

# POLAND

18

## ROBUST GROWTH WITH NO MAJOR IMBALANCES ASIDE FROM THE PUBLIC DEFICIT

Despite the energy shock, Poland's economic growth is expected to remain robust and could even accelerate slightly in 2026. This growth is being driven by a recovery in investment, while consumption, although slowing, will continue to be one of its main pillars. Inflation remains moderate despite rising fuel prices and is expected to stay within the Central Bank's target range. The external accounts, meanwhile, are very solid and can accommodate for the rise in energy costs. However, the trajectory of public debt is a cause for concern, particularly given that the government's lack of a qualified majority is hampering fiscal consolidation.

### GROWTH DRIVEN BY DOMESTIC DEMAND

The repercussions of the conflict in the Middle East have, so far, had little impact on the Polish economy. With a GDP growth rate of 3.5% y/y in Q1 (+0.6% q/q), Poland has once again confirmed its status as the region's most dynamic economy. This performance is driven by both household and government consumption, inventory build-up and, to a lesser extent, investment. The contribution from external demand has been negligible, with the growth in exports nearly matching that of imports. The latest economic indicators remain broadly reassuring, suggesting a moderate slowdown in economic activity. Household confidence, as well as that of business leaders in industry and services, shows only a slight decline, which is significantly less severe than in 2022. Retail sales and industrial production have held up well despite rising energy costs (Chart 1). Industrial activity has even improved over the last three months (+4.0% y/y on average from March to May; +2.1% y/y from December to February).

Investment is expected to pick up in the coming quarters, primarily due to the disbursement of EU funds. Indeed, a substantial portion remains to be disbursed by the end of 2026. Of the EUR 54.7 billion allocated to Poland under the Recovery and Resilience Facility, EUR 20.6 billion (2.2% of GDP) has yet to be disbursed this year. Private consumption, bolstered by wage growth (but at a slower pace than last year) and a resilient labour market will be a key driver, albeit a less dynamic one. In addition, the projected recovery of the German economy in 2026 and 2027 is also expected to underpin Polish growth. Our forecasts point to a robust growth rate of 3.7% in 2026. In 2027, economic growth is expected to slow slightly (to 3.2% according to our forecasts) as the impact of EU funding diminishes.

In the medium term, potential growth — which the IMF estimates at 2.7% for 2026–2031 — is lower than in the periods 2010–2019 and 2021–2025, but remains robust. The dynamism of several sectors, including defence, electric mobility and AI, could enable a faster catch-up. According to a recent World Bank study<sup>1</sup>, GDP could rise by up to 12.1% by 2035 in a scenario where the adoption of AI accelerates, compared with another scenario where the adoption rate remains stable. Furthermore, Poland's per capita GDP, at USD 55,793 (in purchasing power parity), is now comparable to that of Spain and Japan.

### INFLATION UNDER CONTROL

The inflationary impact of the conflict in the Middle East has so far proved modest. Headline inflation has significantly decreased for the second month running, reaching 2.5% y/y in June (down from 3.1% in May and 3.2% in April). The inflation rate for food has also slowed. Similarly, prices for « transport fuels » and « electricity,

<sup>1</sup> Navigating the Age of AI: Implications for Poland's Economy – World Bank 2026.

#### Economic forecasts

|                                      | 2022  | 2023  | 2024  | 2025  | 2026e | 2027e |
|--------------------------------------|-------|-------|-------|-------|-------|-------|
| Real GDP growth, %                   | 5.6   | 0.2   | 3.1   | 3.6   | 3.7   | 3.2   |
| Inflation, CPI, year average, %      | 14.4  | 11.4  | 3.8   | 3.8   | 3.0   | 2.7   |
| Gen. Gov. balance / GDP, %           | -3.4  | -5.2  | -6.4  | -7.3  | -6.6  | -5.8  |
| Gen. Gov. debt / GDP, %              | 48.8  | 49.5  | 54.8  | 59.7  | 61.6  | 63.9  |
| Current account balance / GDP, %     | -2.3  | 1.5   | 0.3   | -0.9  | -1.6  | -1.5  |
| External debt / GDP, %               | 53.3  | 49.8  | 51.6  | 50.2  | 47.1  | 44.2  |
| Forex reserves, EUR bn               | 156.5 | 175.4 | 214.2 | 231.0 | 262.0 | 275.0 |
| Forex reserves, in months of imports | 5.2   | 6.1   | 7.3   | 7.4   | 8.1   | 8.1   |

TABLE 1

e: ESTIMATES &amp; FORECASTS

SOURCE: BNP PARIBAS ECONOMIC RESEARCH

#### Poland: Resilience

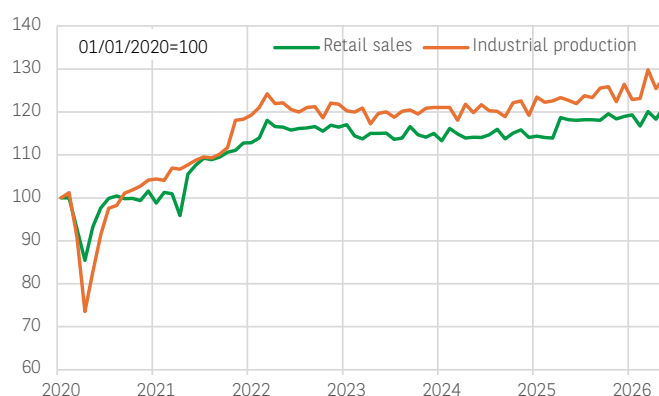


CHART 1

SOURCE : EUROSTAT, BNP PARIBAS

gas and other » components, which account for a relatively small share of the household basket (5.3% and 11.4% respectively), have also risen more slowly. In Poland, the price of petrol surged by 24.9%, peaking at 7.2 zlotys per litre at the end of March, up from 5.7 zlotys. Since mid-June, it has fallen significantly, bringing prices close to their pre-conflict levels. Several key factors have contributed to this trend, including the preliminary peace agreement between the United States and Iran, a reduction in VAT from 23% to 8%, a decrease in excise duties on fuels to the minimum level permitted by the EU, and the introduction of a daily price cap on petrol and diesel.


**BNP PARIBAS**

The bank  
for a changing  
world

However, delayed knock-on effects on the prices of other consumer goods cannot be ruled out. Furthermore, at the end of June, the government lifted the temporary measures, in particular the cap on fuel prices, which may result in a short-term and moderate increase in prices at the pump (PLN 6.77 currently). In any case, inflation is expected to remain, on average, within the Central Bank's target range of 2.5%  $\pm$  1 percentage point this year and next.

## A PRUDENT MONETARY POLICY

The Polish central bank kept its key interest rate unchanged at 3.75% in July for the fourth consecutive month, following a 25-basis-point cut in March. In the short term, the monetary authorities have greater leeway thanks to the slight fall in oil prices and inflation. The Central Bank is expected to remain cautious as the Polish zloty is facing a renewed episode of volatility. Our scenario therefore anticipates that monetary policy will remain unchanged this year. However, if inflation continues to be contained in the coming months, monetary easing cannot be ruled out.

## THE EXTERNAL ACCOUNTS ARE ABSORBING THE SHOCK

Poland relies heavily on hydrocarbon imports. Consequently, it is not surprising that the trade balance deteriorated significantly in April. Imports rose by 5.6% y/y in March and by 6.1% in April, averaging a 1.7% y/y rise over the previous three months. This surge was primarily driven by a sharp rise in the energy bill (+121.9% y/y in March, according to the latest available figures). The growth in imports is expected to slow from June onwards following the signing of the memorandum of understanding between the United States and Iran, along with a relative easing of pressure on commodity prices.

Over the year as a whole, the impact of the shock on the energy trade balance is expected to be moderate, estimated at around -0.4% of GDP, assuming an average oil price increase of 25% in 2026 and a 13.5% rise for gas.

This situation remains manageable despite the trade balance and current account being structurally in deficit. In fact, the country benefits from a robust external financing capacity. With inflows of foreign direct investment and portfolio investment totalling EUR 19.2 bn over the first four months, these inflows more than compensate for the current account deficit of EUR 1.7 bn over the same period. Furthermore, external liquidity indicators are strong, bolstered by very healthy foreign exchange reserves that have been rising steadily for several years.

## LIMITED FISCAL ROOM TO MANOEUVRE

As there was very little flexibility related to the budget, the government's support measures were limited to a temporary cap on fuel prices, along with a reduction in the VAT rate and excise duties on fuel. These measures were ultimately lifted at the end of June. As a result, the cost of the government's measures remains modest, estimated at PLN 1.6 bn per month, or approximately 6.4 bn (0.2% of GDP) over the four months during which the measures were in place. Furthermore, a one-off tax on the profits of energy companies is expected to raise PLN 3.8 bn for the state, partially offsetting the rise in expenditure.

### Poland: Inflation is contained

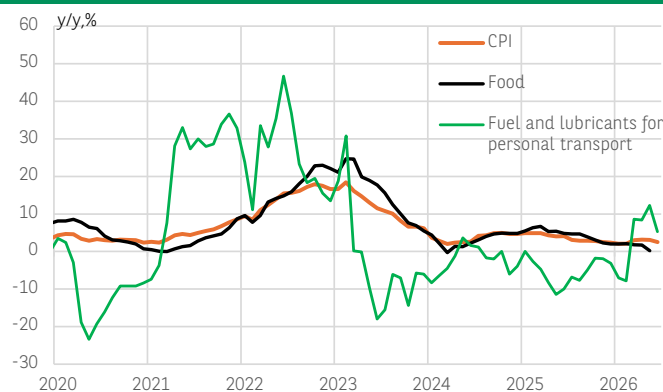


CHART 2

SOURCE: STATISTICS POLAND, BNP PARIBAS

However, the budget deficit is not expected to fall significantly this year. It is forecast to be 6.6% in 2026, following a rate of 7.3% of GDP in 2025. Consequently, the public debt-to-GDP ratio is expected to increase in the short term, likely surpassing the 60% threshold in 2026. To stabilise the debt-to-GDP ratio, the budget deficit would theoretically need to be reduced to below 3.7% of GDP — a target that is difficult to achieve in the short term. Since 2024, Poland has been subject to the excessive deficit procedure and is struggling to consolidate its public finances.

The political deadlock, caused by the lack of a constitutional majority in Parliament, limits the government's ability to consolidate its public finances and obstructs structural reforms. The upcoming general election in 2027 further diminishes the likelihood of ambitious fiscal consolidation.

For the time being, financing the budget deficit does not pose a major problem. The country has managed to raise funds on international markets since the start of the year (in euros, yen and dollars), including a USD 6 billion USD-denominated issue last April, against a backdrop of high volatility. By the end of May, the Polish government had already covered 56% of its funding requirements for the year.

The rise in the cost of borrowing since late February (+0.5 percentage points for yields on 5-year government bonds) has been relatively modest and less pronounced than in 2022 (+4.4 percentage points between mid-February and mid-June 2022). Furthermore, sovereign risk in foreign currency remains limited; in fact, debt denominated in foreign currency accounts for only 20.3% of the government's total debt stock, and the depreciation of the Polish zloty has been limited since the beginning of the year.

Uncertainties surrounding the reopening of the Strait of Hormuz are raising fears of energy supply difficulties. This is a significant concern for Poland, which imports around 50% of its crude oil from Saudi Arabia and 10% of its gas from Qatar. However, the situation has remained manageable so far.

Article completed on 10 July 2026

Cynthia Kalasopatan Antoine

cynthia.kalasopatanantoine@bnpparibas.com



BNP PARIBAS

The bank  
for a changing  
world