

POLAND

17

THE REGION'S POWERHOUSE

Poland's economy is impressively dynamic. In 2025, the country posted the highest growth rate in Central Europe and one of the highest in the European Union. This growth pattern should, yet again, be observed in 2026. Inflation is projected to remain within its target range in 2026 and 2027. However, the cycle of monetary easing is coming to an end. Public finances have deteriorated, but the Polish government can still easily secure financing on the bond market, and sovereign risk remains limited. The artificial intelligence sector, while still in its infancy, is set to become a key driver of growth.

DYNAMIC ECONOMIC GROWTH

Polish economic growth remained robust in 2025. In Q4, real GDP grew by 3.6% year-on-year (+1.0% quarter-on-quarter) compared to 4.0% y/y in Q3 2025, resulting in an annual growth rate of 3.6%. Detailed national accounts data for Q4 2025 have not yet been released. However, economic indicators point to a recovery in consumption after the slight decline observed in Q3. Investment, bolstered by European funds, has undoubtedly grown at a faster pace. Exports likely experienced a more marked recovery in Q4. The improvement in new export orders (PMI) and the resurgence in industrial production point in this direction.

The outlook is favourable in the short term. Industrial confidence has improved over the last six months. Poland is once again expected to post the strongest growth in Central Europe and one of the most dynamic in the EU in 2026 and 2027 (Chart 1). In 2026, according to our estimates, it should be above its potential growth rate of 3.0%. Investment should continue to benefit from European funding, with transfers under the Recovery and Resilience Facility due to end in August 2026. At present, a significant portion of these funds is yet to be disbursed: EUR 28 billion out of the EUR 55 billion allocated (51% of the total). Moreover, the German recovery plan and planned investments in the defence sector in Poland are expected to boost investment.

Consumption, which has been the main driver of growth, remains buoyant in the short term. It should benefit from improved household confidence, a rebound in credit and a dynamic labour market. The unemployment rate is expected to remain close to historic lows, at around 3% (according to the International Labour Office definition). Furthermore, although wage growth is slowing, it remains high, and the ongoing decline in inflation should facilitate an increase in real wages. Fiscal policy will also remain supportive due to the extension of generous social benefits. Nevertheless, the rise in the savings rate since mid-2025 indicates a certain degree of caution on the part of households. There are also signs of a recovery in external demand, as the growth outlook for Germany is expected to improve. In 2027, however, growth is projected to slow slightly as European funds become less available.

INFLATION HAS RETURNED TO ITS TARGET

Inflation, as measured by the CPI index, has been in line with the Central Bank's target since last July. It stood at just 2.2% year-on-year in January 2026. Excluding food and energy, inflation remained slightly higher at 2.7% y/y in December, reflecting wage pressures. Wage growth in the corporate sector remains strong (8% in 2025), although lower than in previous years (11.9% in 2023; 11.2% in 2024).

In the short term, inflation is expected to remain within the Central Bank's target range. According to our forecasts, it should continue to decline in 2026 before rising very modestly in 2027.

The cycle of monetary policy easing that began in May 2025 has been significant but is coming to an end. The monetary authorities have

FORECASTS

	2023	2024	2025e	2026e	2027e
Real GDP growth, %	0.1	3.0	3.6	3.7	3.2
Inflation, CPI, year average, %	11.4	3.8	3.6	2.3	2.5
Gen. Gov. balance / GDP, %	-5.2	-6.5	-6.9	-6.5	-5.5
Gen. Gov. debt / GDP, %	49.5	55.1	58.2	61.4	63.5
Current account balance / GDP, %	1.5	0.3	-0.7	-1.0	-1.2
External debt / GDP, %	49.8	51.8	49.6	49.5	48.0
Forex reserves, EUR bn	175.4	214.2	226.0	231.0	2.4
Forex reserves, in months of imports	6.1	7.3	7.4	7.2	7.1

TABLE 1

e: ESTIMATES & FORECASTS
SOURCE: BNP PARIBAS ECONOMIC RESEARCH

POLAND: OUTPERFORMANCE OF THE ECONOMY

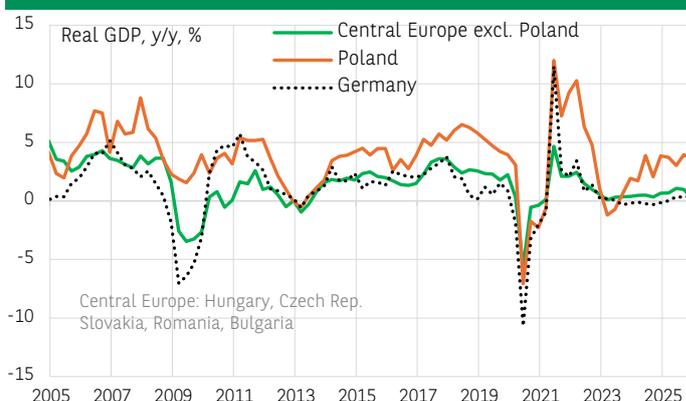


CHART 1

SOURCE: EUROSTAT, BNP PARIBAS

already reduced their key interest rate by a total of 175 basis points (bp), lowering it to 4.0% at the end of 2025. This rate is close to the neutral interest rate according to IMF estimates. Two further 25 bp cuts are expected this year, including one by March. The key interest rate is projected to reach 3.50% at the end of 2026 and to remain at that level in 2027.

EXPORTS HAVE HELD UP WELL, BUT THE TRADE BALANCE IS IN DEFICIT

Despite the tariff shock, Polish exports held up well in 2025 and ended the year slightly up (+2% after -5.6% in 2024). This growth was driven


BNP PARIBAS

The bank
for a changing
world

by food, chemicals and “other manufactured goods”, which saw year-on-year increases of 8.0%, 2.0% and 2.9% respectively over the first eleven months. Imports, meanwhile, rebounded by 3.9% in 2025. As a result, the trade balance returned to a slight deficit (less than 1% of GDP) after the surpluses observed in 2023 and 2024.

The trade deficit is not expected to disappear over the next two years, as the positive investment outlook will coincide with an increase in imports of capital goods. At the same time, imports of military goods, which have risen sharply since the start of the war in Ukraine (EUR 5 billion in 2024; EUR 4.7 billion in the first 10 months of 2025), will remain strong in the medium term. Poland plans to maintain its defence spending at 5% of GDP.

Nevertheless, Poland’s external accounts remain robust. In 2025, the current account deficit was low (-0.7% of GDP) and is expected to remain so in 2026-2027. The services balance, which is structurally in surplus, should offset a large part of the trade deficit and the income balance deficit. Capital inflows are more than sufficient to cover the current account deficit. Poland continues to be an attractive destination for both foreign direct investment and portfolio flows, which could reach 1.4% and 1% of GDP respectively in 2025.

SIGNIFICANT PUBLIC FINANCING NEEDS

The budget deficit is likely to have widened in 2025 (to -6.9% of GDP according to our estimates, compared to -6.5% in 2024). It is unlikely to decrease significantly in the short term, despite the government’s commitment to consolidating public finances. Defence spending, at close to 5% of GDP, and social spending, will put pressure on the government budget in the short term. In this context, the public debt-to-GDP ratio is expected to exceed the 60% threshold, reaching 61.4% of GDP in 2026 according to our estimates. Our calculations indicate that the budget deficit must fall below 3.5% of GDP to stabilise the debt ratio.

At present, sovereign risk is not a major concern. The apparent interest rate, estimated at 3.5% in 2026, remains lower than the nominal GDP growth rate. The interest burden relative to government revenue is moderate, even though this ratio has increased in recent years. In the meantime, the Polish government may save PLN 25 billion (EUR 5.9 billion) over two years due to the fall in the key interest rate.

However, the government’s financing needs, which include the budget deficit and maturing debt, are considerable. The Treasury estimates these needs at PLN 688.5 billion for 2026, or 16.6% of GDP. To date, around 30% of this amount has been financed mainly on the domestic market. At the same time, Poland has turned to international capital markets, issuing EUR 3.25 billion in euros and EUR 1.2 billion in yen since the beginning of this year, and is planning to issue in US dollars in the near future. Poland is not facing any major difficulties in financing its foreign currency debt. However, foreign currency issues are expected to remain below 25% of outstanding debt, which is the limit set by the government.

AI: A TOOL FOR BECOMING A REGIONAL HUB

In Poland, the integration of AI into economic activities is still at an early stage, but the country intends to leverage it to move up the value chain and continue its economic convergence with the more developed EU countries.

Poland aspires to become a regional hub for AI investment. To this end, in 2020, the government launched a national initiative to support companies in the development of artificial intelligence through public funding programmes. In October 2024, the Polish government unveiled

EXPORTS OF AI-RELATED PRODUCTS ARE STABLE AS A PERCENTAGE OF GDP



CHART 2

SOURCE: EUROSTAT, BNP PARIBAS

a new digital strategy aimed at strengthening activities in this field and achieving a 50% adoption rate of AI in companies. It also announced the creation of a EUR 235 million AI fund. The country is focusing on the construction of interconnected data centres, in addition to a EUR 3 billion “AI gigafactory” built in partnership with the Baltic countries. Several AI research centres are already operational, with more set to bolster this system in the coming years.

Poland can also count on European aid to realise its ambitions: around 20% of the recovery and resilience funds are earmarked for digital transformation initiatives. In addition, the defence industry, which is expected to grow in the coming years, will also stimulate the deployment of AI.

Poland has several strengths, including its digital infrastructure and highly skilled workforce. In the PISA mathematics rankings, Poland is among the top countries in both Europe and globally. Likewise, the percentage of jobs held by people with higher education is relatively high (43% of total employment among 24-64 year olds). This is reflected in the relatively satisfactory score of 0.6 on the IMF’s AI Preparedness Index, which is close to the EU average (0.66) and the euro area average (0.67).

At present, the adoption of AI in businesses is limited, with only 5.9% of businesses reporting their use of this technology in 2025. However, foreign direct investment related to AI in the “computer, electronic and optical product manufacturing”, “ICT” and “scientific, technical and professional activities” segments is promising. Overall, FDI related to these sectors doubled between 2018 and 2024, particularly in professional and scientific activities. The share of exports of AI-related products (Chart 2), estimated at EUR 31.3 billion in 2025¹ (3.4% of GDP, 8.5% of total exports), has been more or less stable since 2021. However, these figures should be interpreted with caution, as the exported products may not be exclusively designated for the AI sector.

Article completed on 26 February 2026

Cynthia Kalasopatan

cynthia.kalasopatanantoine@bnpparibas.com

¹ Calculations based on the product classification provided by the WTO in its World Trade Report (2025) “Making trade and AI work together to the benefit of all”, Annex A.

