

# Focus on Poland

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August 2025



### Economic situation

- **Growth:** Poland's economy grew by **+3.2% year-on-year in Q1 2025**, a slight deceleration from +3.4% in Q4 2024. Growth was primarily driven by **domestic demand**, as **household consumption slowed** and **net trade turned negative** amid **US-led trade tensions**.
- **Outlook:** Despite weak business confidence (Manufacturing PMI at 44.8 in June 2025), a **strong labor market**, **gradual monetary easing**, and **EU recovery funds** are expected to support fixed investment. **GDP growth is forecast at +3.4% for 2025**.

## Inflation and Monetary Policy

- **Inflation:** Inflation fell to **+4.0% y/y in May 2025** (from +4.3% in April), but food and energy prices continue to exert upward pressure. Inflation is expected to average +3.7% in 2025 and +2.8% in 2026. **Risks remain due to wage growth and regulated energy prices.**
- **Interest Rates:** The National Bank of Poland (NBP) cut its policy rate by 25bps to 5.0% in July, following a 50bps cut in May, signaling a **dovish pivot**. **Further rate reductions** are expected through year-end.
- **Currency:** The Polish Zloty (PLN) stabilized between **EUR/PLN 4.25–4.30** since April 2025. Appreciation earlier in the year was driven by robust GDP growth and resilient industrial activity, although external uncertainties remain.

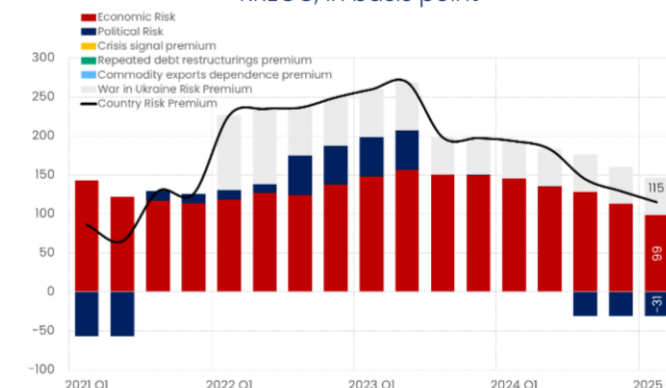
## Financial situation

- **Country Risk Premium:** Poland's total risk premium is 115bps, relatively favorable compared to other key Emerging Markets (EMs).
- **Economic & Financial Risk:** Rated 48.0 (C) – has improved notably since mid-2024 due to declining short-term payment and risk ratings. Long-term risk reduction signals strengthening macroeconomic fundamentals.
- **Liquidity:** Forex reserves are high (USD 244bn in May 2025) but matched by large short-term liabilities, indicating volatility risks.
- **Currency Valuation:** Persistent overvaluation of the PLN and declining exchange rate competitiveness may expose Poland to medium-term export and currency risks.

Country Risk Premium Components

	Rating	Premium (in bp)
Economic & Financial Risk	48.0 – C	99
Political & Governance Risk	35 – b	-31
Crisis Signal	-	0
Country Risk Premium		68
War in Ukraine Risk Premium		+48

History of Country Risk Premium by component  
RRECC, in basis point



### Political situation

- **Presidential Elections:** K. Nawrocki, backed by the right-wing populist Law and Justice Party (PiS), won the presidential runoff with 51% and will take office in August 2025.
- **Institutional Tension:** Nawrocki's presidency poses a challenge to the reform-oriented government and risks blocking access to frozen EU funds, which could impact investment flows and Poland's relationship with the EU.
- **Geopolitical Risks:** The ongoing war in Ukraine continues to exert external pressure and contributes +48bps to Poland's risk premium.

# Any questions?

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