional budget is entirely unwarranted. Article 219 of the Constitution gives the government full legitimacy to spend money based on the draft until the CT completes its work, rendering the provisional budget a dead instrument.

8. Argument for easier expenditure control during crisis: Paradoxically, the absence of a signed Budget Act strengthens the position of the Minister of Finance. Operating on the draft enables aggressive blocking of discretionary expenditures (e.g., subsidies, new investments). The government may argue that “in the face of the President’s sabotage” it must protect only critical expenditures (pensions, defense), which allows keeping the deficit in check more effectively than under the “giveaway” conditions recorded in a signed act. This matters politically: maintaining social transfers allows the government to preserve face despite presidential obstruction (“You see no difference, and yet the President is throwing obstacles at us.”). At the same time, investments may become the Nemesis of Minister Domański, who positions himself as their main advocate.

9. Coalition discipline under external pressure: The lack of a presidential signature acts as an “external threat”, forcing coalition parties to abandon particularistic financial demands. In the absence of a formal Budget Act, the Minister of Finance gains a pretext to refuse additional funds, something that would be politically impossible under a normally signed budget. Coalition survival logic suggests the coalition will hold even though demands introduced during Senate and Parliament work will not be included. Only emotional reactions may pose a problem – and MPs are human beings, hence may react in many ways.

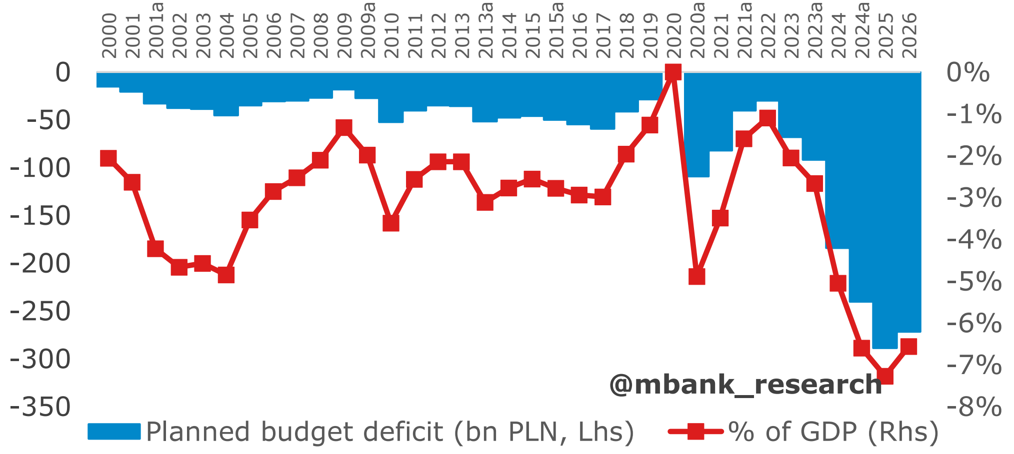
10. Risk of Term Shortening and Strategic Balance: Although the President may raise the argument of “failure to adopt the budget” (Art. 225), with the Budget-Related Act signed and the physical submission of the budget to the Presidential Chancellery, such an argument is legally doubtful. The real game concerns political narrative: if the government maintains benefit payments, the President will be perceived as an “obstructor”, making a snap election scenario extremely unattractive for the opposition, especially since elections – apart from cementing the difficult to control Confederation – would change nothing, while the opposition would enter them from the position of a quarrelsome, obstructionist presidency.

Summary: Thanks to the Budget-Related Act being signed in December, the government has a “safety fuse” enabling it to survive a potential budget blockade. Operating on the draft (points 8 and 9) may paradoxically support fiscal stability by giving the government tools for extraordinary budget discipline, at the cost of greater political uncertainty within the coalition. Polling arithmetic may, however, support discipline – emotional moves would be required to break this logic.

Poland: Fiscal monitor #1

Want more? See our Polish Debt Monitor -> LINK

Planned budget deficit

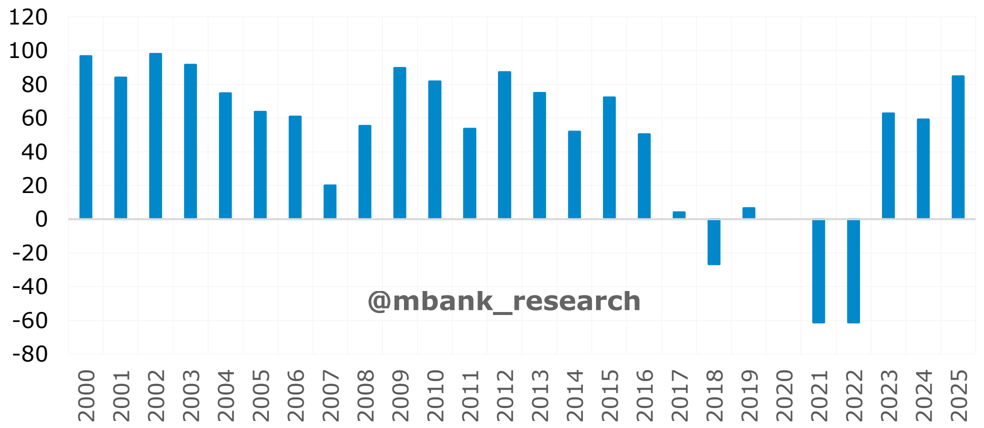


Source: Ministry of Finance, a – budget novel.

State debt servicing costs (% GDP, quarterly)

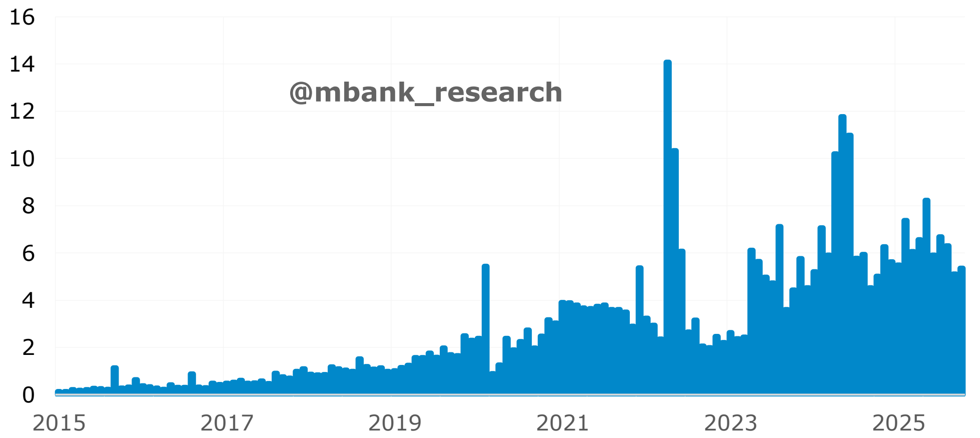
Source: Macrobond.

Central budget deficit after November as % of yearly planned deficit



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

Retail bonds sold per month (bln PLN)

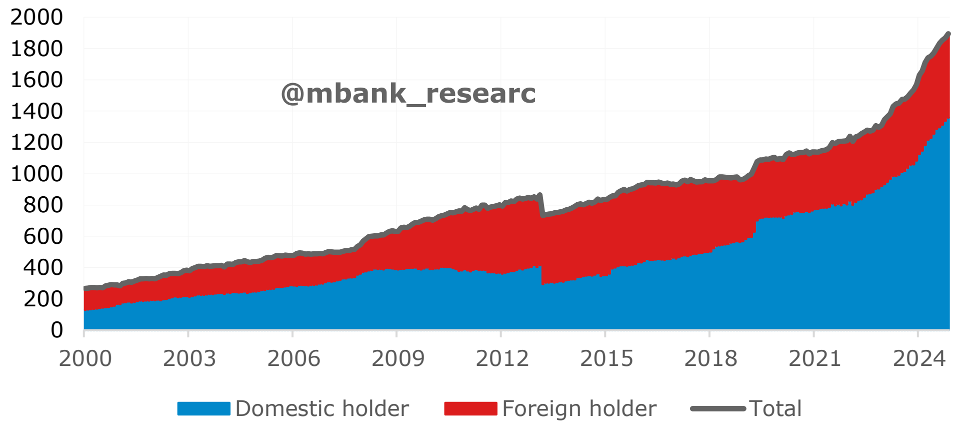


Source: Ministry of Finance.

Poland: Fiscal monitor #2

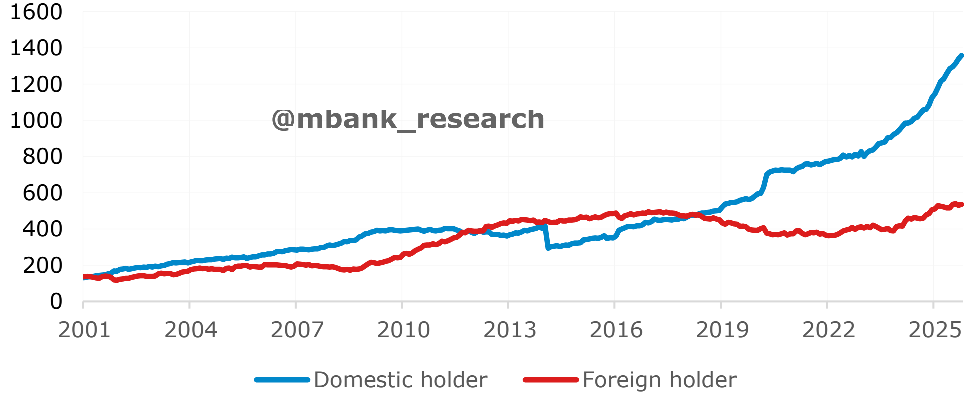
Want more? See our Polish Debt Monitor -> [LINK]

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



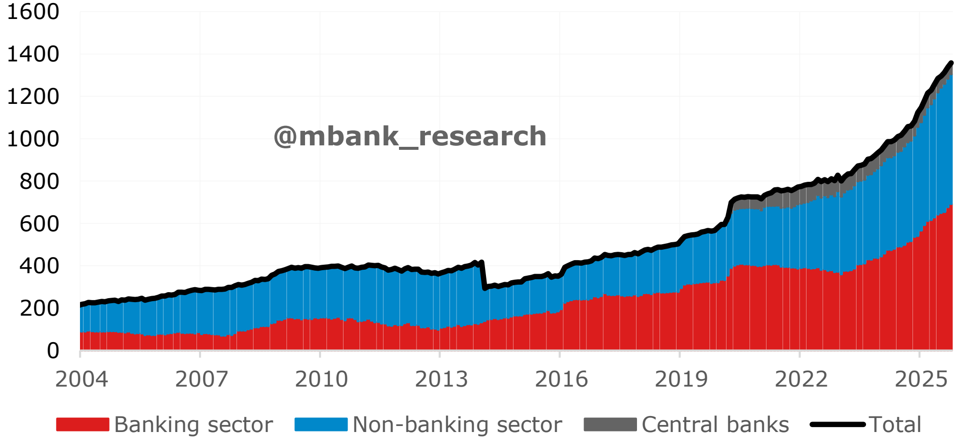
Source: Macrobond. *Last reading: October 2025

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



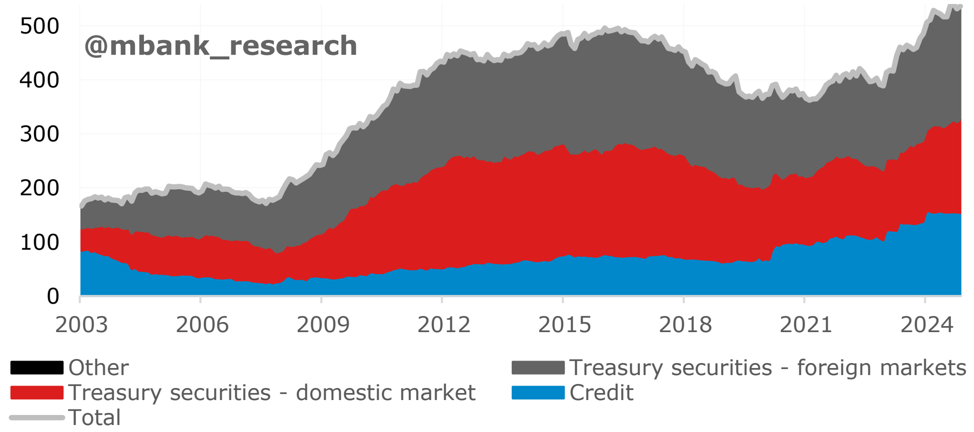
Source: Macrobond. *Last reading: October 2025

State treasury debt – domestic holders* (bln PLN)



Source: Macrobond. *Last reading: October 2025

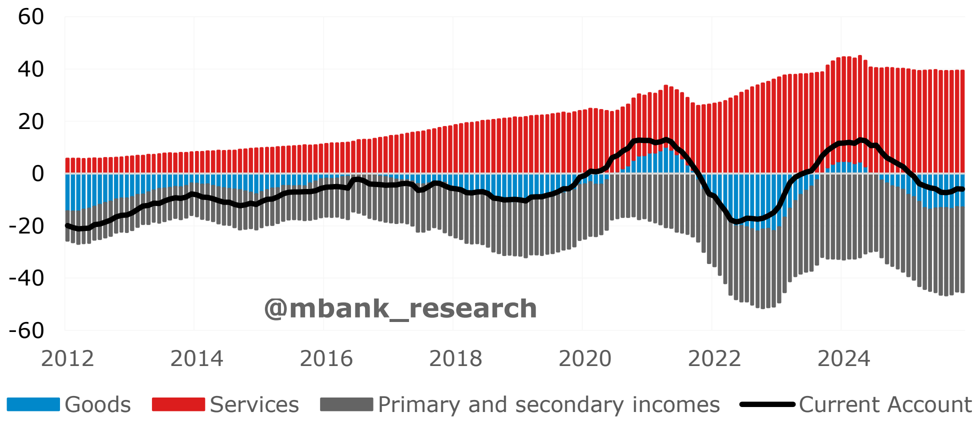
State treasury debt – foreign holders* (bln PLN)



Source: Macrobond. *Last reading: October 2025

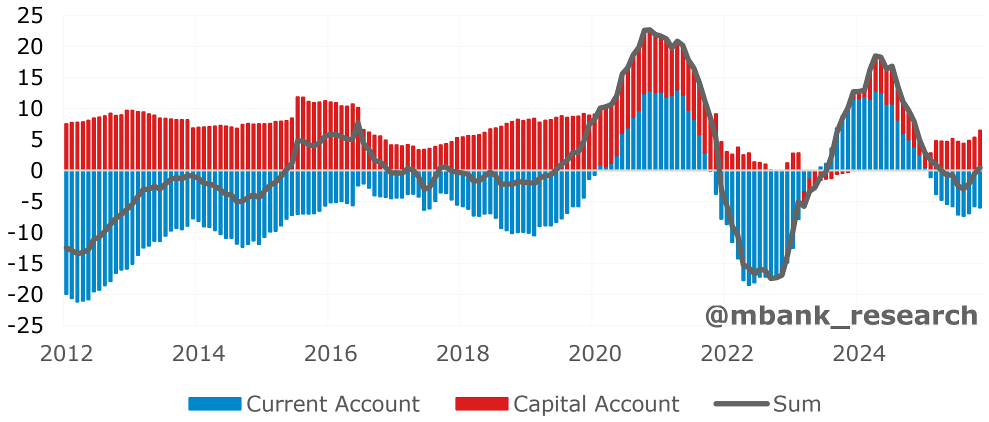
Poland: External balance monitor

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



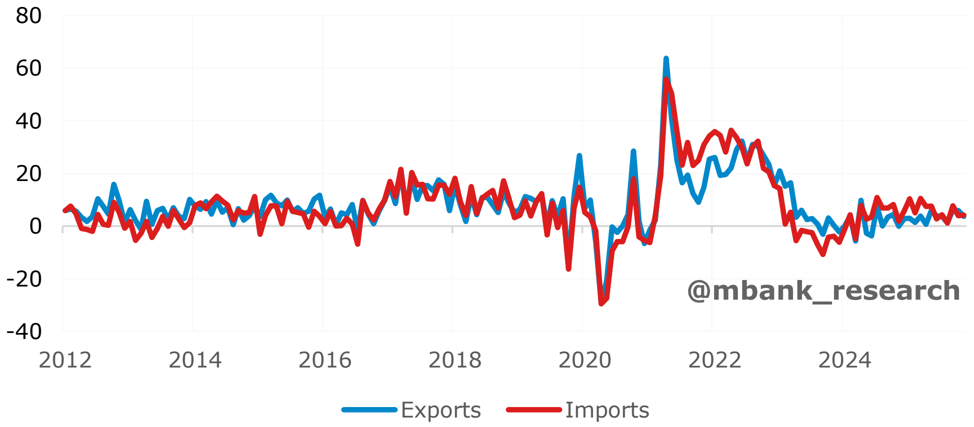
Source: Own elaboration based on NBP.

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



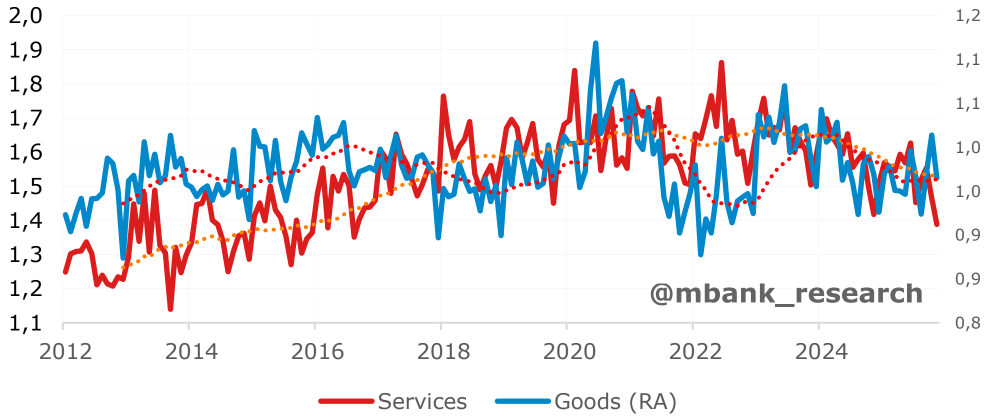
Source: Own elaboration based on NBP.

Exports and imports dynamics (%, y/y)



Source: Own elaboration based on NBP.

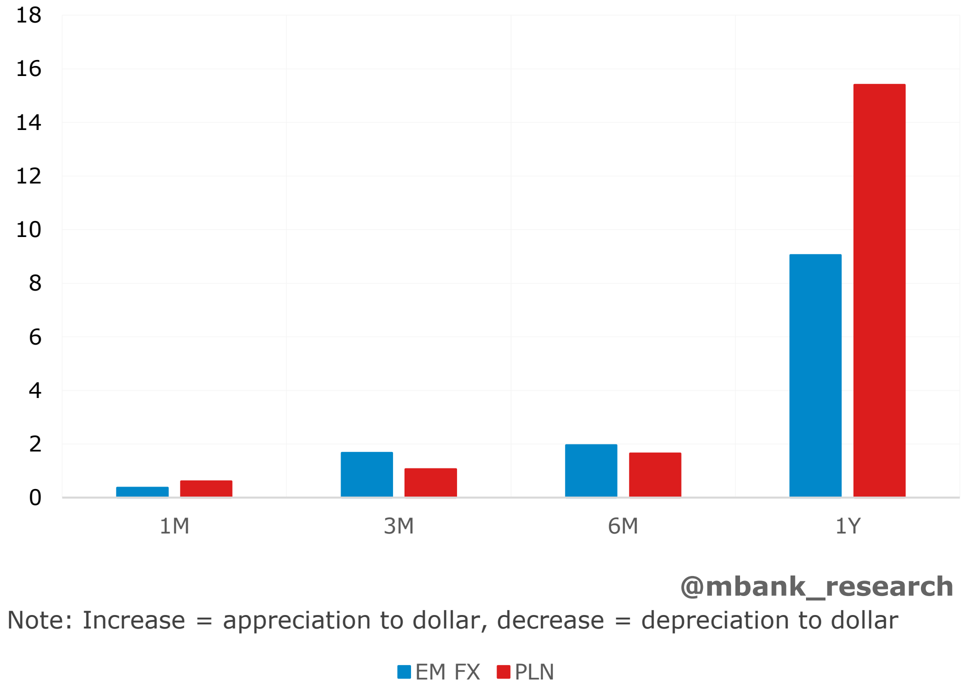
Exports to imports ratio



Source: Macrobond.

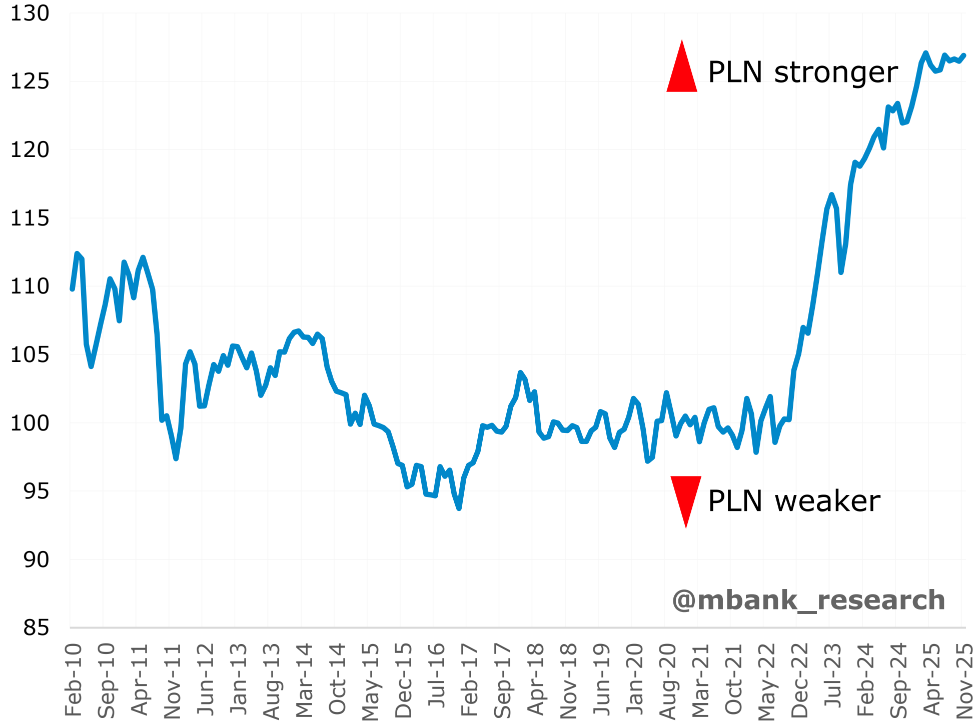
Poland: Will lower inflation push PLN down?

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



Source: Bloomberg.

Real effective exchange rate (mind the dates)



Source: BIS.

The Polish currency began the new year with little change, though its one-month performance remains positive, as shown in the above chart. Furthermore, it slightly outperformed its EM peers. Taking a closer look at the USDPLN chart reveals an upswing in recent days, propelled by the EURUSD slide. Meanwhile, the PLN has remained relatively unchanged against the euro. Looking forward, we want to emphasize one important point. We strongly believe that inflation will be a pleasant surprise for the NBP, encouraging it to resume rate cuts by the end of the first quarter (our year-end forecast remains at 3%). We base this assumption on our January CPI forecast, which will likely be slightly below 2%. Overall, average annual inflation is expected to stabilize at around 2%, which is below the mid-point inflation target of 2.5%. Therefore, we think this outcome will prompt market participants to start pricing in sharper rate cuts. If so, the PLN is likely to lose steam, unless the Ministry of Finance defends this move by exchanging larger foreign exchange (FX) volumes on the market instead of the central bank. Having said that, at current juncture, such a behavior should be deemed highly unlikely.

Disclaimer and contact details

mBank Research is:

Marcin Mazurek, Ph. D.
Chief Economist

Email:
marcin.mazurek@mbank.pl

Arkadiusz Balcerowski, CFA
Economist

Email:
arkadiusz.balcerowski@mbank.pl

Jakub Rybacki, Ph. D
Economist

Email:
jakub.rybacki@mbank.pl

Dawid Sułkowski
Economist

Email:
dawid.sulkowski@mbank.pl