NARODOWY BANK POLSKI

Monetary Policy Council

July 2025

Inflation Report

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Warsaw, 2025

The *Inflation Report* presents the Monetary Policy Council's assessment of macroeconomic developments influencing inflation. The projection of inflation and GDP presented in Chapter 4 has been prepared at the Economic Analysis and Research Department of Narodowy Bank Polski (NBP). In terms of the contents, works on the projection have been supervised by Director of the Economic Analysis and Research Department. The projection has been prepared with the use of the NECMOD macroeconomic model. The NBP Management Board has approved the submission of the projection to the Monetary Policy Council. The projection of inflation and GDP is one of the inputs to the Monetary Policy Council's decision-making process.

The time frame of the analysis presented in the *Report* is conditioned by the availability of macroeconomic data, while its periodisation (breakdown into sub-periods) is conditioned by the development of particular variables. Chapters 1 and 2 of the *Report* include data available until 17 June 2025, while the projection of inflation and GDP presented in Chapter 4 has been prepared taking into account data available until 9 June 2025.

This *Inflation Report* is a translation of NBP *Raport o inflacji* in Polish. In case of discrepancies, the original prevails.

Contents

Summary

Global economic growth remains below its long-term average. In recent quarters, it has been supported by the favourable labour market situation and real wage growth in many countries. Alongside that, economic conditions in some countries were still adversely affected by the effects of the earlier tightening in financial conditions and major supply shocks of the previous years. Moreover, uncertainty persists over the outlook for global activity, related, among others, to changes in trade policies. In 2025 Q1, annual GDP growth in the euro area accelerated to 1.5%, while in the United States it slowed down to 2.1%.

Since the *Inflation Report-March 2025*, inflation around the world has declined. In many economies it was driven down by a lower energy price growth. Core inflation also declined, albeit it remained elevated in many countries. In turn, annual growth of industrial producer prices has been close to zero in the major advanced economies and negative in China over the recent past.

The prices of most energy and agricultural commodities were on average lower in June 2025 than a year earlier. Nevertheless, prices in both commodity groups were still running above their pre-COVID-19 averages amid continued supply constraints in some markets, including the constraints related to Russia's military aggression against Ukraine, and the geopolitical tensions in the Middle East.

In recent months, most central banks in advanced economies have reduced interest rates or kept them unchanged following earlier cuts. Meanwhile, in all the advanced economies interest rates have been significantly above their pre-COVID-19 levels. At the beginning of June, yields on long-term government bonds in many economies remained at levels similar to those at the end of February 2025. In turn, since the previous *Report*, the US dollar exchange rate depreciated significantly against many currencies, including the euro.

In 2025 Q1, CPI inflation amounted to 4.9% y/y, markedly exceeding the NBP inflation target. In April and May, consumer price growth declined (to 4.3% y/y and 4.0% y/y, respectively). In recent months, the high annual growth in administered prices has continued, primarily due to the increase in electricity and natural gas prices (as a result of their partial unfreezing since July 2024 and a rise in distribution tariffs for natural gas since January 2025), and also – albeit to a smaller extent – higher prices of water supply, sewage collection as well as refuse collection. In turn, the decline in CPI inflation after 2025 Q1 was driven by the decreasing annual growth in the prices of food (as a result of the fading impact of reinstatement of the 5% VAT rate on staple food products since April 2024 on annual CPI growth) and fuels (particularly following the decline in global oil prices and the depreciation of the US dollar). Inflation excluding food and energy prices has declined in recent months, mainly owing to the fall in annual growth in services prices, which nevertheless was still elevated. At the same time, growth in the prices of non-food goods remained low amid the still negative annual growth in industrial producer prices.

Economic activity growth in Poland stood at 3.2% y/y in 2025 Q1 (compared to 3.4% y/y in 2024 Q4). The slower GDP growth was primarily due to a weaker contribution from change in inventories, as well as a slowdown in public and household consumption growth. Factors acting in the opposite direction included investment growth in annual terms – after a marked decline in the previous quarter – and an improved, although still negative, contribution from net exports.

In 2024, the general government deficit in ESA2010 terms amounted to PLN 239.8 billion (6.6% of GDP), compared to a deficit of PLN 180.1 billion (5.3% of GDP) in 2023. The increase in the deficit was primarily the effect of a rise in public expenditure in relation to GDP, particularly on compensation of employees – due to increases in the salaries of teachers and employees of the state budget sector – as well as higher expenditure on social transfers in cash. General government revenue in relation to GDP rose as well, but state budget revenue, especially tax revenue, proved to be significantly lower than originally assumed in the *2024 Budget Act of 18 January 2024*.

In 2025 Q1, the aggregate gross financial result of the non-financial enterprise sector increased in annual terms, largely driven by the improved result of the energy sector. Increases in both the result from the sale of products, goods and materials and the result on other operating activity contributed towards the improvement in the gross financial result. The profitability of the enterprise sector was higher in 2025 Q1 than the year before, although it was still below the long-term average, whereas liquidity of the enterprise sector remained high in most sections of the economy.

In the labour market, the unemployment rate continued to be low at the beginning of 2025. At the same time, annual wage growth was lower than in 2024, although still relatively high.

In recent months, the prices of financial instruments in Poland have been affected, in particular, by sentiment in the international financial markets and the adjustment of NBP interest rates in May 2025. Since the previous *Report*, the yields on Polish government bonds have fallen on the back of lower NBP interest rates and reduced market forecasts of inflation, despite incoming data showing higher than planned general government deficit and debt figures in Poland. At the same time, the zloty – similarly to many other currencies – has strengthened against the US dollar, while weakened against the euro.

Growth in the M3 aggregate amounted to 9.9% y/y in 2025 Q1 (compared to 8.7% y/y in 2024 Q4). Alongside that, the annual growth in household debt slowed down, whereas that in corporate debt accelerated.

The current account balance and other external imbalance indicators evidence that the Polish economy is well balanced. In 2025 Q1, the current account balance decreased again. Similarly to the previous quarters, the decline in the balance was mainly due to a widening in the deficit on trade in goods. There was also a slight decrease in the balance of trade in services, whereas the deficit on the primary income account remained unchanged from the previous period.

The *Report* is structured as follows: Chapter 1 presents the analysis of economic conditions in the external environment of the Polish economy in terms of their impact on inflation developments in Poland. These developments and the domestic factors that might affect them are described in Chapter 2. Chapter 3 includes *Minutes of the Monetary Policy Council decision-making meetings* held between March and May 2025, together with the *Information from the meetings of the Monetary Policy Council* in June and July 2025. Chapter 5 presents the Monetary Policy Council voting records from the meetings held between February and May 2025.

Chapter 4 of the *Report* presents the projection for inflation and GDP based on the NECMOD model, which is one of the inputs into the Council's decision-making process on the NBP interest rates. In line with the projection, prepared under the assumption of unchanged NBP interest rates and taking into account data available until 9 June 2025, there is a 50-percent probability that the annual price growth will be in the range of 3.5 – 4.4% in 2025 (against 4.1 – 5.7% in the March 2025 projection), 1.7 – 4.5% in 2026 (compared to 2.0 – 4.8%) and 0.9 – 3.8% in 2027 (against 1.1 – 3.9%). At the same time, the annual GDP growth – according to the projection – will be with a 50-percent probability in the range of 2.9 – 4.3% in 2025 (against 2.9 – 4.6% in the March 2025 projection), 2.1 – 4.1% in 2026 (compared to 1.9 – 4.0%) and 1.3 – 3.7% in 2027 (against 1.1 – 3.5%).

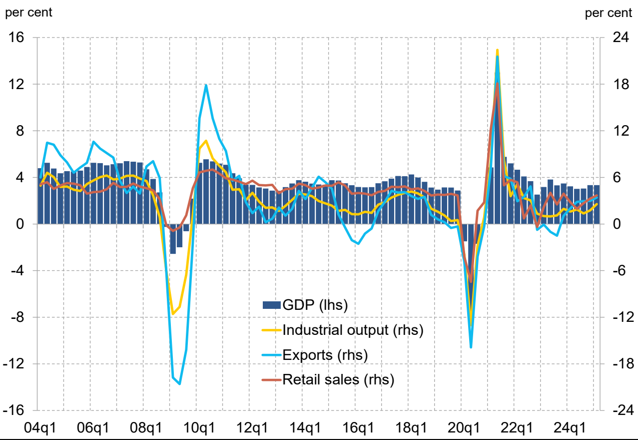
1. External developments

1.1 Economic activity abroad

Global economic growth remains below its long-term average. In recent quarters, it has been supported by the favourable situation in the labour markets and real wage growth in many countries. At the same time, a recovery in goods exports continued (Figure 1.1), driven in the early months of 2025 by increased imports into the United States due to concerns about a rise in import tariffs. Alongside that, economic conditions in some countries were still adversely affected by the effects of the earlier tightening in financial conditions and major supply shocks of the previous years. Moreover, uncertainty persists over the outlook for global activity, related, among others, to changes in trade policies.[1]

In the euro area, GDP growth amounted to 1.5% y/y in 2025 Q1, and 1.2% y/y in 2024 Q4 (compared to 0.9% y/y in in 2024 Q3; Figure 1.2).[2,3] However, the pace of GDP growth varied considerably across the euro area countries. In Germany, GDP in annual terms stabilised in 2025 Q1, following a few quarters of decline. In France, GDP growth was running at 0.6% y/y, in Italy at 0.7% y/y, and in Spain at 2.8% y/y. In the euro area, GDP growth in 2025 Q1 was supported by private and public consumption as well as investment. There was also an increase in inventories. Net exports, in turn, made a negative contribution to

Figure 1.1 Global GDP growth and economic activity indicators (y/y)



Source: LSEG Datastream, Centraal Planbureau, OECD, Eurostat, IMF and national statistical offices data, NBP calculations.
The growth in GDP, industrial output and retail sales are calculated using weights based on GDP expressed in purchasing power parity (PPP). The sample consists of 58 economies comprising over 80% of global GDP expressed in PPP. Growth in global exports according to Centraal Planbureau. Due to limited availability of data from some countries, the sets of economies used for calculating each time series differ slightly.

[1] In March and April 2025, the United States introduced tariffs on imports of steel, aluminium and cars, among others. In April, increased tariffs were introduced on imports of other goods to the United States from most countries, including the European Union, and – particularly high – from China. During the ongoing trade negotiations between the United States and their trade partners, the tariffs have been subject to significant changes.
[2] In recent quarters, GDP growth in the euro area has been heavily affected by the data from Ireland. With Ireland excluded from the euro area aggregate, GDP growth stood at 0.8% y/y in 2025 Q1 against 0.9% in 2024 Q3 and Q4.
[3] In quarterly terms, GDP growth in the euro area was 0.2% in 2024 Q4 and 0.6% in 2025 Q1.

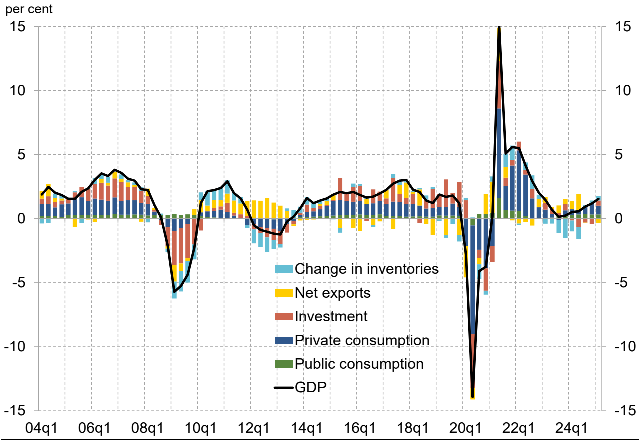
GDP growth. The unemployment rate in 2024 Q4 and 2025 Q1 remained at a historically low level of 6.2%.

In the United States, economic activity declined in 2025 Q1, which translated into a fall in annual GDP growth to 2.1% (compared to 2.5% in 2024 Q4 and 2.7% in 2024 Q3; Figure 1.3).[4] GDP growth in 2025 Q1 was supported by an increase in domestic demand, especially private consumption. By contrast, net exports made a negative contribution to GDP growth. At the same time, the situation in the labour market remained favourable: nonfarm payroll employment grew at a relatively fast pace, while the unemployment rate did not change significantly and stood at 4.2% in May 2025.

In China, GDP growth in 2025 Q1 and 2024 Q4 was stable at 5.4% y/y.[5] Household demand strengthened slightly as a result of the authorities' economic policy stimulus measures, although consumer sentiment remained downbeat. Activity growth continued to be curbed by the downturn in the real estate market, although the scale of the decline in housing investment, home sales and prices was smaller than in the previous quarters. Alongside that, net exports continued to contribute significantly to GDP growth.

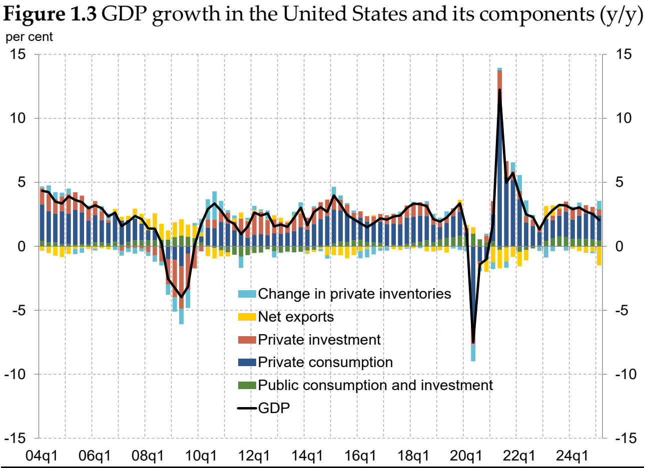
In 2024 Q4 and 2025 Q1, activity growth across the Central and Eastern European economies outside the euro area was diverse.[6] In 2024 Q4, GDP growth in the Czech Republic stood at 1.8% y/y, whereas in Romania and Hungary it was much slower at 0.4% y/y and 0.1% y/y, respectively.[7] In 2025 Q1, GDP growth accelerated in the Czech Republic and Romania, to 2.2% y/y and 0.6% y/y, respectively, while in Hungary, amid a marked slowdown in investment, it declined to -0.4% y/y.[8] In all those three economies, GDP growth in 2025

Figure 1.2 GDP growth in the euro area and its components (y/y)



Source: Eurostat data, NBP calculations.

Figure 1.3 GDP growth in the United States and its components (y/y)



Source: Bureau of Economic Analysis data, NBP calculations.

[4] In quarterly terms, GDP in the United States contracted by 0.2% saar in 2025 Q1, compared to a rise of 2.4% saar in 2024 Q4 and 3.1% saar in 2024 Q3.
[5] In quarterly terms, GDP in China increased by 1.2% in 2025 Q1, compared to 1.6% in 2024 Q4.
[6] The analysed group of countries includes the Czech Republic, Hungary and Romania.
[7] In quarterly terms, GDP growth in 2024 Q4 was 0.7% in the Czech Republic, 0.5% in Romania and 0.6% in Hungary.
[8] In quarterly terms, GDP growth in 2025 Q1 was 0.8% in the Czech Republic, 0.0% in Romania and -0.2% in Hungary.

Q1 was positively affected by the rising private consumption. The foreign trade balance, in turn, contributed negatively to GDP growth.

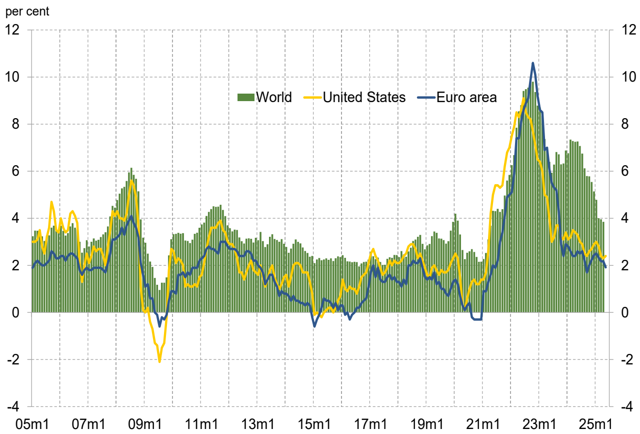
1.2 Inflation developments abroad

Since the previous *Inflation Report*, inflation around the world has declined (Figure 1.4). In many economies it was driven down by lower energy price growth. Core inflation also declined, albeit it remained elevated in many countries (Figure 1.5). Annual growth of industrial producer prices, in turn, has been close to zero in the major advanced economies and negative in China over the recent past (Figure 1.6).

In the euro area, HICP inflation fell to 1.9% y/y in May 2025 (compared to 2.5% y/y in January 2025). The fall in inflation in recent months was due to weaker energy price dynamics (-3.6% y/y in May 2025 compared to 1.9% y/y in January 2025). Core inflation also declined (to 2.3% y/y in May 2025 compared to 2.7% y/y in January 2025), as a result of slower growth in services prices amid relatively stable growth in industrial goods prices (Figure 1.5).[9] Alongside that, upward pressure on inflation since the beginning of the year has come from higher growth in food prices (3.3% y/y in May 2025 compared to 2.3% y/y in January 2025), particularly of unprocessed food.

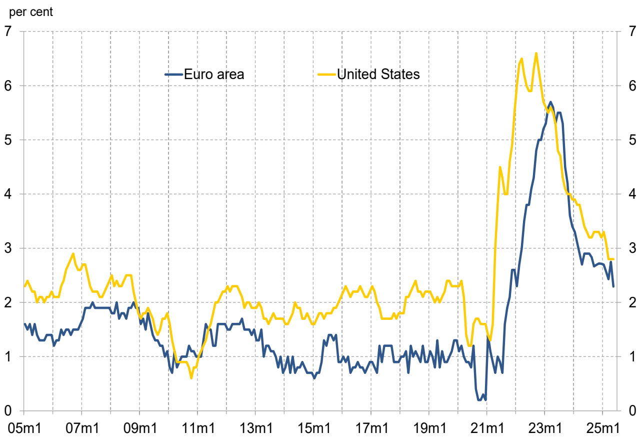
In the recent past, CPI inflation in the United States declined to 2.4% y/y in May 2025 (compared to 3.0% y/y in January 2025), reflecting slower energy price growth and a decline in core inflation.[10] CPI core inflation stood at 2.8% y/y in May 2025 (compared to 3.3% in January 2025), with growth in services prices decreasing

Figure 1.4 Consumer price inflation globally and in selected economies (y/y)



Source: LSEG Datastream and IMF data, NBP calculations.
World – average consumer price inflation weighted by GDP in purchasing power parity (PPP). Since 2019, the combined contribution of the included economies to global GDP (in PPP) is approximately 90%, according to IMF estimates. Estimates up to 2018, due to limited data availability, are based on a different set of economies, covering approximately 85% of global GDP. United States – annual CPI inflation. Euro area – annual HICP inflation.

Figure 1.5 Core inflation in the United States and the euro area (y/y)



Source: Eurostat and Bureau of Labor Statistics data.
For the United States – CPI inflation excluding food and energy prices. For the euro area – HICP inflation excluding energy, food, alcohol and tobacco.

[9] In May 2025, growth in services prices in the euro area amounted to 3.2% y/y (compared to 3.9% y/y in January 2025), whereas growth in goods prices amounted to 0.6% y/y (against 0.5% y/y in January 2025).
[10] In turn, PCE inflation – which the Federal Reserve's inflation target refers to – was 2.1% y/y in April 2025 against 2.5% y/y in January 2025.

compared to January 2025 and growth in goods prices increasing.[11]

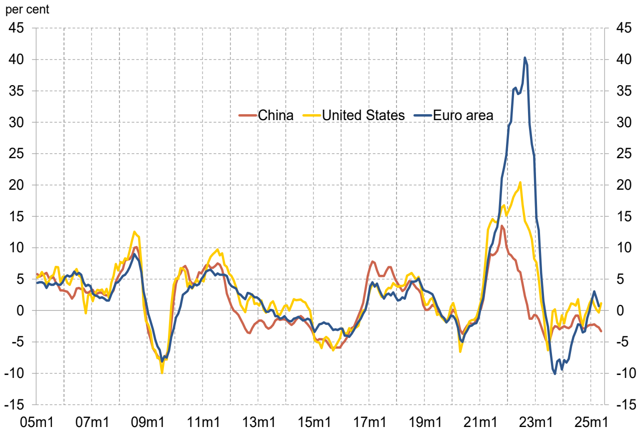
In the majority of the Central and Eastern European economies outside the euro area, HICP inflation has also declined since January 2025 (Figure 1.7). In May 2025, HICP inflation amounted to 2.3% y/y in the Czech Republic (compared to 2.9% y/y in January), 4.5% y/y in Hungary (compared to 5.7% y/y), and 5.4% y/y in Romania (compared to 5.3% y/y).[12] The above-mentioned economies have seen softer energy price growth and core inflation, along with, in the case of Hungary, weaker food price growth. In turn, HICP core inflation in the Central and Eastern European region continued to be elevated in May 2025, although since January 2025 it has declined (to 3.1% y/y in the Czech Republic, to 5.5% y/y in Romania, and to 5.4% y/y in Hungary).

1.3 Global commodity markets

The prices of most energy and agricultural commodities were on average lower in June 2025 than a year earlier.[13] Nevertheless, prices in both commodity groups were still running above their pre-COVID-19[14] averages amid continued supply constraints in some markets, including the constraints related to Russia's military aggression against Ukraine, and the geopolitical tensions in the Middle East.

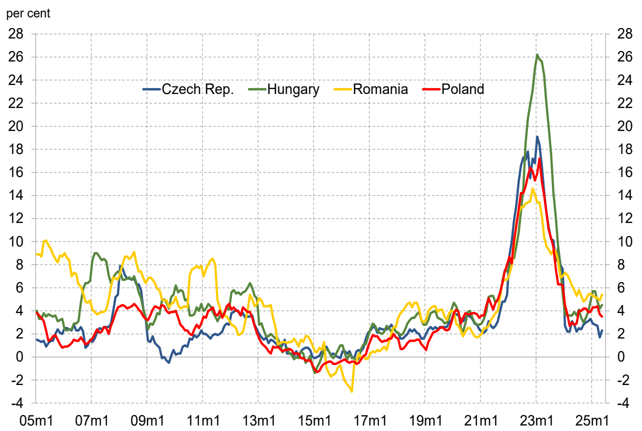
The average price of Brent oil in June 2025 was 9% lower than in February 2025 and 18% lower than a year ago (Figure 1.8). The decline in oil prices could largely be attributed to uncertainty around the future global economic activity, related particularly to changes in trade policy (see

Figure 1.6 Producer price inflation in selected economies (y/y)



Source: Eurostat, Bureau of Labor Statistics and LSEG Datastream data.
For the United States – producer price growth in manufacturing industry, for the euro area and China – producer price growth in industry.

Figure 1.7 Harmonised indices of consumer price inflation (HICP) in selected economies of the Central and Eastern European region (y/y)



Source: Eurostat data.

[11] In May 2025, growth in services prices amounted to 3.6% y/y (against 4.3% y/y in January 2025), while growth in goods prices amounted 0.3% y/y (against -0.1% y/y in January 2025).
[12] CPI inflation also declined in the Czech Republic and Hungary, and in May 2025 amounted to 2.4% y/y in the Czech Republic (compared to 2.8% y/y in January 2025) and 4.4% y/y in Hungary (compared to 5.5% y/y). At the same time, in Romania CPI inflation increased to 5.5% y/y (compared to 5.0% y/y).
[13] Average energy commodity prices in June 2025 were calculated using data up to 16 June 2025. The agricultural commodity price index includes data up to 13 June 2025.
[14] Oil, gas and coal prices in June 2025 were 18%, 109% and 20% above the 2015-2019 average levels, respectively, whereas agricultural prices in June 2025 were 37% above the corresponding average.

Chapter 1.1 *Economic activity abroad*). Another factor conducive to lower oil prices was OPEC+'s decision to increase limits on oil production by far more than expected. In the opposite direction acted the continuation of the sanctions imposed on Russia. Most recently, the prices of oil were also affected by the mounting tensions in the Middle East.[15]

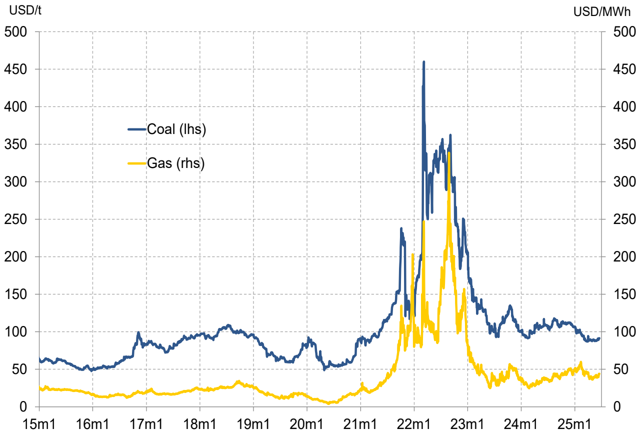
The prices of natural gas in June were 21% lower than in February this year, but 12% higher than a year earlier (Figure 1.9). In addition to concerns about the global economic downturn, natural gas prices were also driven down by a seasonal fall in demand associated with the end of the heating season in the northern hemisphere. However, commodity prices remained higher than in the previous year due to the withholding of supplies from Russia to Europe via Ukraine from January 2025 (following the expiry of the gas transportation contract) and the European Commission's plans to ban new contracts for Russian gas imports at the end of the year. Coal prices, in turn, fell by 7% since February this year and were 17% lower than a year ago, supported by loose supply conditions.

The NBP's index of agricultural commodity prices was 24% lower in June than in February and 5% lower than in June 2024 (Figure 1.10). In recent months, declines were seen in particular in the prices of wheat, coffee, skimmed milk powder and potatoes, which was underpinned by the improved supply outlook in the markets for these commodities. In contrast, European pork became more expensive in particular, as import demand increased after Germany regained its FMD-free status and import restrictions were lifted by trading partners.

Figure 1.8 Brent oil barrel price

Source: Bloomberg data.

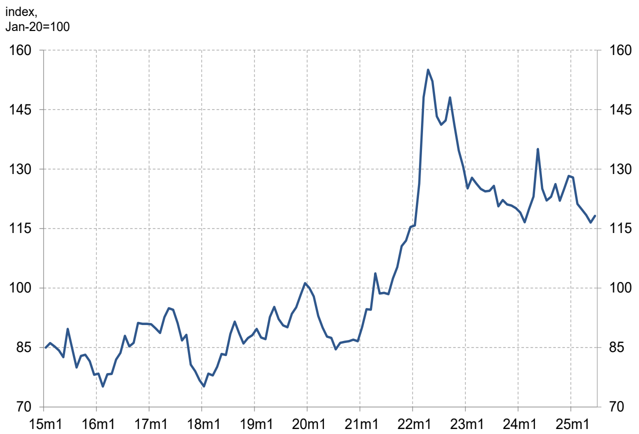
Figure 1.9 Hard coal and natural gas prices



Source: Bloomberg data, NBP calculations.

Prices refer to the prices of Dutch TTF Natural Gas Futures and Coal FOB Richards Bay Futures one-month-ahead contracts. USD/t – price expressed in US dollar per metric tonne. USD/MWh – price expressed in US dollar per megawatt hour.

Figure 1.10 Index of agricultural commodity prices



Source: Bloomberg data, NBP calculations.

Index of agricultural prices includes prices of wheat, colza, pigmeat, potatoes, sugar, cocoa, coffee, skimmed milk powder, butter and frozen concentrated orange juice. The weights reflect the consumption structure of Polish households.

[15] In particular, in mid-June 2025, oil prices increased significantly as geopolitical tensions in the Middle East escalated, entailing concerns about the continuity of oil supplies from major producer countries through the Strait of Hormuz.

1.4 Monetary policy abroad

In recent months, most central banks in advanced economies have reduced interest rates or kept them unchanged following earlier cuts. Nevertheless, in all the advanced economies interest rates have been significantly above their pre-COVID-19 levels (Figure 1.11, Figure 1.12).

In the recent period, the European Central Bank (ECB) has cut interest rates again – in total, since June 2024, the ECB's deposit rate has been reduced by 2.00 percentage points to 2.00%. Instead, the Federal Reserve of the United States (the Fed) has kept interest rates unchanged over the recent period; currently the target range for the fed funds rate stands at 4.25-4.50%. Earlier, between September and December 2024, the Fed cut the target range for the fed funds rate by a total of 1.00 percentage point.

Since the previous *Report*, some central banks of the remaining advanced economies, including Australia, New Zealand, Switzerland, Sweden and the United Kingdom, have reduced interest rates, while the central banks of Norway, Japan and Canada have kept interest rates unchanged.

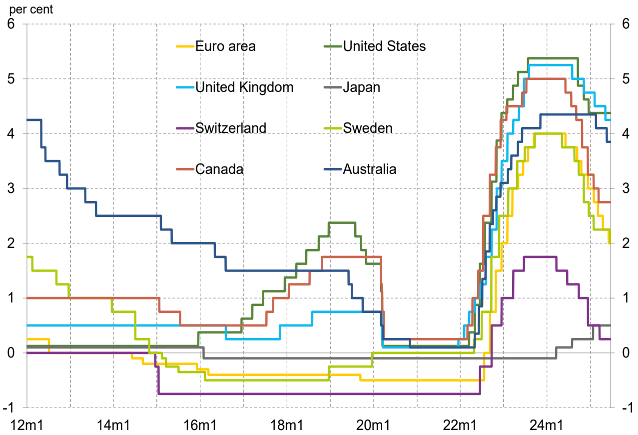
In the Central and Eastern European region, the central banks of Hungary and Romania have kept interest rates unchanged in recent months following earlier cuts, while the central bank in the Czech Republic lowered interest rates in May 2025.

Among the remaining emerging market economies, some central banks have cut interest rates in the recent period (e.g. in China, India, and Mexico), some have kept them unchanged (e.g. in Chile), and some have raised them (e.g. in Brazil).

1.5 International financial markets

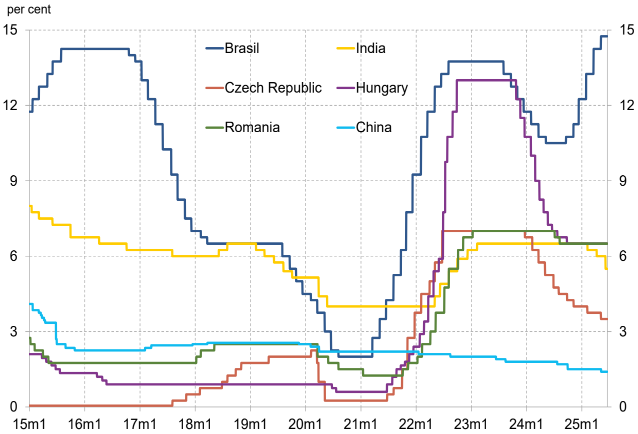
In recent months, sentiment in the global financial markets has been affected, in particular, by uncertainty about the outlook for economic

Figure 1.11 Central banks' interest rates in selected advanced economies



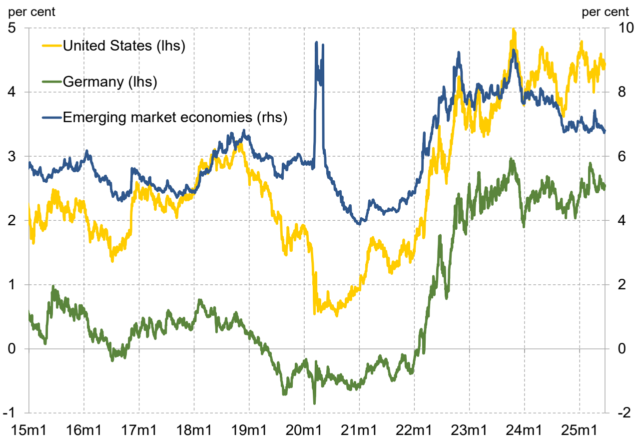
Source: Bloomberg data.
Central bank interest rate: for the United States – the midpoint of the fed funds range; for the euro area – the deposit facility; for Japan – the Complementary Deposit Facility; for Switzerland – the policy rate; for the United Kingdom – the Bank Rate; for Sweden – the policy rate; for Canada – the overnight rate target; for Australia – the cash rate target.

Figure 1.12 Central banks' interest rates in selected emerging market economies



Source: Bloomberg data.
Central bank interest rate: for Brasil – Selic Rate; for India – repo rate; for China – 7-day reverse repo; for Czech Republic – 2W repo rate; for Romania – Policy rate; for Hungary – base rate.

Figure 1.13 Yields on long-term government bonds

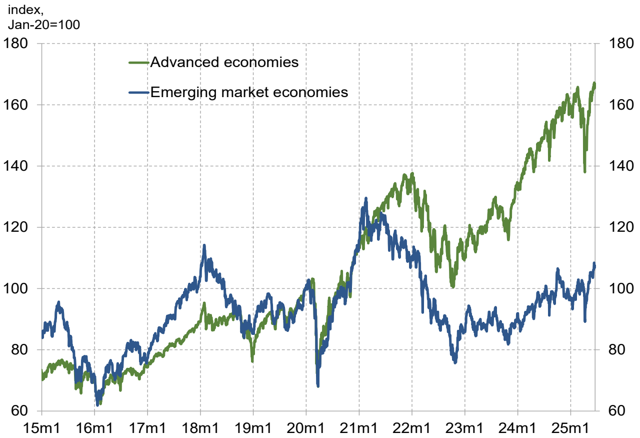


Source: Bloomberg data.
For the United States and Germany – 10 year government bond yield; emerging market economies – *Bloomberg Barclays Emerging Markets Sovereigns.*

activity and inflation, including that regarding changes in the trade policy of the largest economies, as well as interest rate cuts in some economies (see Chapter 1.1 *Economic activity abroad* and Chapter 1.4 *Monetary policy abroad*).

In these circumstances, at the beginning of June, yields on long-term government bonds in many economies remained at levels similar to those at the end of February 2025 (Figure 1.13). Meanwhile, stock market indices worldwide – after a temporary fall in April 2025 – were slightly higher than at the end of February 2025, and in advanced economies approached their all-time highs (Figure 1.14). At the same time, the US dollar exchange rate depreciated significantly against many currencies, including the euro (Figure 1.15).

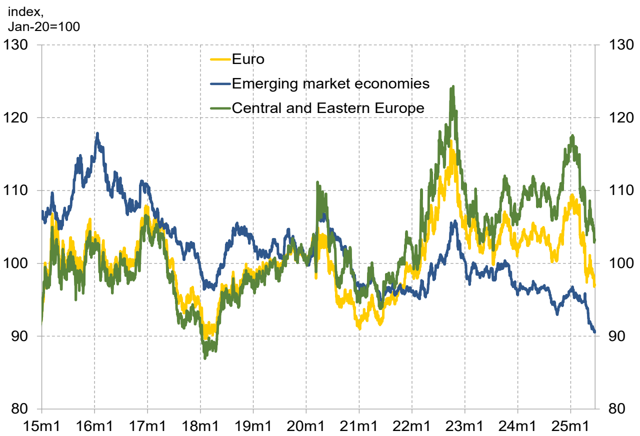
Figure 1.14 Equity prices



Source: Bloomberg data.

Advanced economies – *MSCI World Equity Index*; emerging market economies – *MSCI Emerging Markets Equity Index*.

Figure 1.15 US dollar exchange rates against the euro and the currencies of emerging market economies and the economies of the Central and Eastern Europe (rise indicates appreciation of the dollar)



Source: Bloomberg data, NBP calculations.

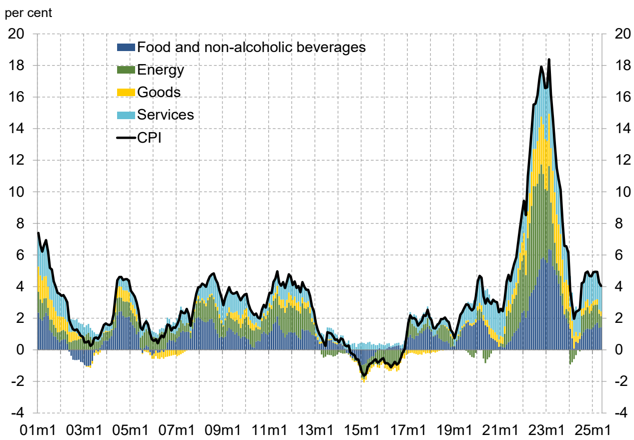
Emerging market economies – *MSCI Emerging Market Currency Index*; Central and Eastern Europe – GDP-weighted average of exchange rates of the Czech, Romanian and Hungarian currencies against the US dollar.

2. Domestic economy

2.1 Inflation developments

In 2025 Q1, CPI inflation amounted to 4.9% y/y[16] (Figure 2.1), markedly exceeding the NBP inflation target. In April and May, consumer price growth declined (to 4.3% y/y and 4.0% y/y, respectively). In recent months, the high annual growth in administered prices has continued, primarily due to the increase in electricity and natural gas prices (as a result of their partial unfreezing since July 2024 and a rise in distribution tariffs for natural gas since January 2025), and also – albeit to a smaller extent – higher prices of water supply and sewage collection (a consequence of the approval of new tariffs) as well as refuse collection. In turn, the decline in CPI inflation after 2025 Q1 was driven by the decreasing annual growth in the prices of food (as a result of the fading impact of reinstatement of the 5% VAT rate on staple food products since April 2024 on annual CPI growth) and fuels (particularly following the decline in global oil prices and the depreciation of the US dollar; see Chapter 1.3 *Global commodity markets* and Chapter 2.6 *Financial markets and asset prices*). Inflation excluding food and energy prices has declined in recent months, mainly owing to the fall in annual growth in services prices, which nevertheless was still elevated (6.0% in May 2025).[17] At the same time, growth in the prices of non-food goods remained low amid the still negative annual growth in industrial producer prices.

Figure 2.1 Composition of CPI inflation (y/y)



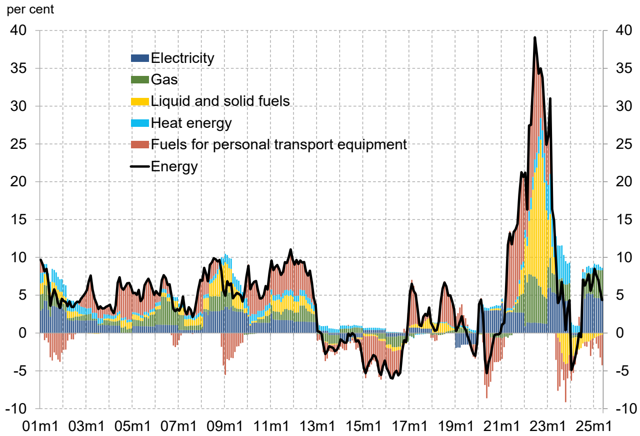
Source: Statistics Poland (GUS) data, NBP calculations.

[16] Due to an update in CPI weights by Statistics Poland (GUS), CPI inflation in January 2025 was revised from 5.3% y/y to 4.9% y/y.
[17] The services price inflation has been affected by i.a. wage growth, which has been lower in the recent period than in 2024, although it has remained relatively elevated (see Chapter 2.5 *Labour market*).

Food and non-alcoholic beverages price inflation, after a temporary increase from 5.5% y/y in January 2025 to 6.7% y/y in March, dropped to 5.3% y/y in April and amounted to 5.5% y/y again in May. In 2025 Q1, growth in food prices was boosted, among others, by base effects related to intensified price competition in the retail market in 2024. In April 2025, in turn, food price inflation fell back after the impact of the reintroduction of the 5% VAT rate on staple food products in April 2024 had faded.

Growth in energy prices declined from 8.5% y/y in January 2025 to 4.4% y/y in May 2025 (Figure 2.2), mainly due to the increasingly negative annual growth in fuel prices (stemming from the fall in global oil prices, the appreciation of the US dollar and base effects). Meanwhile, growth in the prices of energy carriers remained high. This was primarily the consequence of higher electricity and natural gas prices owing to their partial unfreezing since July 2024 and the introduction of new, higher distribution tariffs for natural gas in January 2025.

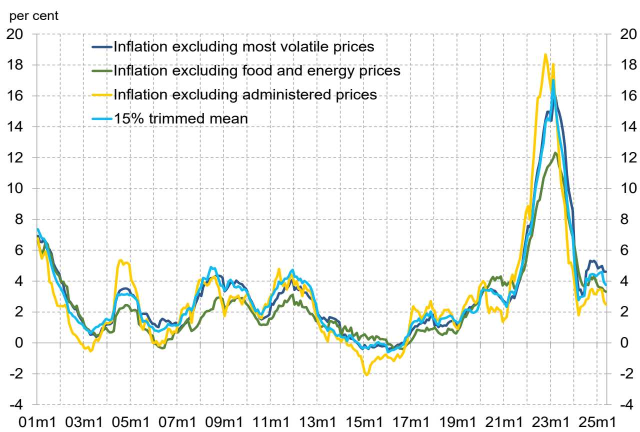
Figure 2.2 Energy price growth and its components (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.

Inflation excluding food and energy prices fell to 3.3% y/y in May 2025 (from 3.7% y/y in January 2025; Figure 2.3).[18] The fall largely reflected lower, albeit still high, annual services price inflation (6.0% in May compared to 6.8% in January). This was accounted for by the decline in the market services price inflation (to 5.6% y/y in May from 6.7% y/y in January), especially the annual growth in the prices of services related to leisure activities (air transport, package holidays, restaurants and hotels) and insurance. At the same time, the administered services price inflation increased (to 7.7% y/y in May from 7.3% y/y in January), mainly due to refuse collection price rises. Alongside that, goods price inflation edged up (to 1.0% y/y in May from 0.9% y/y in January 2025), which was due to a combined effect of markedly higher annual growth in the prices of excise goods – resulting mainly from increases in excise tax rates on tobacco

Figure 2.3 Core inflation indices (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.

[18] The remaining measures of core inflation also declined in the first months of 2025. In May 2025, inflation excluding administered prices stood at 2.5% y/y (against 3.4% y/y in January 2025), the 15-percent trimmed mean at 3.8% y/y (against 4.4% y/y), and inflation excluding the most volatile prices at 4.6% y/y (against 4.8% y/y).

products[19] – and a fall in annual growth in the prices of most market goods.

In the recent period, the PPI has decreased further in annual terms (to -1.4% y/y in April from -1.0% y/y in January; Figure 2.4), which was related to the fall in global oil prices and the depreciation of the US dollar. Producer prices continued to decline, in annual terms, in most industrial branches. In particular, energy prices were falling, which had a dampening effect on downstream producer price growth. Meanwhile, the annual growth in the prices of consumer goods included in the PPI was positive in April 2025 for the first time since September 2023.

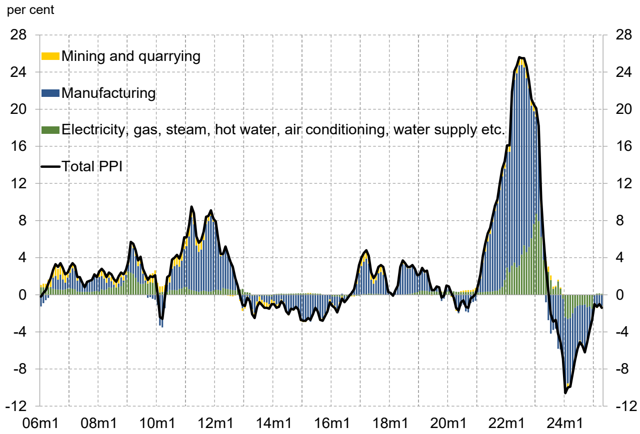
In June 2025, the balance statistic, which reflects consumer survey opinions on future price developments, was markedly lower than in January 2025 (Figure 2.5). At the same time, the balance statistic of enterprises' inflation expectations in 2025 Q2 was visibly lower than in 2024 Q4. Both indicators are currently below their long-term averages.

Inflation forecasts made by external experts over 4 and 8 quarters – in line with the results of the *NBP Survey of Professional Forecasters* from June 2025 and of the Reuters survey from May 2025 – decreased compared to March 2025 (Table 2.1). In May 2025, market analysts surveyed by Reuters expected that CPI inflation would run below 3.5% from 2025 Q3 and stabilise at close to 2.5% from 2026 Q4.

2.2 Demand and output

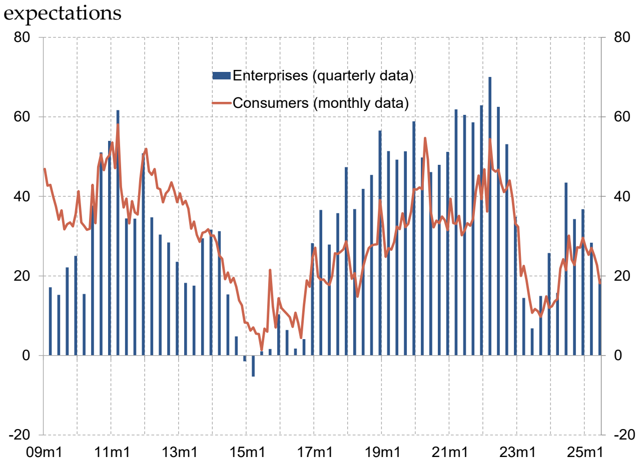
Economic activity growth in Poland stood at 3.2% y/y in 2025 Q1 (compared to 3.4% y/y in 2024 Q4; Figure 2.6). The slower GDP growth was primarily due to a weaker contribution from change in inventories, as well as a slowdown in public and household consumption growth.

Figure 2.4 Composition of PPI inflation (y/y)



Source: Statistics Poland (GUS) and Eurostat data.

Figure 2.5 Balance statistics of consumer and enterprise inflation expectations



Source: Statistics Poland (GUS) and NBP data, NBP calculations.
Balance statistic is defined as the difference between the percentage of respondents expecting a faster or similar rise in prices as currently seen (or perceived) and the percentage of respondents expecting no change or a fall in prices (with respective weights). Due to the linkage of some survey response options to current inflation, an increase (fall) in balance statistic may be interpreted as a shift in opinions of respondents towards higher (lower) price growth in the absence of changes in current inflation in the opposite direction.

Table 2.1 Inflation expectations by market analysts and participants to the *NBP Survey of Professional Forecasters* (per cent)

	Survey conducted in:				
	24q2	24q3	24q4	25q1	25q2
Reuters Survey, inflation expected in 4 quarters	5.2	3.7	3.6	3.4	3.2
Reuters Survey, inflation expected in 8 quarters	2.8	2.9	2.8	2.6	2.5
NBP Survey, inflation expected in 4 quarters	4.5 (3.4-6.1)	3.8 (3.1-4.9)	3.8 (3.1-4.7)	3.3 (2.6-4.1)	3.0 (2.4-3.5)
NBP Survey, inflation expected in 8 quarters	3.0 (1.9-4.5)	3.1 (2.3-4.1)	3.1 (2.3-4.1)	2.8 (2.0-3.7)	2.7 (2.1-3.5)

Source: NBP and LSEG Datastream data.
The inflation expectations of market analysts surveyed by Reuters agency show the median point forecast in the last month of the quarter, except for 2025 Q2, for which the May forecast is given. Inflation expectations of participants to the NBP Survey of Professional Forecasters are measured as the median of the aggregate probability distribution which combines the probabilistic forecasts of the individual experts. In brackets the 50 percent probability ranges (between the 1st and 3rd quartiles) of this distribution (interpreted as the interval of typical scenarios considered by the experts) are shown. The survey is carried out in the last month of a given quarter.

[19] The increased excise tax rates on tobacco products apply since 1 March 2025. However, the monthly growth in the prices of tobacco products has been elevated since January 2025, indicating the pre-emptive character of price adjustments to the changes in excise tax rates.

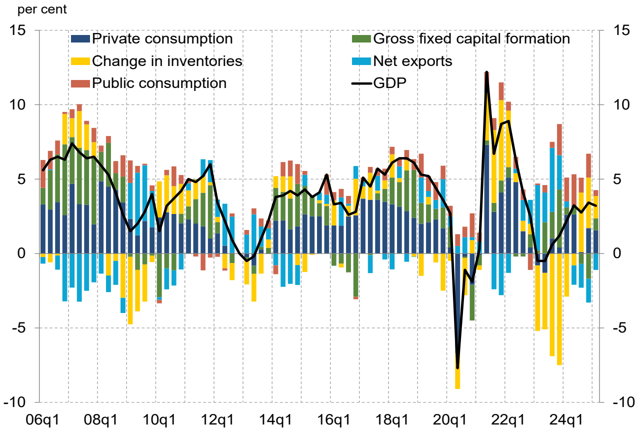
Factors acting in the opposite direction included investment growth in annual terms – after a marked decline in the previous quarter – and an improved, although still negative, contribution from net exports.

Household consumption growth stood at 2.5% y/y in 2025 Q1 (compared to 3.5% y/y in 2024 Q4; Figure 2.7). The weaker growth was partly due to calendar effects, i.e. a shorter February and a later Easter than in 2024, as well as some deceleration in real wage growth in the economy, which nevertheless remained above the long-term average (see Chapter 2.5 *Labour market*). At the same time, consumer sentiment improved slightly in Q1 compared to 2024 Q4 (Figure 2.8).

Following a significant decline in 2024 Q4, gross fixed capital formation increased in 2025 Q1 (by 6.3% y/y, compared to -6.9% y/y in 2024 Q4). This was supported by a notable improvement in public investment growth in annual terms, related to the rising take-up of EU funds and, probably, deliveries of military equipment. Housing investment growth also picked up. At the same time, financial statement data show a negative – although higher than in 2024 Q4 – annual growth in investment expenditure by large enterprises in real terms. The fall occurred in all the main investment categories, in particular investment in means of transport and construction investment. In manufacturing the decline in investment deepened, while in most sectors investment dynamics improved; among others, in construction companies investment growth picked up markedly.

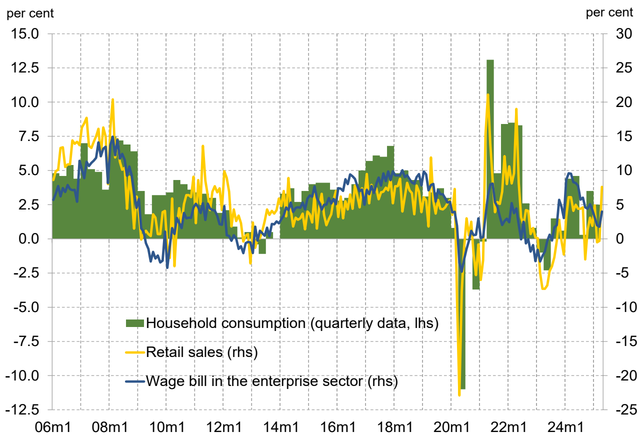
The contribution from net exports to GDP remained negative in 2025 Q1 (at -1.1 percentage points compared to -1.6 percentage points in 2024 Q4). Real import growth was higher than export growth, amid rising domestic demand and the still flagging external demand, due to, in particular, sluggish economic activity in Germany (see Chapter 1.1 *Economic activity abroad*). In turn,

Figure 2.6 GDP growth and its components (y/y)



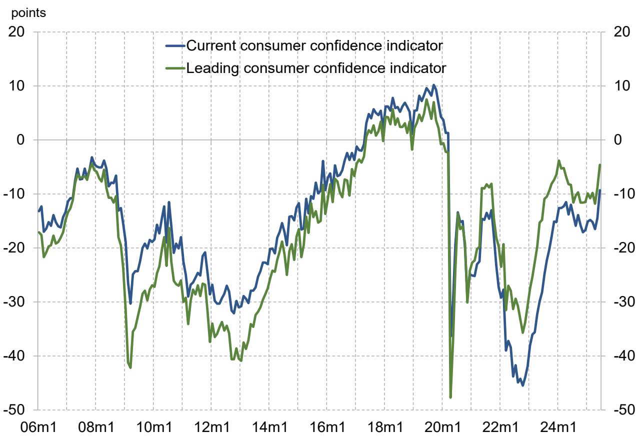
Source: Statistics Poland (GUS) data.

Figure 2.7 Real growth in household consumption, retail sales and wage bill in the enterprise sector (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 2.8 Consumer confidence indicators



Source: Statistics Poland (GUS) data.

annual growth in goods exports[20] in nominal terms was negative, mainly on the back of a fall in exports to the euro area, particularly Germany (Figure 2.9).

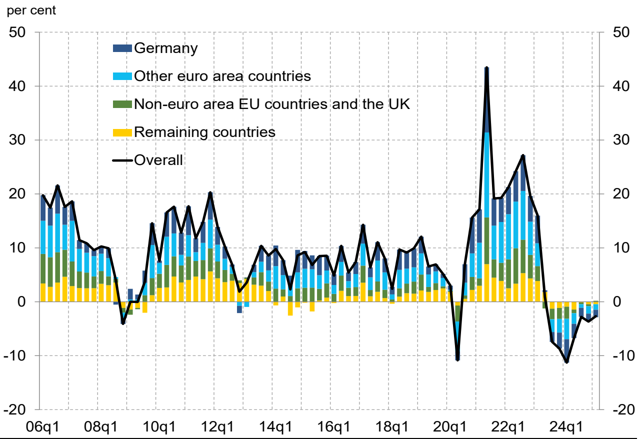
Gross value added (GVA) growth slowed down to 2.2% y/y (from 2.5% y/y in 2024 Q4; Figure 2.10). This was attributable to a decline in value added growth in industry and market services compared to Q4 last year. Alongside that, GVA growth in construction increased in 2025 Q1, and was slightly positive, for the first time since the end of 2023.

Incoming data point to a recovery in consumer demand at the beginning of 2025 Q2. In particular, retail sales rose sharply in April (by 7.6% y/y compared to 1.4% in 2025 Q1), which can be partly put down to calendar effects, including the different timing of Easter than in 2024. Consumer sentiment also improved in Q2. At the same time, industrial output growth picked up somewhat in April (running at 1.2% y/y against 0.8% y/y in 2025 Q1). Construction and assembly output growth, in turn, decreased and moved into negative territory (-4.2% y/y in April compared to 0.2% y/y in 2025 Q1[21]).

2.3 Public finance

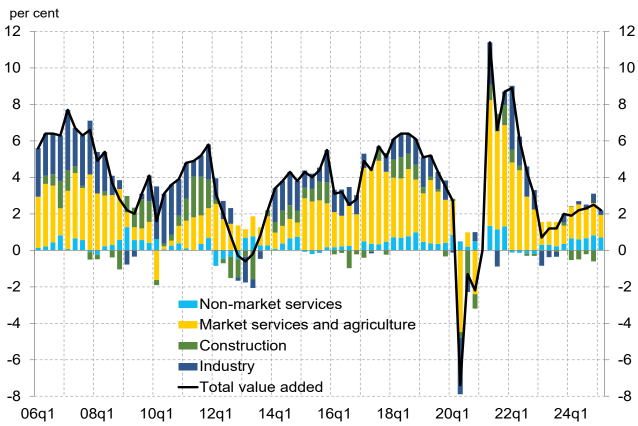
In 2024, the general government deficit in ESA2010 terms amounted to PLN 239.8 billion (6.6% of GDP), compared to a deficit of PLN 180.1 billion (5.3% of GDP) in 2023 (Figure 2.11). The increase in the deficit was primarily the effect of a rise in public expenditure (from 46.9% of GDP in 2023 to 49.4% of GDP in 2024), particularly on compensation of employees (from 10.2% of GDP to 11.5% of GDP) due to increases in the salaries of teachers and employees of the state budget sector, as well as higher expenditure on social transfers in cash (from 15.6% of GDP to 17.1% of GDP). General government revenue rose as well (from 41.6% of GDP to 42.8% of GDP), but state budget revenue,

Figure 2.9 Nominal growth in exports and its geographical structure (y/y)



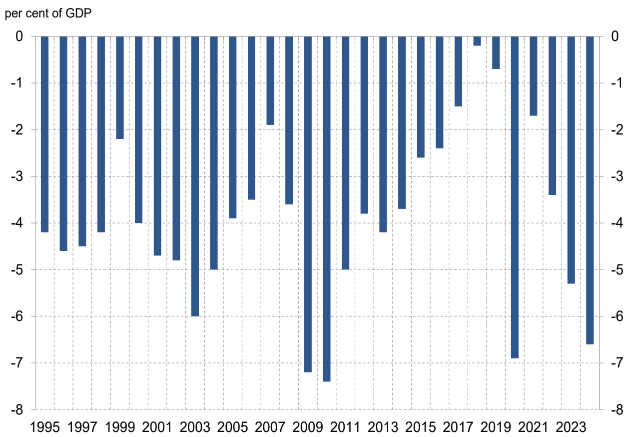
Source: Statistics Poland (GUS) data, NBP calculations.
Nominal growth in Poland's exports of goods in Polish zloty.

Figure 2.10 Growth of gross value added by sectors (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 2.11 General government balance in ESA2010 terms



Source: Eurostat, Statistics Poland (GUS) data, NBP calculations.

[20] Nominal growth in goods imports and exports according to Statistics Poland (GUS) data.
[21] Quarter-on-quarter growth in construction and assembly output, calculated based on monthly growth rates.

especially tax revenue, proved to be significantly lower than originally assumed in the *2024 Budget Act of 18 January 2024* (state budget revenue amounted to PLN 623.2 billion, i.e. PLN 59.1 billion less than originally planned).

According to preliminary data from the Ministry of Finance, the state budget deficit after the first five months of 2025 stood at PLN 108.3 billion, compared to a deficit of PLN 53.1 billion in the same period of 2024. The considerably higher budget deficit than in the corresponding period of 2024 was to a large extent a result of the reform of the revenue of local government units according to the *Act of 1 October 2024 on the Revenue of Local Government Units*. One of the consequences of the new law was the rescheduling of transfers from the state to the local governments and a higher concentration of such transfers in the early months of the year. In the first five months of 2025, the state budget had transferred PLN 28.2 billion more to local government units in the form of general subsidy and shares in PIT and CIT than in the corresponding period of 2024. The deterioration of the state budget balance was also associated with the transfer of a subsidy of approx. PLN 19 billion to Polski Fundusz Rozwoju SA (Polish Development Fund - PFR) for the redemption of bonds issued to finance the "Financial Shield" programme. The government also provided higher subsidies than a year earlier to the National Health Fund (NFZ) – the budget expenditure in the form of grants in the "Healthcare" section in January-April 2025 reached PLN 13.9 billion (55.9% of the amount allocated in the *2025 Budget Act*), compared to PLN 3.5 billion in the corresponding period of 2024.

According to the *Annual Progress Report on the Implementation of the Medium-Term Fiscal-Structural Plan for 2025-2028* adopted by the government in April 2025, the general government deficit is expected to reach 6.3% of GDP, while the *Medium-Term Fiscal-Structural Plan for the years 2025-2028* adopted by the government in October 2024 assumed a deficit of 5.5% of GDP.

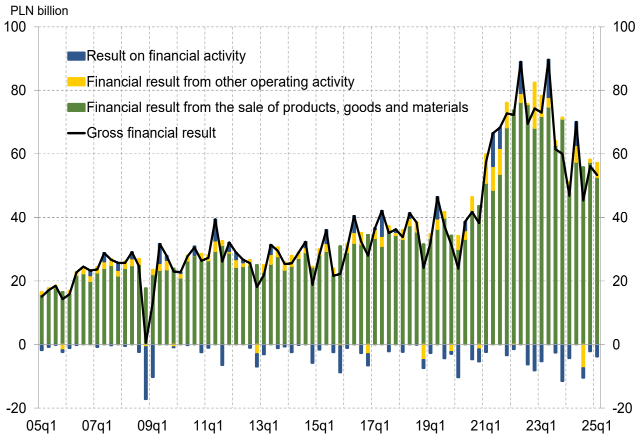
At the end of 2024, the general government debt in ESA2010 terms amounted to 55.3% of GDP, compared to 49.5% of GDP at the end of 2023, and was higher than the forecast in the *Medium-Term Fiscal-Structural Plan for the years 2025-2028* (54.6% of GDP at the end of 2024). According to the government's April 2025 forecast, the debt is expected to reach 57.8% of GDP at the end of 2025.

2.4 Financial situation of enterprises

In 2025 Q1, the aggregate gross financial result of the non-financial enterprise sector[22] increased to 13.9% y/y (against a fall of 6.4% y/y in 2024 Q4; Figure 2.12), which was largely driven by the improved result of the energy sector.[23] Increases in both the result from the sale of products, goods and materials (by 9.9% y/y against a fall of 19.3% y/y in 2024 Q4) and the result on other operating activity contributed towards the improvement in the gross financial result.[24]

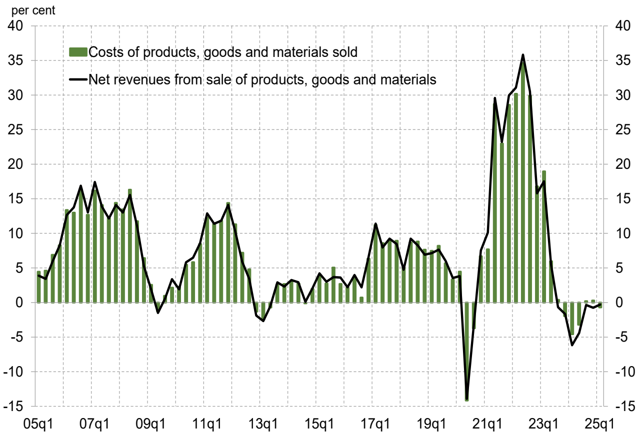
Growth in the financial result from sales in 2025 Q1 was due to the deeper fall in costs of operating activity than the corresponding fall in revenue (Figure 2.13).[25] Operating costs declined mainly owing to a fall in costs of goods purchased for resale (-4.6% y/y), commodities and materials (-1.8% y/y) and energy consumed (-6.6% y/y), amid lower prices of most energy commodities and industrial producer prices (see Chapters 1.3 *Global commodity markets* and 2.1 *Inflation developments*). Alongside that, growth in costs was boosted by rising labour costs (7.3% y/y) and costs of external services (6.2% y/y). At the same time, the fall in

Figure 2.12 Gross financial result of nonfinancial enterprises and its components



Source: Statistics Poland (GUS) data, NBP calculations.
Data from the survey conducted by Statistics Poland (GUS) on revenues, costs, financial results and gross fixed capital formation (F-01/I-01 forms).

Figure 2.13 Growth in net sales revenue and costs of sales in the nonfinancial enterprise sector (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.
Data from the survey conducted by Statistics Poland (GUS) on revenues, costs, financial results and gross fixed capital formation (F-01/I-01 forms).

[22] The data presented in this chapter concern enterprises employing 50 persons or more, obliged to file Statistics Poland (GUS) F-01 reports.
[23] In 2025 Q1, the gross financial result of the non-financial enterprise sector stood at PLN 53.3 billion compared to PLN 56.1 billion in 2024 Q4 and PLN 46.9 billion in 2024 Q1. The contribution from the section of the economy comprising the generation and supply of electricity, gas, steam, hot water and air conditioning to the annual growth in the gross financial result of the whole of the non-financial enterprise sector in 2025 Q1 was 11.8 p.p.
[24] At the same time, the result on financial operations remained negative, although it also improved in annual terms.
[25] In 2025 Q1, revenue from sales declined by 0.3% y/y and costs of operating activity by 0.7% y/y.

revenue from sales was driven to a greater extent by the fall in external sales (-0.8% y/y) than the fall in domestic sales (-0.1% y/y).

In 2025 Q1, the profitability of the enterprise sector was higher than the year before, although it was still below the long-term average (Table 2.2). Net turnover profitability indicator rose to 3.4% from 2.8% a year earlier, return on sales indicator to 4.3% from 3.9%, and return on assets indicator to 1.0% from 0.9%. An improvement in net turnover profitability in annual terms was observed in most sections of the economy. The percentage of profitable firms was slightly higher than the year before; however, the percentage of firms with profitability above 5% declined.

In 2025 Q1, liquidity of the enterprise sector remained high in most sections of the economy. Both the liquidity ratios and the share of enterprises with safe levels of liquidity, were running above the long-term averages.

The results of the NBP surveys indicate that in 2025 Q2 the economic situation of enterprises was still weakened against the background of historical assessments. However, the optimism of enterprises in regard to the outlook over the one-year horizon increased slightly.

2.5 Labour market

At the beginning of 2025, the unemployment rate continued to be low. At the same time, annual wage growth was lower than in 2024, although still relatively high.

According to the LFS, annual growth in the number of working persons was negative (amounting to -0.8% in 2025 Q1 against -0.4% in 2024 Q4; Figure 2.14), which was mainly due to a further fall in the number of persons employed in private farming (the fall amounted to -12.9% in 2025 Q1). Statistics Poland (GUS) reporting data on the number of persons working under employment contracts indicate a fall in the number of the employed in 2025 Q1 in both the national economy

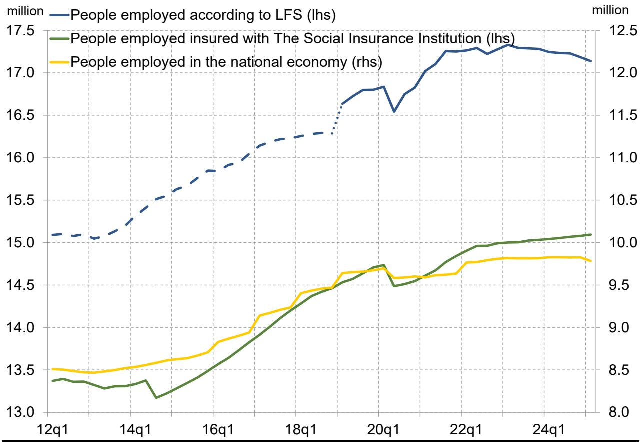
Table 2.2 Selected financial indicators in the nonfinancial enterprise sector (per cent)

	average					2024				2025
	2010-2019	in 2020	in 2021	in 2022	in 2023	q1	q2	q3	q4	q1
Sales profitability indicator	4.7	4.8	5.8	6.1	5.5	3.9	4.8	4.6	4.4	4.3
Net turnover profitability indicator	4.0	3.7	5.7	5.0	4.3	2.8	4.8	2.8	3.1	3.4
Share of profitable enterprises	66.1	65.3	68.1	68.0	68.1	64.4	65.9	66.1	65.8	64.6
Share of enterprises with profitability above 5%	35.3	39.4	42.6	41.3	42.2	37.3	39.1	38.9	38.1	36.2
1st degree financial liquidity indicator	36.3	42.1	43.9	40.6	38.3	42.0	41.2	42.1	44.0	44.5
Return on assets indicator	1.2	1.0	1.7	1.7	1.4	0.9	1.5	0.9	1.0	1.0
Return on equity indicator	2.3	2.1	3.7	3.8	3.1	1.8	3.1	1.8	2.1	2.1
Share of bank credits and loans in the balance sheet total	15.2	15.5	14.5	14.3	13.9	13.9	13.8	13.8	14.0	13.9

Source: Statistics Poland (GUS) data, NBP calculations.

Data from the survey conducted by Statistics Poland (GUS) on revenues, costs, financial results and gross fixed capital formation (based on F-01/I-01 forms). The share of profitable firms and firms with profitability above 5% is based on the value of the net turnover profitability indicator (seasonally adjusted data). The average share of bank credit and loans in the balance sheet total covers the years 2015-2019.

Figure 2.14 Number of persons employed according to the LFS, the reporting data from the national economy (NE) and the Social Insurance Institution (ZUS) data, seasonally adjusted



Source: Statistics Poland (GUS), The Social Insurance Institution (ZUS) data, NBP calculations.

The number of employed persons insured with ZUS, given as at the end of the quarter, includes those working under an employment contract, civil law contracts, the self-employed and those employed who are insured under another title (such as uniformed services employees and clergy). Unlike the LFS data, the number of employed persons in the NE concerns entities with more than 9 employees and does not include the following: (1) individual farming, (2) employment in the grey economy, (3) employment based on civil law contracts.

Due to the change in the LFS methodology, the data on the number of employed according to the LFS from 2021 Q1 onwards are not fully comparable with earlier series. Additionally, due to the harmonisation of the LFS data with the number of the population according to the 2021 National Census, the period before 2019 Q1 (dashed line) is not comparable with the later period (solid line).

(NE; a fall of 0.5% y/y, after an increase of 0.1% y/y in 2024 Q4) and the enterprise sector (ES; a fall of 0.8% y/y in 2025 Q1 and 0.4% y/y in 2024 Q4, respectively; Figure 2.15).[26] The number of persons employed under employment contracts according to Social Insurance Institution (ZUS) data was also lower than the year before; however, due to the increase in the number of those employed under civil law contracts and the self-employed, the total number of employed persons insured with ZUS increased (by 0.3% y/y in 2025 Q1, the same as in 2024 Q4).[27]

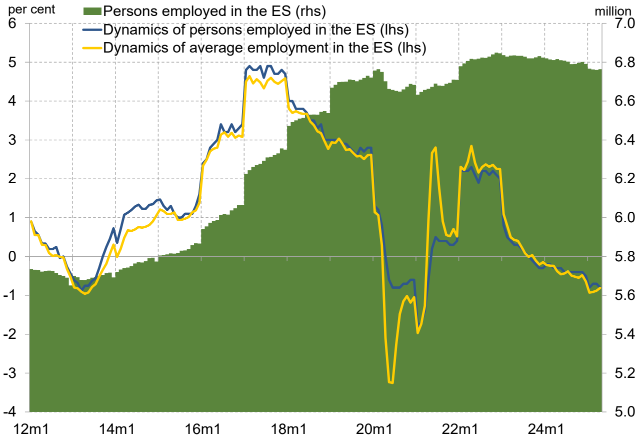
At the same time, in the first months of 2025, the number of job offers available in regional labour offices was lower than in the previous year, which indicates limited demand for new employees.[28] The results of the NBP surveys, in turn, point to some improvement in the employment outlook for 2025 Q3.

The registered unemployment rate remained low in recent months (5.1% in May, seasonally adjusted data), while the unemployment rate according to the LFS stood at 3.1% in 2025 Q1 (compared to 2.9% in 2024 Q4, seasonally adjusted data; Figure 2.16).

In 2025 Q1, annual growth in the average wage in the NE slowed to 10.0% (from 12.4% in 2024 Q4), and in the ES to 8.2% (from 10.1% in 2024 Q4; Figure 2.17).[29] In 2025 Q1, annual growth in the average real wage also declined – in the NE to 5.1% (from 7.5% in 2024 Q4), and in the ES to 3.3% (from 5.3% in 2024 Q4). The results of the NBP surveys point to a fall in the percentage of firms planning to increase wages in 2025 Q2 and Q3, amid a slightly higher average scale of the planned increases.

Growth of unit labour costs in the economy slowed to 5.8% y/y in 2025 Q1 (from 8.3% y/y in 2024 Q4),

Figure 2.15 Growth (y/y) in the number of persons employed and average employment, and the number of persons employed in the enterprise sector (ES)

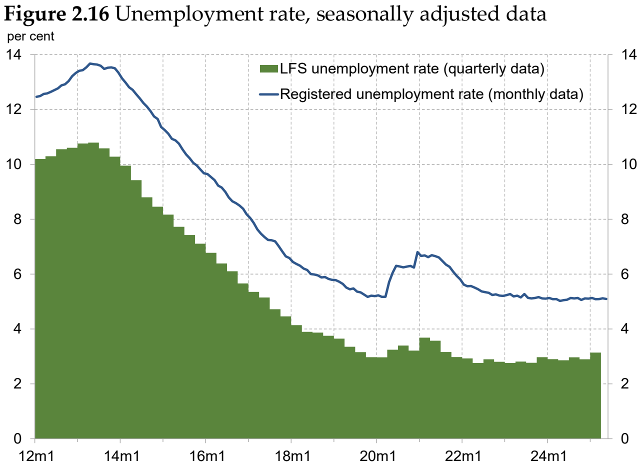


Source: Statistics Poland (GUS) data.

The enterprise sector (ES) is comprised of companies with more than 9 employees, which carry out activities classified under selected PKD (NACE) sections of the economy.

Unlike the employment statistics, the number of people employed in the ES is not expressed in the number of full-time jobs and includes employees who are on sickness benefit or child care leave.

Figure 2.16 Unemployment rate, seasonally adjusted data



Source: Statistics Poland (GUS) data, NBP calculations.

There are three reasons for the difference between the registered unemployment rate and the LFS unemployment rate: (1) the definition of an unemployed person is different, (2) the definition of the population to which the number of the unemployed is referred is different, (3) the registered unemployment rate is based on the number of unemployed persons registered in labour offices, while the LFS unemployment rate is based on survey results (on a representative sample of respondents).

Due to the change in the LFS methodology, the data from this survey from 2021 Q1 onwards are not fully comparable with earlier series. Additionally, due to the harmonisation of the LFS data with the number of the population according to the 2021 National Census, the period before 2019 Q1 is not comparable with the later period.

Registered unemployment rate in May – preliminary estimate of the Ministry of Family, Labour and Social Policy.

[26] In April 2025, the number of employed in the ES declined by 0.8% y/y. The annual growth in the number of employed in the ES may be affected by the change in the sample of enterprises included in the survey, which is carried out annually in January.

[27] In line with NBP estimates based on ZUS data, in May 2025, the total number of employed persons insured with ZUS rose by 0.4% y/y (similarly to April 2025), yet after deducting foreigners it would have declined by 0.1% y/y.

[28] At the end of May 2025, the number of job offers available in regional labour offices fell by 34.7% y/y according to preliminary estimates by the Ministry of Family, Labour and Social Policy.

[29] However, in April 2025, growth in the average wage in the ES picked up to 9.3% y/y, which was partly the result of the impact of one-off factors, among others, special bonus payments in the forestry and energy sectors.

dragged down mainly by slower growth in nominal wages, accompanied by a slight increase in labour productivity growth.[30]

According to ZUS data, at the end of May 2025, more than 1.2 million foreigners were covered by old-age and disability pension insurance on account of their work in Poland (an increase of 6.9% y/y), of which 810 thousand were Ukrainian citizens and 137 thousand Belarusian.

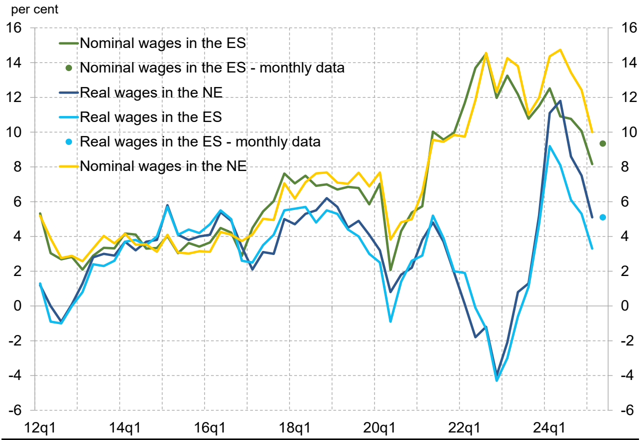
2.6 Financial markets and asset prices

In recent months, the prices of financial instruments in Poland have been affected, in particular, by sentiment in the international financial markets and the adjustment of NBP interest rates in May 2025 (see Chapter 1.5 *International financial markets*; Figure 2.18).

Since the previous *Report*, the yields on Polish government bonds have fallen on the back of lower NBP interest rates and reduced market forecasts of inflation, despite incoming data showing higher than planned general government deficit and debt figures in Poland (see Chapter 2.3 *Public finance* and Chapter 2.1 *Inflation developments*; Figure 2.19). At the same time, the zloty – similarly to many other currencies – has strengthened against the US dollar (the zloty average exchange rate at the beginning of June was approx. 7% stronger than in February 2025), while weakened against the euro (the zloty average exchange rate at the beginning of June was approx. 2% weaker than in February 2025; Figure 2.20).

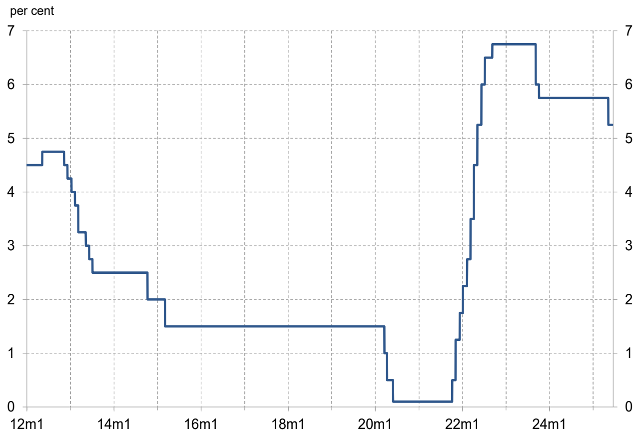
In the housing market, the annual growth in average nominal housing transaction prices in 2025 Q1 slowed down and stood at 6.6% (against

Figure 2.17 Annual nominal and real wage growth in the national economy (NE) and in the enterprise sector (ES)



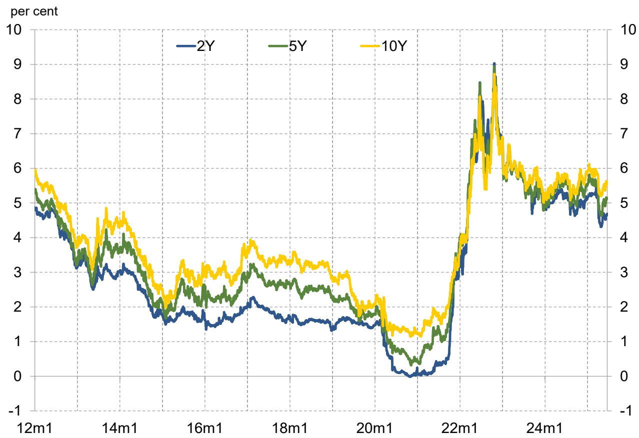
Source: Statistics Poland (GUS) data.
Wages in the ES concern entities conducting activities classified in selected PKD (NACE) sections with more than 9 employees. Data on wages in the NE cover the whole statistical population, i.e. regardless of the number of people employed, and also cover all PKD (NACE) sections. The Figure presents quarterly data (line) and monthly data for April 2025 (dots).

Figure 2.18 NBP reference rate



Source: NBP data.

Figure 2.19 Yields on Polish government bonds



Source: Bloomberg data.

[30] The slight increase in annual labour productivity growth in 2025 Q1 was due to a deeper fall in the number of employed according to the LFS. However, a certain decline in annual GDP growth compared to 2024 Q4 worked in the opposite direction.

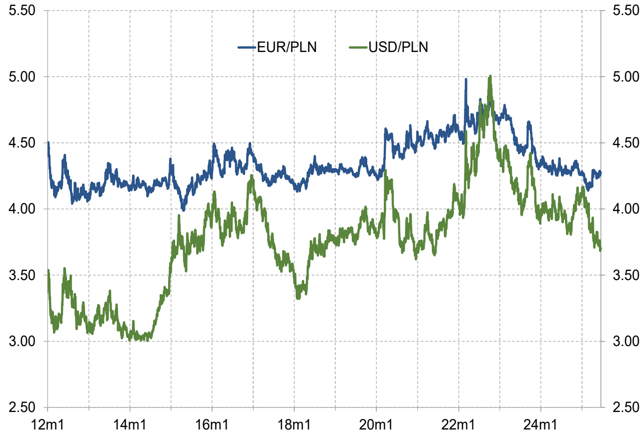
13.2% in 2024 Q4[31]; Figure 2.21).[32] Compared to a year earlier, real estate prices were driven up by the rise in construction costs, including land prices and labour costs. At the same time, the rise in housing prices was limited by the demand running at a lower level than a year earlier, when housing loans were being granted under the "Safe Mortgage" programme (see Chapter 2.7 *Money and credit*).

2.7 Money and credit [33]

Growth in the M3 aggregate amounted to 9.9% y/y in 2025 Q1 (compared to 8.7% y/y in 2024 Q4; Figure 2.22).[34] The M3 aggregate growth was primarily driven by an increase in household deposits, with substantially lower contributions from corporate deposits and cash in circulation.[35]

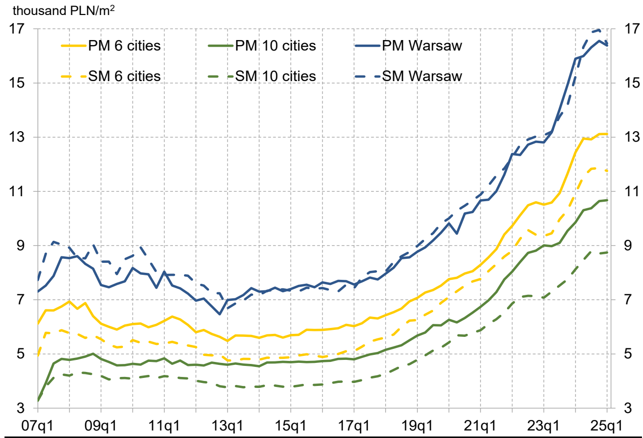
The pace of growth in household debt slowed to 3.6% y/y in 2025 Q1 (from 4.3% y/y in 2024 Q4; Figure 2.23). This was mainly due to the decline in housing loan growth to 2.9% y/y in Q1 (from 4.5% y/y in 2024 Q4), largely accounted for by a negative statistical base effect related to the release of loans in the first months of 2024, that had been applied for in 2023 under the "Safe Mortgage" programme. At the same time, the dwindling stock of FX loans continued to curb housing loan growth. Consumer loan debt growth amounted to 7.2% y/y in 2025 Q1 (compared to 7.1% y/y in 2024 Q4) amid rising household consumption (see Chapter 2.2 *Demand and output*).[36]

Figure 2.20 Exchange rates of the euro and the US dollar against the zloty



Source: Bloomberg data.

Figure 2.21 Nominal transaction prices of flats in major cities in Poland



Source: NBP data.

PM – primary market, SM – secondary market. Transaction prices – an average weighted with the share of the housing stock in a given city in the total housing stock. Aggregate of 6 cities consists of: Gdańsk, Gdynia, Kraków, Łódź, Poznań, Wrocław, whereas of 10 cities: Białystok, Bydgoszcz, Katowice, Kielce, Lublin, Olsztyn, Opole, Rzeszów, Szczecin and Zielona Góra.

[31] NBP data apply to the average housing transaction prices (PLN/m²) in 17 cities (16 voivodeship capitals and Gdynia) in the primary and secondary markets, weighted by the housing stock. In quarterly terms, this nominal price growth was running at -0.5% q/q in 2025 Q1 (against 0.7% q/q in 2024 Q4). Data on housing prices do not fully correspond to the quarters of the calendar year. In particular, data referring to 2025 Q1 cover transactions concluded between December 2024 and February 2025.
[32] Periodic NBP publication *Information on home prices and the situation in the housing and commercial real estate market in Poland* provides more information about the situation in the Polish housing market.
[33] In this chapter, growth in the broad money aggregate M3, deposits and loans is defined as nominal annual growth resulting from transactional changes, on average in a given quarter. The data refer to monetary financial institutions.
[34] In April 2025, M3 aggregate growth amounted to 10.7% y/y.
[35] In 2025 Q1, growth in household deposits was 10.7% y/y (compared to 10.7% y/y in 2024 Q4), in corporate deposits 5.4% y/y (compared to 2.2% y/y in 2024 Q4), and in cash in circulation 10.3% y/y (compared to 9.5% y/y in 2024 Q4). In April 2025, the growth in household deposits was 10.2% y/y, in corporate deposits 7.6% y/y, and in cash in circulation 10.5% y/y.
[36] In April 2025, growth in household loans amounted to 3.5% y/y. Housing loan growth was 2.5% y/y, and consumer loan growth 7.5% y/y.

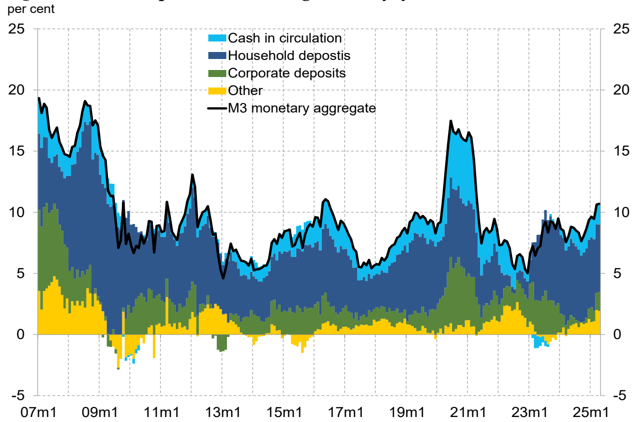
Growth in corporate debt accelerated to 5.2% y/y in 2025 Q1 (from 4.9% y/y in 2024 Q4; Figure 2.24). This reflected stronger growth in current loans (5.1% y/y in 2025 Q1 compared to 4.6% y/y in 2024 Q4) alongside stable growth in investment loans (4.7% y/y both in 2025 Q1 and 2024 Q4).[37]

2.8 Balance of payments[38]

The current account balance and other external imbalance indicators evidence that the Polish economy is well balanced. In 2025 Q1, the current account balance decreased again (to -0.4% of GDP, compared with 0.2% of GDP in 2024 Q4; Figure 2.25).[39] Similarly to the previous quarters, the decline in the balance was mainly due to a widening in the deficit on trade in goods (the balance of trade in goods stood at -1.4% of GDP in 2025 Q1 against -0.8% of GDP in 2024 Q4). This was driven by slower growth in the value of exports than imports amid subdued external demand due to, in particular, sluggish economic activity in Germany, and growing domestic demand (see Chapter 1.1 *Economic activity abroad* and Chapter 2.2 *Demand and output*). There was also a slight decrease in the balance of trade in services (to 4.7% of GDP in 2025 Q1 from 4.8% of GDP in 2024 Q4). In turn, the deficit on the primary income account – mainly determined by the income of foreign direct investors in Poland – was unchanged from the previous period and remained at 3.4% of GDP. At the same time, the financial account balance declined again in 2025 Q1 (to -0.9% of GDP against -0.7% of GDP in 2024 Q4.).[40]

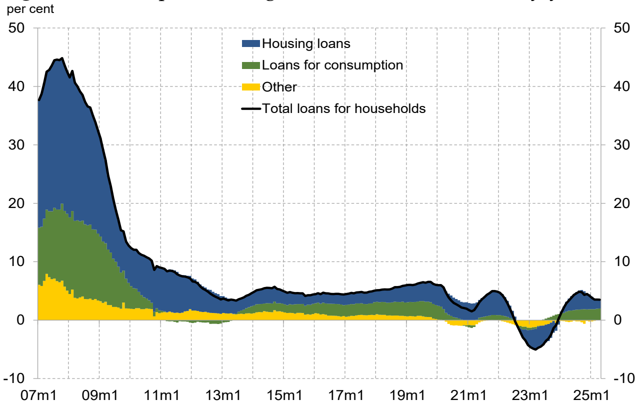
As at the end of 2024 Q4, Poland's net international investment position in relation to GDP had improved, reaching its highest level since at least 2004 (-29%; Table 2.3). Alongside that, the gross

Figure 2.22 Composition of M3 growth (y/y)



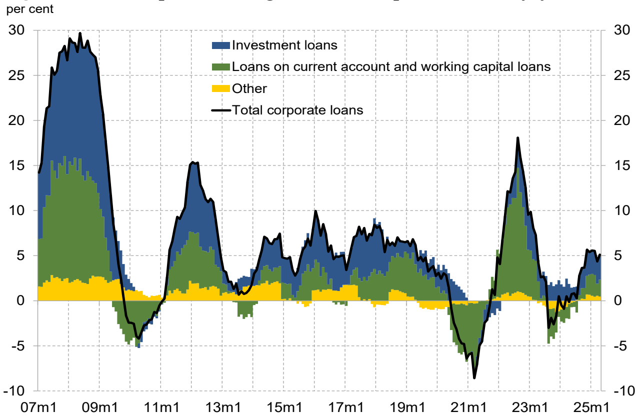
Source: NBP data.
The category *Other* covers deposits of non-monetary financial institutions and local government units, repurchase agreements between banks and non-banking sector as well as debt securities with maturity up to 2 years issued by banks.

Figure 2.23 Composition of growth in household loans (y/y)



Source: NBP data.
The category *Other* includes credit card loans, loans to individual entrepreneurs and individual farmers as well as other receivables.

Figure 2.24 Composition of growth in corporate loans (y/y)

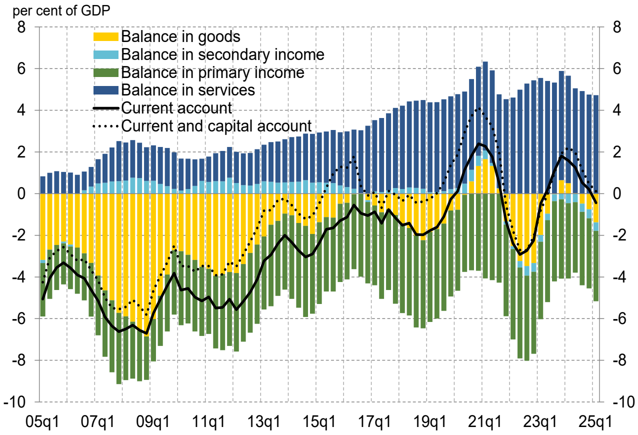


Source: NBP data.
The category *Investment loans* includes loans for investments and real estate purchases. The category *Other* includes i.a. car loans, loans for security purchases and other receivables.

[37] In April 2025, growth in corporate loans amounted to 5.1% y/y. Current loan growth was 4.5% y/y, and investment loan growth 5.2% y/y.
[38] In this chapter, data on the balance of payments in relation to GDP are presented in terms of a four-quarter rolling sum. For 2025 Q1, the presented data are estimates that have been compiled on the basis of monthly data on the balance of payments and the preliminary estimate of GDP in 2025 Q1 as of 2 June 2025.
[39] In April 2025, the current account deficit was PLN 1.6 billion.
[40] In April 2025, the financial account deficit was PLN 0.9 billion.

external debt to GDP ratio rose to 52%, but remained markedly below the long-term average.

Figure 2.25 Current account balance (4-quarter rolling sum)



Source: NBP data.
Data for 2025 Q1 are based on monthly estimates for January, February and March 2025.

Table 2.3 Selected external imbalance indicators (4-quarter rolling sum in per cent, unless otherwise indicated)

	2023				2024				2025
	q1	q2	q3	q4	q1	q2	q3	q4	q1
Current account balance/GDP	-0.5	0.2	1.1	1.8	1.6	1.3	0.5	0.2	-0.4
Current and capital account balance/GDP	-0.8	0.0	1.0	1.9	2.2	2.0	1.1	0.5	0.1
Trade balance/GDP	3.6	4.4	5.3	5.9	5.7	5.1	4.4	4.0	3.4
Official reserve assets (in monthly imports of goods and services)	4.6	4.7	5.1	5.1	5.6	5.8	5.7	6.2	6.2
Gross external debt/GDP	52	51	52	49	50	50	50	52	-
Net international investment position/GDP	-33	-33	-30	-32	-32	-31	-31	-29	-
Official reserve assets/short-term external debt minus forecasted current account balance	131	130	123	127	125	128	131	131	-
Official reserve assets/short-term external debt	119	121	120	126	128	132	137	140	-

Source: NBP data.
The two last indicators include external debt and the level of reserve assets at the end of the period.
Data for 2025 Q1 are based on monthly estimates for January, February and March 2025.

3. Monetary policy in March – July 2025

This chapter includes the previously published *Minutes of the Monetary Policy Council decision-making meetings* held between March and May 2025 as well as the *Information from the meeting of the Monetary Policy Council* in June and July 2025.

Minutes of the Monetary Policy Council decision-making meeting held on 12 March 2025

During the discussion at the meeting of the Monetary Policy Council it was noted that in 2024 Q4 annual GDP growth in the euro area had picked up, while in Germany it was slightly negative. It was pointed out that according to incoming information in the recent period, there was a greater likelihood of an increase in public expenditure in Germany, which could stimulate GDP growth in that economy and thus also boost exports and GDP growth in Poland. In turn, in the United States the pace of annual economic growth in 2024 Q4 was close to its longer-term average.

The Council members pointed out that inflation in the major advanced economies was running slightly above the central banks' inflation targets, mainly as a result of elevated core inflation, including services price growth. It was noted that in the Central and Eastern European countries, such as Romania and Hungary, inflation had been running close to 5% at the beginning of 2025. By contrast, in the Czech Republic inflation was within the tolerance band around the inflation target.

It was underlined that the outlook for economic activity and inflation around the world was fraught with uncertainty. In the context of uncertainty about the changes in trade policy, it was noted that increases in tariffs on goods could boost inflation around the world. Attention was also drawn to heightened geopolitical uncertainty, including that related to Russia's military aggression against Ukraine.

When discussing monetary policy abroad, it was pointed out that in the United States the Federal Reserve had kept interest rates unchanged in January 2025. On the other hand, the ECB had cut interest rates in March 2025. It was underlined that among the countries of Central and Eastern Europe, in Romania and Hungary interest rates had been kept unchanged for half a year and remained significantly higher than in Poland. Meanwhile, in the Czech Republic interest rates had recently been lowered. It was pointed out that in Poland inflation-adjusted central bank's interest rate had been among the lowest in the Central and Eastern Europe region and lower than in such advanced economies as the United States, the United Kingdom and Canada.

When discussing economic activity in Poland, it was noted that according to the Statistics Poland preliminary estimate, GDP growth had picked up to 3.2% in 2024 Q4 (compared to 2.7% y/y in 2024 Q3). It was observed that GDP growth in 2024 Q4 had been higher than forecasted in the NBP November 2024 projection. Consumption growth accelerated markedly (from 0.3% y/y to 3.5% y/y), and investment growth increased as well (from 0.1% y/y to 1.3% y/y). As a result, domestic demand rose by 4.8% y/y.

It was pointed out that the data for January 2025 indicated a further recovery in demand. Retail sales increased by 4.8% y/y in real terms, with the highest growth in sales of durable goods for almost three years. It was noted that construction and assembly production had also grown in January, suggesting a further recovery in investment. In turn, annual industrial output growth was negative in January, however, in February the PMI index exceeded 50 points for the first time in almost three years.

When discussing the economic activity outlook, it was observed that the economic recovery should continue in 2025 along with significant growth in domestic demand. According to the NBP March projection, GDP growth is set to accelerate to 3.7% in 2025, i.e. stronger compared to the previous projection. Investment growth is set to exceed 8% driven by the inflow of EU funds. Further robust growth in consumption is also forecasted. As a result, domestic demand should grow by 5.5%, well above the long-term average. Some Council members underlined that according to available forecasts, economic growth in Poland in 2025 should be among the highest in the European Union. Certain Council members judged that GDP growth in 2025, including investment, might prove somewhat slower than indicated by the projection, despite an acceleration compared to 2024.

When referring to the labour market, it was underlined that unemployment was still very low, and wages continued to grow rapidly. It was observed that in 2024 wage growth in the national economy had been the highest for over two decades, in both nominal terms (13.6%) and real terms (9.5%). In 2024 Q4, annual nominal wage growth in the economy was still high (amounting to 12.4%), which indicated the persistence of high wage pressure in the economy. At the same time, it was noted that data from the enterprise sector for January 2025 suggested a slowdown in wage growth, partly as a result of base effects related to robust wage growth a year earlier. As a result, some Council members judged that wage pressure was gradually weakening.

While analysing the situation in the credit market, it was pointed out that annual growth in corporate and household debt was positive in all the main segments of the credit market, i.e. housing and consumer loans for households, as well as current and investment corporate loans. At the same time, certain Council members pointed to a slight slowdown in housing loan growth and to somewhat higher growth in current loans than in investment loans over the recent period. At the same time, it was observed that the M3 aggregate in Poland – unlike in many other European economies – was growing faster than before the pandemic.

During the discussion on inflation, it was noted that CPI inflation had risen sharply in recent quarters and was around twice as high as the NBP inflation target, while as recently as 2024 Q2 it had stood at 2.5%. It was underlined that although the robust growth in inflation was largely the result of regulatory and tax factors, at the same time core inflation was also elevated. In particular, amid high wage growth, annual growth in services prices remained above 6%. Certain Council members expressed the opinion that the significant impact of regulatory and tax factors on the current CPI inflation might make it more difficult to assess inflationary pressures in the economy.

When discussing the inflation outlook, the Council members pointed out that in line with the March projection, inflation would remain high in the coming quarters. In the first half of 2025, it will remain close to 5%. In 2025 Q3, inflation should decline, mainly due to base effects related to the increases in energy prices and the VAT rates for staple food products in 2024. On the other hand, the planned reinstatement of the so-called capacity charge in July 2025, resulting in higher electricity prices, will have the opposite effect on the CPI rate. It was underlined that under the present legal arrangements, the cap on electricity prices will expire at the end of 2025 Q3, which, with the current tariffs, would translate into a renewed increase in CPI inflation in 2025 Q4. As a result, according to the projection, inflation at the end of 2025 might be similar to that at the end of 2024.

It was judged that core inflation in the coming quarters would likely remain elevated, driven by high wage growth, accelerating economic growth and loose fiscal policy. However, certain Council members pointed out that the expected slowdown in wage growth, reduced demand pressure and low import price growth would contribute to slower price growth in the economy in the medium term.

It was observed that, in line with the March projection, annual average inflation in 2025 would be significantly higher than in 2024. According to the central projection scenario – with the assumption of unchanged NBP interest rates – CPI growth was set to remain above 2.5% not only in 2025, but also for most of 2026, whereas in 2027 annual average inflation was expected to run at 2.5%.

At the same time, the Council members noted many factors of uncertainty regarding inflation developments in the medium term. In this context, attention was drawn to the uncertainty about future regulatory measures in relation to energy prices. High uncertainty around the world was also mentioned, including the geopolitical situation and trade policy, as well as commodity price developments. Certain Council members expressed the opinion that given the persistence of risk factors and structural changes in the economy, uncertainty about a sustainable return of inflation to the NBP target in the medium term was heightened.

During the discussion, it was also pointed out that the European Union's climate policy was a significant uncertainty factor for medium-term inflation developments. It was noted that according to current plans, in 2027 a carbon levy was to be imposed on carbon dioxide emissions related to the heating of buildings and road transport under the so-called ETS2 system. It was estimated that if emission costs under this system reached the maximum level, inflation could be 2 percentage points higher than the central scenario in the March projection for 2027.

During the meeting it was observed that fiscal policy is not conductive to reducing inflation. It was pointed out that the budget deficit in 2024 in relation to GDP had been the highest since the early 1990s. According to forecasts of the European Commission, in 2025 the Polish general government deficit in relation to GDP was set to be one of the highest in the European Union. It was observed that despite this, no specific steps towards reducing the deficit had been presented, and in the recent period there had been signals of a possible cuts in some taxes.

The majority of the Council members judged that in 2025 inflation would be markedly above the NBP inflation target, driven by the effects of the already introduced increases in energy prices, increases in excise duties and administered services prices, as well as the further unfreezing of energy prices in the second half of 2025. In the coming quarters, core inflation would probably also remain elevated, amid further economic recovery with a marked increase in domestic demand. In the medium term – under the current NBP interest rates level and amid the expected gradual decline in wage growth – inflation should return to the NBP target. The impact of elevated inflation on inflation expectations and wage pressure – especially amid rising demand and low unemployment – remains an uncertainty factor. Inflation developments over the medium term will be also affected by the further fiscal and regulatory policy measures. Against this background, the Council decided to keep the NBP interest rates unchanged. The Council judged that the current level of the NBP interest rates was conducive to meeting the NBP inflation target in the medium term.

A view was expressed that given the elevated inflation, including core inflation, as well as the high wage growth and the present developments in inflation expectations, the current level of NBP interest rates was too low to ensure a sustainable return of inflation to the target in the medium term.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 5.75%, the lombard rate at 6.25%, the deposit rate at 5.25%, the rediscount rate at 5.80%, and the discount rate at 5.85%.

The Council members pointed out that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity.

Minutes of the Monetary Policy Council decision-making meeting held on 2 April 2025

During the discussion at the meeting of the Monetary Policy Council it was noted that GDP growth may have slowed down somewhat in the United States in 2025 Q1. At the same time, the gradual recovery continued in the euro area, albeit with lower economic activity growth than in the United States. In particular, it was pointed out that signs of an improvement in economic conditions were visible in Germany, although a more marked acceleration in activity in this economy is expected only in 2026. The Council members underlined that outlook for economic growth in the coming years in the external environment of the Polish economy remained subject to very significant uncertainty. On the one hand, the tightening of trade policy by the United States might adversely affect activity in the euro area, including in Germany. On the other hand, the announced easing of fiscal policy in Germany might support economic growth in Poland's main trading partner and in the whole of Europe.

The Council members pointed out that inflation around the world was gradually declining and that in some economies – including in the euro area – it was already close to the central banks' inflation targets, while in the United States inflation remained slightly above the central bank's target. Meanwhile, in Central and Eastern Europe, inflation markedly exceeded the central banks' inflation targets in Hungary and Romania, while in the Czech Republic inflation was running within the tolerance band from the inflation target. Under these conditions, the European Central Bank cut interest rates in March, while the Federal Reserve of the United States kept interest rates unchanged. In turn, in Central and Eastern Europe the central banks kept interest rates unchanged following the earlier cuts.

While discussing economic activity in Poland, it was pointed out that data for the first months of 2025 signalled that GDP growth in 2025 Q1 was likely to be lower than forecast in the March projection and close to that observed in 2024 Q4. It was stressed that – following robust growth in January – February 2025 saw a fall in retail sales in annual terms. In turn, annual industrial output growth was yet again negative, while total construction and assembly output remained unchanged compared to February 2024. Certain Council members drew attention to the deteriorating financial situation of firms, while noting that despite this, the financial condition of enterprises was sound. At the same time, the Council members judged that in the coming quarters the economic recovery was expected to continue, although its pace would largely depend on the absorption of European funds and on economic situation in the euro area, including particularly in Germany. In this context, certain Council members expressed concerns about the possibility to make full use of EU funds and about the strength of the economic recovery in Poland's main trading partners.

When referring to the labour market situation, it was noted that for a long time unemployment had been running at a very low level. At the same time, data from the enterprise sector pointed to a slight fall in employment, which was accompanied by a further slowdown in wage growth. The Council members indicated that February saw a decline of annual wage growth in enterprises to 7.9%, which signalled a slowdown in wage growth, which – nevertheless – was still high. Certain Council members noted that due to the annual change in the sample by Statistics Poland, an assessment of the situation in the enterprise sector would be possible only after considering data for the coming months. At the same time, they underlined that firms' willingness to raise wages – as indicated in surveys – had risen in the recent period. However, other Council members drew attention to the fact that the percentage of firms reporting wage pressure was declining.

While analysing the situation in the credit market, certain Council members argued that in 2024 the average monthly value of new loans for households, adjusted for the change in consumer prices (both in the housing loans and consumer loans segments), was higher than in the years before the pandemic, while in the case of new loans for firms it was only slightly lower. However, certain Council members pointed to a still limited scale of private sector debt growth. In particular, they observed that the rise of zloty-denominated housing loans was declining in monthly terms, no major recovery of consumer loans was visible, and enterprises' bank debt remained affected by significant uncertainty of firms about the economic outlook.

During the discussion on inflation, it was noted that after taking into account Statistics Poland revised weights in the consumption basket used to calculate the CPI, inflation in January, February and – according to the Statistics Poland flash estimate – in March 2025 was 4.9%. This means that in 2025 Q1 the CPI inflation rate was almost double the NBP inflation target, but at the same time, it was markedly lower than forecasted in the March projection. Moreover, some Council members noted that a marked slowdown had been observed in inflation excluding energy and food prices, which probably fell to around 3.5% compared to 4.1% in 2024 Q4. In the opinion of the Council members, although core inflation was still elevated – which was in particular driven by still rapidly increasing services prices – in recent months it had declined faster than expected.

When discussing the inflation outlook, some Council members stressed that the lower than expected inflation data along with the fall in global oil prices suggested that inflation over the whole of 2025 might run below the path of the March projection. It was pointed out that according to the latest available forecasts, inflation might decline to 4.5% in 2025 Q2 and to 3.5% in 2025 Q3, while in 2025 Q4 – according to current legislation and taking into account the current level of electricity tariffs – it might rise to 4.2%. The Council members noted that at the end of 2025 – according to current forecasts – inflation would be below earlier expectations and lower than in 2025 Q1, therefore it was possible that it had already reached its peak. In the opinion of certain Council members, lower inflation should be supported by the still negative PPI growth as well as the earlier strengthening of the zloty exchange rate. Certain Council members noted that the update of the inflation basket did not change the outlook for inflation processes in the coming years.

The Council members pointed to many uncertainty factors regarding inflation developments in Poland in the medium term. Among others, attention was drawn to the uncertainty about future regulatory measures in relation to energy prices. Certain Council members judged that although no decisions had been taken on electricity tariffs, which were to be set for the second half of 2025, there are signs suggesting that the tariffs might prove to be close to the current maximum price. High uncertainty was also underlined concerning the level of global inflation and economic conditions abroad, including in relation to the geopolitical situation and changes in trade policy, as well as concerning the commodity price developments.

During the meeting it was observed that fiscal policy, which was not conducive to reducing inflation at the moment, was an important determinant of inflation processes. It was pointed out that – according to preliminary information from Statistics Poland – in 2024 the general government deficit in relation to GDP amounted to 6.6%. It was underlined that the deficit to GDP ratio in 2024 was higher than expected and was among the highest in recent decades. Some Council members noted that this might mean that the deficit in 2025 would also turn out to be higher than preannounced, although already according to the autumn forecasts of the European Commission, the Polish general government deficit to GDP was set to be one of the highest in the European Union in 2025. It was stressed that so far no specific measures had been put forward to reduce the deficit, while signals had appeared of a possible reduction in some taxes. However, certain Council members noted that room for expansionary fiscal policy might be limited and that the general government deficit in subsequent years should be lower than in 2024. At the same time, it was pointed out that there was a clear change of attitude towards fiscal discipline in Europe, which might also reduce incentives for fiscal tightening in Poland.

The majority of Council members judged that in the coming months inflation would remain above the NBP inflation target, driven by the effects of the already introduced increases in energy prices, as well as by the rises in excise duties and administered services prices. Core inflation would probably also continue to be elevated. In the second half of 2025 – in line with the present legal arrangements and accounting for the current level of tariffs for electricity – there will be a further rise in regulated energy prices. At the same time, incoming information, including lower than expected Statistics Poland data on inflation in the first months of 2025, signal that inflation in subsequent quarters might be lower than previously expected. The impact of elevated inflation on inflation expectations and wage pressure – especially amid rising demand and low unemployment – remains an uncertainty factor. Inflation developments over the medium term will be affected by the further fiscal and regulatory policy measures. Uncertainty stems also from inflation developments abroad, following, among others, from changes in trade policies of major economies. Against this background, the Council decided to keep the NBP interest rates unchanged. The Council judged that the current level of the NBP interest rates was conducive to meeting the NBP inflation target in the medium term.

In the opinion of the majority of Council members, should incoming information confirm an improvement in the prospects of inflation returning to the inflation target, then room might appear for a cut in interest rates.

A view was expressed that given the elevated inflation, including core inflation, as well as the high wage growth and the present developments in inflation expectations, the current level of NBP interest rates was too low to ensure the sustainable return of inflation to the target in the medium term.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 5.75%, the lombard rate at 6.25%, the deposit rate at 5.25%, the rediscount rate at 5.80%, and the discount rate at 5.85%.

The Council members pointed out that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity.

Minutes of the Monetary Policy Council decision-making meeting held on 7 May 2025

During the discussion at the meeting of the Monetary Policy Council it was noted that according to the Eurostat preliminary flash estimate, GDP growth in the euro area stood at 1.2% in annual terms in 2025 Q1 – the same as in 2024 Q4 – while in Germany it declined slightly again. In turn, in the United States economic activity declined in 2025 Q1 – mainly due to the strongly negative contribution of net exports to GDP growth, amid continued consumption and investment growth – which resulted in the annual GDP growth falling to 2.0%. The Council members indicated that recently the International Monetary Fund had revised downwards its economic growth forecasts for the largest economies. In particular, current forecasts for Germany pointed to continued stagnation in 2025, while a more marked economic recovery, supported by the announced fiscal expansion, would be seen starting from 2026. At the same time, it was underlined that in recent years growth forecasts for Germany had repeatedly been revised downwards and that this economy was vulnerable to changes in global trade policy. The Council members noted that the weakening global growth outlook had translated into a marked decline in oil prices.

The Council members highlighted that both in the euro area and the United States inflation was running close to the central banks' inflation targets, while core inflation remained higher than headline inflation in these economies. It was pointed out that in April the European Central Bank had cut interest rates, while the Federal Reserve of the United States had kept interest rates unchanged since December 2024.

While discussing economic activity in Poland, it was noted that recently released data had once again been weaker than expected, although this had been partly due to seasonal and calendar factors. Retail sales had declined in annual terms in March 2025, and in the whole of 2025 Q1 their growth had been significantly slower than in 2024 Q4. Construction and assembly output had also fallen in annual terms in March 2025. In turn, annual industrial output growth was positive, but lower than market expectations. Moreover, industrial output in 2025 Q1 was running at a level similar to that recorded at the turn of 2021-2022. The Council members judged that, taken together, the monthly data for 2025 Q1 signalled that GDP growth in this period had most likely been lower than expected in the March projection and slightly lower than in 2024 Q4.

While discussing the economic outlook, the Council members noted that the growth rate in 2025 would largely depend on the extent, to which EU funds would be used, as it affects investment growth. In this context, certain Council members expressed the opinion that the investment stimulus related to the inflow of EU funds would be weaker than earlier estimated. It was observed that in view of the relatively good labour market situation, the outlook for consumption was still favourable. It was underlined that economic activity growth in the euro area, particularly in Germany, remained a significant uncertainty factor that had a major impact on the Polish industrial sector and exports. The Council members noted that while the acceleration in economic growth in 2025 might be weaker than earlier envisaged, it should still be expected that GDP growth in 2025 would be higher than in 2024.

When referring to the labour market situation, it was pointed out that unemployment remained low and the number of working persons continued to be high, although employment in the enterprise sector was still gradually declining, which should ease wage pressure. It was noted that in March 2025 wage growth in this part of the economy had declined again. It was underlined in particular that wage growth in service enterprises was gradually weakening, which supported the reduction of price pressure in market services and thus supported disinflation. However, the Council members noted that wage growth was still relatively high.

While analysing the situation in the credit market, it was pointed out that in March 2025 annual growth in corporate loans had slowed down somewhat. At the same time, attention was drawn to the acceleration of monthly growth of household loans.

During the discussion on inflation, it was noted that in April 2025 annual consumer price growth had slowed down significantly. The fall in inflation was mainly attributable to the decline in annual growth in prices of food and non-alcoholic beverages (resulting from the ending of the effect of the VAT increase in April 2024) as well as the fall in annual fuel price growth (resulting from the decrease in global oil prices and depreciation of the US dollar). Taking into account Statistics Poland data, it can be estimated that in April 2025 inflation excluding food and energy prices also declined, although service price growth probably remained elevated.

While discussing the outlook for inflation, the Council members emphasised that in line with the latest forecasts, CPI inflation in 2025 might be significantly lower than assumed in the March projection. Certain Council members pointed out that according to the current forecasts, in 2025 Q3 CPI inflation would be within the tolerance band around the inflation target. It was indicated that also market analysts' forecasts for 2025 had been lowered and some Council members pointed out that economic climate surveys signalled lower growth of producers' own prices. Certain Council members argued, however, that in their opinion inflation expectations of enterprises and households remained elevated.

At the same time, it was emphasised that there persisted uncertainty about the level of energy prices in the second half of 2025. It was pointed out that in line with the current regulations the coming quarters would see an end of the support scheme for energy consumers, which, amid the unchanged energy tariffs, would mean a rise in inflation. Yet, the majority of the Council members pointed out that government officials signalled the possibility of the administered energy prices remaining unchanged, supported by recent developments in energy commodities price quotations in the global markets. However, the Council members indicated that no formal decisions in this matter had been issued yet, which made it difficult to assess the impact of energy prices on inflation processes in the coming quarters.

The Council members pointed out that the expansionary fiscal policy remained a factor fuelling inflation. It was emphasised that in 2024 the public finance sector deficit was higher than forecasted and it proved to be one of the highest among the European Union countries. It was stressed that according to government forecasts, no marked improvement would be seen in 2025, as the deficit, including the structural deficit, was to remain high. Certain Council members expressed hope that 2026 would see fiscal consolidation. However, the Council members pointed out that so far the government had not presented any actions towards this end, and, at the same time, had applied for the so-called national escape clause under the EU fiscal rules which might suggest – in the opinion of some Council members – no intention to significantly lower the deficit in 2026.

Among factors that might hinder further decline in inflation, the Council members noted also the forecasted acceleration in economic growth in 2025. Further developments in the labour market, including wage growth, would be of particular importance. It was also indicated that the subsequent evolution of the geopolitical situation, including the course of the Russian military aggression against Ukraine, was a major uncertainty factor. The Council members emphasised that under these conditions, it was necessary to continue to pursue monetary policy aimed at ensuring a sustainable return of inflation to the NBP inflation target.

The majority of the Council members judged that taking into account the incoming information, including lower current and forecasted inflation, decreasing wage growth and weaker data on economic activity, the adjustment of the level of the NBP interest rates became justified. The Council members pointed out that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity. Developments in demand pressure and situation in the labour market in subsequent quarters, as well as the level of administered energy prices and further fiscal policy measures remain an uncertainty factor. Uncertainty stems also from inflation developments abroad, following, among others, from changes in trade policies of major economies.

A view was expressed that given the elevated inflation, including core inflation, as well as the high wage growth and the present developments in inflation expectations, the current level of NBP interest rates was too low to ensure a sustainable return of inflation to the target in the medium term.

The Council decided to cut the NBP reference rate by 0.5 percentage points, i.e. to 5.25%. At the same time, the Council set the remaining NBP interest rates at the following levels: the lombard rate at 5.75%, the deposit rate at 4.75%, the rediscount rate at 5.30%, and the discount rate at 5.35%.

Information from the meeting of the Monetary Policy Council held on 3-4 June 2025

The Council decided to keep the NBP interest rates unchanged: reference rate at 5.25%; lombard rate at 5.75%; deposit rate at 4.75%; rediscount rate at 5.30%; discount rate at 5.35%.

In the euro area, the annual GDP growth in 2025 Q1 – similarly as in 2024 Q4 – amounted to 1.2%. In turn, in the United States economic activity declined in 2025 Q1, which resulted in the annual GDP growth falling to 2.1%. In both economies inflation is running close to the central banks' targets. The outlook for global activity and inflation is subject to uncertainty, related, among others, to changes in trade policies.

In Poland, according to the Statistics Poland preliminary estimate, GDP grew by 3.2% y/y in 2025 Q1 (compared to 3.4% y/y in 2024 Q4). The GDP growth was positively affected by a rise in domestic demand, including consumption and investment. In April 2025, annual growth rates of retail sales and industrial output were positive, while construction and assembly production declined in annual terms. In the labour market, unemployment remains low and the number of working persons continues to be high, although employment in the enterprise sector in April 2025 was lower than a year earlier. Annual wage growth in the national economy slowed down in 2025 Q1, while in the enterprise sector it picked up in April 2025.

According to the Statistics Poland flash estimate, annual CPI inflation in May 2025 amounted to 4.1% (compared to 4.3% in April 2025). Lower inflation was mainly driven by the further decline in fuel prices amid lower global oil prices. Considering the Statistics Poland data, it can be estimated that in May 2025 inflation net of food and energy prices decreased slightly, whereas services price growth remained elevated. The earlier increases in the administered energy prices together with continuously heightened annual growth in prices of food and non-alcoholic beverages translate into still elevated level of CPI inflation.

Against this background, the Council decided to keep the NBP interest rates unchanged. The Council judges that the current level of the NBP interest rates is conducive to meeting the NBP inflation target in the medium term.

Further decisions of the Council will depend on incoming information regarding prospects for inflation and economic activity. Developments in demand pressure and situation in the labour market in subsequent quarters, as well as the level of administered energy prices and fiscal policy stance, remain an uncertainty factor. Uncertainty stems also from inflation developments abroad, following, among others, from changes in trade policies of major economies.

NBP will continue to take all necessary actions in order to ensure macroeconomic and financial stability, including above all to bring inflation down sustainably to the NBP inflation target in the medium term. NBP may intervene in the foreign exchange market.

Information from the meeting of the Monetary Policy Council held on 1-2 July 2025

The Council decided to cut the NBP reference rate by 0.25 percentage points, i.e. to 5.00%. At the same time, the Council set the remaining NBP interest rates at the following levels: lombard rate at 5.50%; deposit rate at 4.50%; rediscount rate at 5.05%; discount rate at 5.10%.

In the euro area, the annual GDP growth in 2025 Q1 amounted to 1.5%, i.e. was close to its long-term average. Meanwhile, in the United States the annual GDP growth declined below the long-term average, amounting to 2.0% in 2025 Q1. In light of incoming data, in 2025 Q2 the annual activity growth in both economies was likely similar to that recorded in Q1. At the same time, inflation in these economies is running at levels consistent with the central banks' inflation targets. The outlook for global activity and inflation is subject to uncertainty, related, among others, to changes in trade policies.

In Poland, in May 2025, annual growth rates of retail sales and industrial output were positive, while construction and assembly production declined again in annual terms. In the labour market, unemployment remains low, and the number of working persons continues to be high, although employment in the enterprise sector in May 2025 was lower than a year earlier. Annual wage growth in the national economy slowed down in 2025 Q1. Also, data from the enterprise sector indicate the slowdown in the wage growth.

According to the Statistics Poland flash estimate, annual CPI inflation in June 2025 amounted to 4.1% (compared to 4.0% in May 2025). Considering the Statistics Poland data, it can be estimated that in June 2025 also inflation net of food and energy prices was close to that recorded in May, amid services price growth remaining elevated. The earlier increases in the administered energy prices together with continuously heightened annual growth in prices of food and non-alcoholic beverages translate into still elevated level of CPI inflation.

The Council became acquainted with the results of the July projection of inflation and GDP based on the NECMOD model. In line with the projection, prepared under the assumption of unchanged NBP interest rates and taking into account data available until 9 June 2025, there is a 50-percent probability that the annual price growth will be in the range of 3.5 – 4.4% in 2025 (against 4.1 – 5.7% in the March 2025 projection), 1.7 – 4.5% in 2026 (compared to 2.0 – 4.8%) and 0.9 – 3.8% in 2027 (compared to 1.1 – 3.9%). At the same time, the annual GDP growth – according to the projection – will be with a 50-percent probability in the range of 2.9 – 4.3% in 2025 (against 2.9 – 4.6% in the March 2025 projection), 2.1 – 4.1% in 2026 (compared to 1.9 – 4.0%) and 1.3 – 3.7% in 2027 (compared to 1.1 – 3.5%).

According to the available forecasts the CPI inflation in the coming months will fall below the upper bound for deviations of the NBP inflation target. Taking this into account, in the Council's assessment, it became justified to adjust the level of the NBP interest rates.

Further decisions of the Council will depend on incoming information regarding prospects for inflation and economic activity. Fiscal policy stance, developments in demand pressure and situation in the labour market in subsequent quarters, as well as the level of administered energy prices, remain an uncertainty factor. Uncertainty stems also from inflation developments abroad, following, among others, from changes in trade policies of major economies.

NBP will continue to take all necessary actions in order to ensure macroeconomic and financial stability, including above all to bring inflation down sustainably to the NBP inflation target in the medium term. NBP may intervene in the foreign exchange market.

4. Projection of inflation and GDP

This inflation and GDP projection was prepared by the Economic Analysis and Research Department (EARD) of Narodowy Bank Polski and presents a forecast of economic developments under the assumption of unchanged NBP interest rates. In terms of the contents, work on this projection was supervised by the Director of the Economic Analysis and Research Department. The process was coordinated by the Macroeconomic Forecasts Division of the EARD and the projection was prepared using the macroeconomic NECMOD model. The Management Board of NBP approved the projection to be submitted to the Monetary Policy Council. The projection constitutes one of the inputs to the Monetary Policy Council's decision-making process concerning the NBP interest rates.

The July projection based on the NECMOD model covers the period from 2025 Q2 to 2027 Q4. The starting point for the projection is 2025 Q1.

The projection was prepared under the assumption of unchanged NBP interest rates, including a reference rate of 5.25%. The cut-off date for the data used in this projection is 9 June 2025.

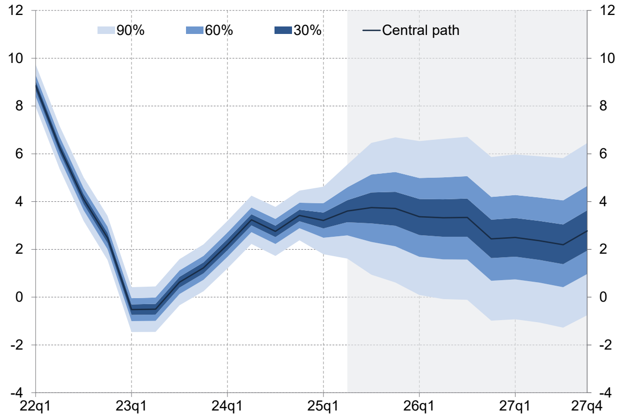
4.1 Summary

After growth of almost 3% in 2024, domestic GDP growth will pick up to 3.6% in 2025. This will be supported by high inflow of EU funds under the 2021-2027 financial framework and the National Recovery and Resilience Plan, which is the key factor boosting the investment trajectory. Only to a small extent will GDP growth in Poland in 2025-2027 be fuelled by foreign demand, since only a subdued recovery is expected in the euro area, with prolonged stagnation in Germany. After a more pronounced recovery in domestic economic activity in 2025, GDP growth will slow down in 2026-2027. The slowdown in GDP growth in 2027 will be largely due to the assumed termination of spending the funds under the National Recovery and Resilience Plan.

After peaking in 2025 Q1 (at 4.9% y/y), in 2025Q3 CPI inflation will return to the band of deviations from the NBP inflation target (2.5% +/-1 p.p.), but then it will rise again in 2025 Q4 (to 3.6% y/y). According to the results of the projection – under the assumption of unchanged NBP interest rates – a sustained return of consumer price growth to the band (1.5%-3.5%) will take place in 2026 Q1.

The inflation path in 2025 will be significantly influenced by regulatory measures affecting prices of electricity and natural gas. In particular, from 1 July 2025, gas prices for households will decline, accompanied by the reinstatement of the capacity charge and the assumed expiration of the cap on electricity prices from Q4 2025. In addition, the base effect related to the earlier partial unfreezing of electricity prices in July 2024 will contribute to a decline in inflation in 2025 Q3. The disinflation process in 2025 will be slowed down by the still high growth in administered prices, including charges for refuse collection, cold water supply and sewage collection, as well as elevated growth in

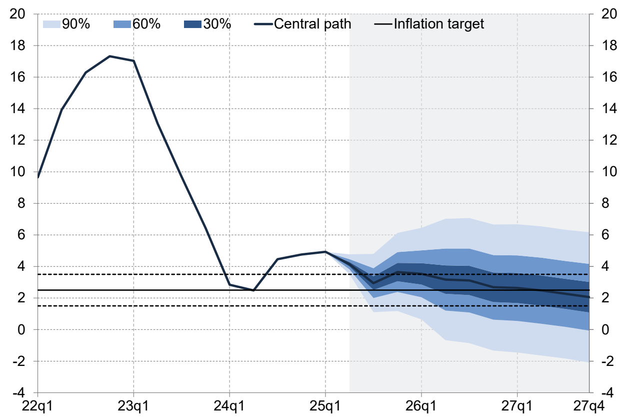
Figure 4.1 GDP (y/y, %)



Source: Statistics Poland (GUS) data, NBP calculations.

Fan fan charts depict the probability distribution of possible outcomes of GDP growth (Figure 4.1) and inflation rate (Figure 4.2). The part of the chart in the grey background illustrates forecast uncertainty of these variables over the projection horizon. It was assumed that the probability distribution of the possible outcomes of a variable at each forecast horizon belongs to the family of two-piece normal (TPN) distributions. This distribution is determined by three parameters: mode, variance and a measure of skewness. The mode of the distribution is the central path of the projection, while the variance is determined based on historical forecast errors for each of the horizons adjusted for the impact of the current uncertainty of exogenous variables. The skewness of the distribution is obtained from the analysis of several alternative scenarios together with the assigned probabilities of their realisation. On the chart, the distribution of the realisation of a given variable is illustrated by 30%, 60% and 90% probability intervals around the central projection path, which were constructed in such a way as to minimize the width of the bands (for more information see: Rybczyk B., Rybczyk B., 2016, Fan Chart – A Tool for NBP's Monetary Policy Making, Narodowy Bank Polski Working Paper, No. 241).

Figure 4.2 CPI inflation (y/y, %)



Source: Statistics Poland (GUS) data, NBP calculations.

The methodology of construction of fan charts is discussed in the note under Figure 4.1.

prices of excise goods due to increases of excise tax on tobacco products and their substitutes.

The forecasted path of economic activity at home and abroad for the coming year indicates that in 2026-2027 CPI inflation will increasingly be affected by weakening wage growth, which, due to market mechanisms, will have a slightly delayed impact on prices. Disinflation will also be supported by the assumed moderate growth in import prices due to low inflation in Poland's external environment and the depressed level of global prices of energy commodities. Over the longer-term horizon, the deceleration of the price growth will also be supported by low demand pressure reflected in the narrowing of the output gap, which will again turn negative. As a result of the above factors, in 2026-2027 CPI inflation will return to the band of deviations from the NBP inflation target (2.5% +/-1 p.p.).

The future economic situation and the CPI inflation path in Poland will largely depend on developments in economic activity in the euro area amid high uncertainty related to possible changes in trade policies of major economies. Future regulatory measures on energy prices are also a source of uncertainty for the projection. The balance of uncertainty factors for GDP growth and CPI inflation over the projection horizon is close to symmetrical (Figure 4.1, Figure 4.2).

4.2 External environment

Changes in global trade policy

In the first half of 2025, the United States administration significantly tightened its trade policy, raising tariffs on almost all imported goods from the majority of countries. These measures led to an escalation of trade tensions and provoked retaliatory measures from some countries. In subsequent weeks, the US administration took the decision to temporarily limit the scale of tariff hikes, deferring their full implementation. Negotiations are underway between the United

States and its trade partners, the results of which are expected in July, and in the case of China, in August. Therefore, the future shape of trade policy of the world's major economies remains subject to considerable uncertainty (see Chapter 4.5 *Forecast uncertainty sources*).

Economic growth

Despite the decision of the US administration to temporarily limit the scale of the tariff hikes, US trade policy remains highly restrictive compared to past years. Amid heightened uncertainty, both consumption growth and private investment growth will be subdued in the coming years. As a result, economic growth forecasts in the United States have been revised downward over the projection horizon compared to the March forecasting round (Table 4.1). GDP growth in this economy, supported by faster growth in labour productivity, will, however, continue to outpace growth in the euro area.

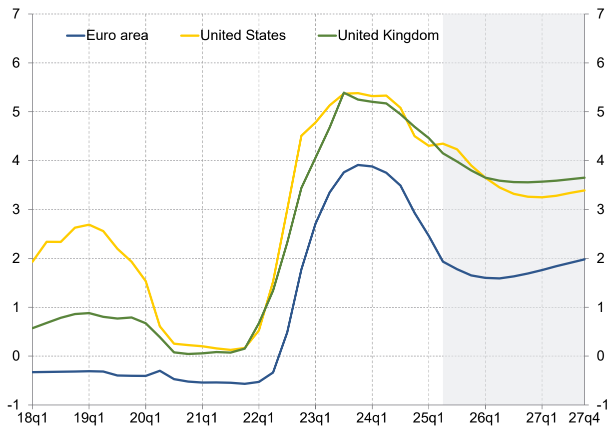
In the euro area, a moderate recovery is expected to continue, although economic activity will be curbed in the coming quarters by uncertainty about trade policy, which will limit investment expenditure and consumption in this economy. However, household consumption, supported by household disposable income amid a persistently favourable labour market situation, will remain the main component of GDP growth in the euro area over the projection horizon. Over the longer-term horizon, investment is expected to accelerate due to the effects of the ECB's monetary policy easing (Figure 4.3), increased defence expenditure and the disbursement of funds from infrastructure investment fund created in Germany in March 2025. The German fund consists of EUR 500 billion (11.6% of annual GDP) to be spent over a period of 12 years, of which EUR 100 billion is to be allocated to new energy transformation and climate programmes.

Table 4.1 GDP abroad – July projection versus March projection

	2025	2026	2027
GDP in Euro Area (y/y, %)			
July 2025	0.9	1.0	1.3
March 2025	0.9	1.2	1.1
GDP in Germany (y/y, %)			
July 2025	0.2	1.0	1.4
March 2025	0.2	1.0	1.0
GDP in United States (y/y, %)			
July 2025	1.4	1.4	1.9
March 2025	2.4	2.0	2.0
GDP in United Kingdom (y/y, %)			
July 2025	1.2	1.0	1.1
March 2025	0.9	1.4	1.2

Source: NBP calculations.

Figure 4.3 Interest rates abroad (%)



Source: Bloomberg data, NBP calculations.

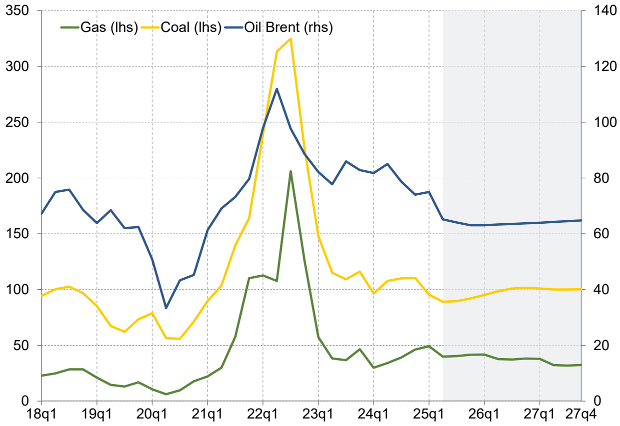
Inflation and commodity markets

Global prices of energy commodities declined significantly in the first half of 2025, influenced by fears about weakening global demand triggered by the escalation of protectionist measures and uncertainty about the future shape of the customs policies of the major economies (Figure 4.4, Figure 4.5). The persistence of oil prices at reduced levels over the projection horizon will be supported by an expected increase in production of this commodity both in the OPEC+ countries and producer countries outside this cartel. A further, gradual fall in natural gas prices will, however, result from an expected improvement in the supply situation in the European market, which temporarily deteriorated at the beginning of 2025, following the expiry of the agreement for the transmission of Russian natural gas to Europe via Ukraine. It is expected that increased deliveries of LNG, among others, from the United States, will be an alternative to Russian gas. As a result, projected price quotations for crude oil, natural gas and hard coal on global markets for 2025-2027 will run below the expectations of the March forecast.

The global prices of a large part of agricultural commodities declined in relation to the assumptions of the March projection. This concerns, in particular, price quotations of wheat, potatoes, coffee and skimmed milk powder. Futures quotes suggest a stabilisation of the agricultural commodities price index at the current level over the projection horizon, suggesting that future changes in demand and supply in these markets will largely offset each other (Figure 4.5).

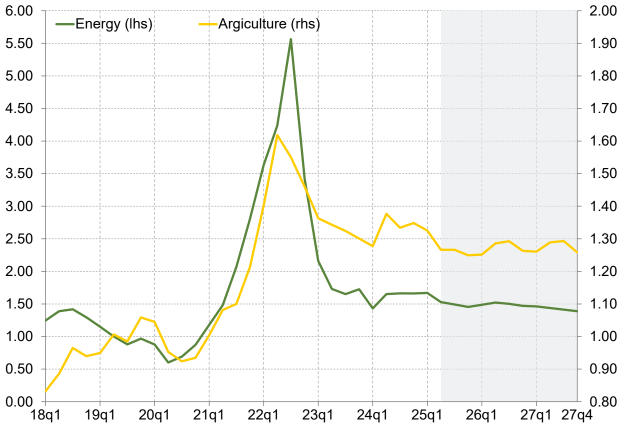
Only a moderate recovery in demand in the global economy will help keep inflation in the external environment of the Polish economy low over the projection horizon (Figure 4.6). However, the tightening of US trade policy will translate into a temporary increase in price growth in the United States in 2025-2026 above the expectations of the March projection. Elevated service price inflation in the major advanced economies and in the

Figure 4.4 Brent oil prices (USD/b), natural gas (TTF, USD/MWh) and hard coal (Richards Bay, USD/t)



Source: Bloomberg data.

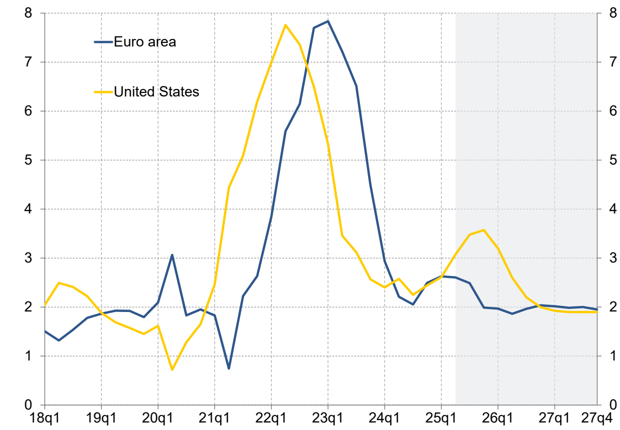
Figure 4.5 Energy commodities price index (USD, 2019=1) and index of agricultural prices (EUR, 2019=1) in global markets



Source: Bloomberg data, NBP calculations.

The index of the prices of energy commodities includes prices of crude oil, coal and natural gas, taking into account of the consumption structure of these commodities in Poland. The agricultural commodity price index includes prices of wheat, pork, skimmed milk powder, butter, sugar, cocoa, coffee, frozen concentrated orange juice, potatoes, oilseed, allowing for weights reflecting the consumption structure of Polish households.

Figure 4.6 Change in gross value added deflator (y/y, %)



Source: Bloomberg, Eurostat data, NBP calculations.

countries of Central and Eastern Europe, related to the still relatively high wage growth, will gradually decline, returning to its historical averages towards the end of the projection horizon. It should be noted that global inflation and economic growth forecasts are subject to high uncertainty due to the ongoing negotiation process on trade policy between the United States and its major trade partners (see Chapter 4.5 *Forecast uncertainty sources*).

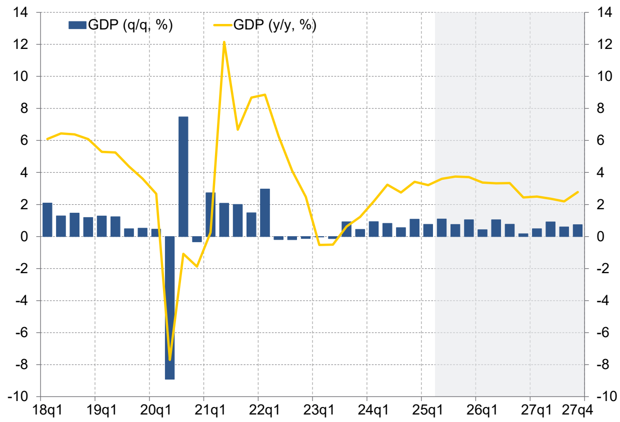
4.3 Polish economy in 2025-2027

Economic activity

Domestic GDP growth will accelerate to 3.6% in 2025 from slightly below 3% in 2024 (Figure 4.7), largely as a result of a robust growth of inflow of EU funds under the 2021-2027 financial framework and the National Recovery and Resilience Plan (Figure 4.8, Figure 4.9). Over the longer-term horizon, the positive impact of these factors will fade, translating into a slowdown in economic activity growth. Only to a small extent will GDP growth in Poland in 2025-2027 be fuelled by foreign demand, with a limited recovery expected in the euro area. At the same time, with the assumption of unchanged NBP interest rates over the projection horizon (including the reference rate at 5.25%), the growing real interest rate in subsequent years will limit the forecast growth in domestic demand.

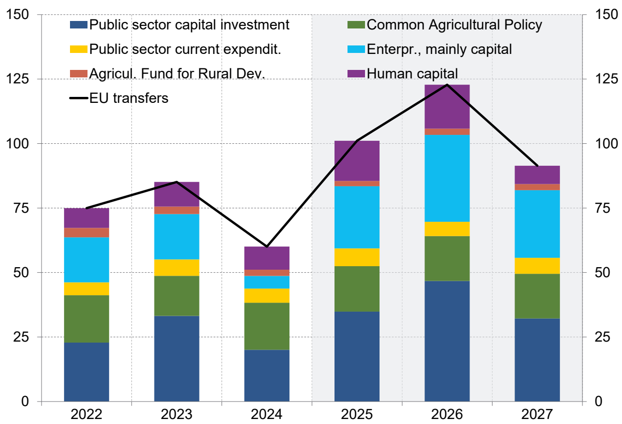
The growth of the real interest rate over the projection horizon will increase the households' propensity to save to the detriment of consumption, resulting in an elevated savings rate. Since at the same time the population's disposable income will decline compared to 2024 in the wake of a slowdown in real wage growth, private consumption growth will run at a moderate level in 2025-2027 (on average 3.2% y/y, Figure 4.10). The relatively stable growth in household spending expected over the projection horizon is a result of efforts to smooth the path of consumption over time.

Figure 4.7 Economic growth



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.8 Expenditure financed by EU funds (in PLN billion) – breakdown

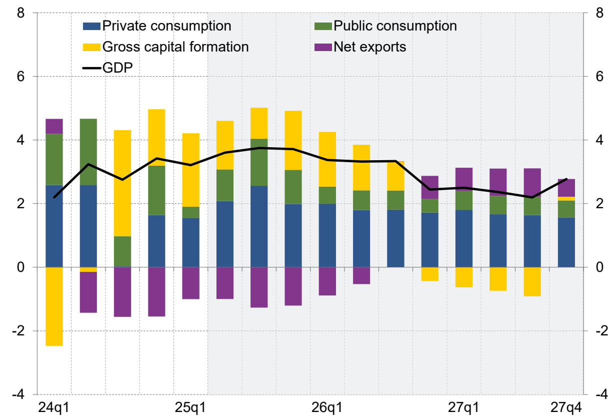


Source: NBP calculations.

After a fall in 2024, growth in gross fixed capital formation will pick up significantly in 2025-2026 (Figure 4.11). Investment demand in this period will be supported by increased absorption of EU funds under the 2021-2027 financial framework and the National Recovery and Resilience Plan (Figure 4.12). In 2027, gross fixed capital formation will decrease as the expenditure of funds from the NextGenerationEU instrument comes to an end (Figure 4.11). In the case of enterprises, the recovery in investment activity in 2025 is confirmed by survey data, indicating a rise in the percentage of firms declaring a continuation of the commenced investment projects and an increase in the scale of investment in the horizon of a quarter and a year.[41] Furthermore, over the projection horizon, expenditure related to the ongoing energy transformation of the Polish economy is also expected to increase, including spending allocated for the development of offshore wind farms in the Baltic as well as the construction and modernisation of transmission grids. According to announcements, the estimated value of investments in offshore wind energy will amount to PLN 130 billion[42], while the planned investments in transmission infrastructure in 2025-2034 are expected to amount to PLN 64 billion.[43] Purchases of military equipment will also contribute to raising the investment path. However, the growth rate of housing investment will remain at a relatively low level in 2025-2027 due to the assumption of unchanged NBP interest rates adopted in the projection.

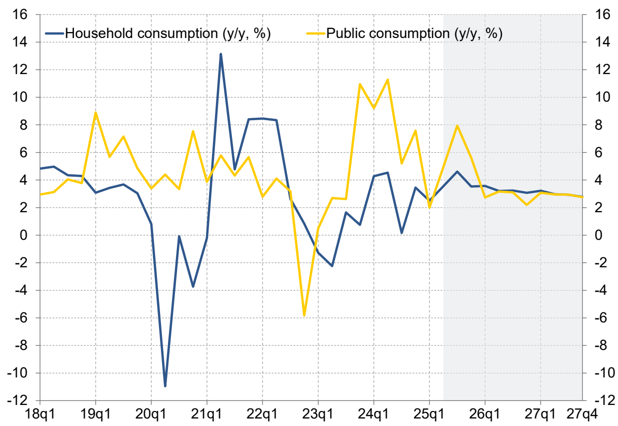
Net exports will continue to make a negative contribution to GDP growth in 2025 (Figure 4.13). This will be due to the persistently depressed economic activity in Poland's main trading partners, particularly in the German economy, which will have a negative impact on Polish exports. At the same time, import growth will

Figure 4.9 GDP growth (y/y,%) – breakdown



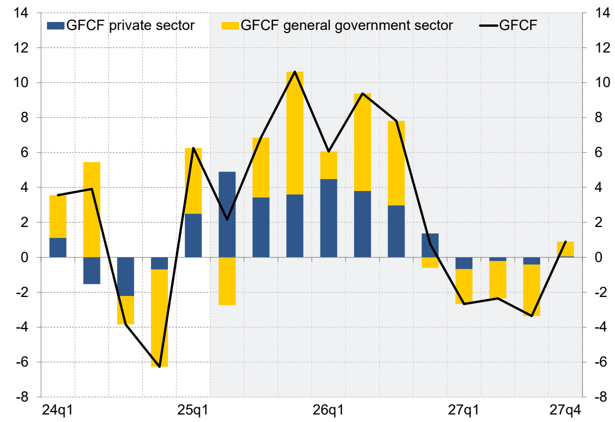
Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.10 Household and public consumption



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.11 Gross fixed capital formation (y/y, %) – breakdown



Source: Statistics Poland (GUS) data, NBP calculations.

Private sector investment is defined as gross fixed capital formation according to the national accounts except for the general government sector. It covers gross fixed capital formation of non-financial enterprises, financial and insurance companies, households (both housing and non-housing investment) and non-profit institutions serving households.

[41] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector*, NBP, April 2025.
[42] https://www.gov.pl/web/morska-energetyka-wiatrowa/program-rozwoju-morskich-farm-wiatrowych
[43] https://www.pse.pl/-/projekt-nowego-planu-rozwoju-sieci-przesylowej-na-lata-2025-2034-uzgodniony

accelerate on the back of the recovery in domestic economic conditions. In 2026-2027, the growth rate of domestic demand will slow down, accompanied by a gradual recovery in economic activity abroad, leading to a growing share of net exports in GDP growth.

Potential output and the output gap

In line with the current projection, potential output growth in 2025-2027 will run on average at 2.9% y/y, i.e. slightly below its long-term average (Figure 4.14).

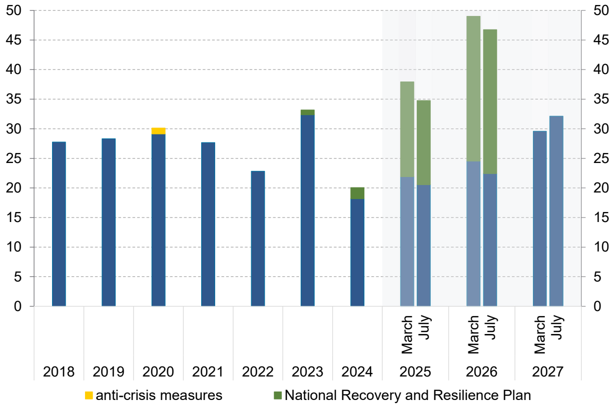
The potential of the domestic economy will be positively affected by the staggered impact of investment growth in 2025-2026, boosting the growth of productive capital, as well as by the assumed inflow of migrants, which will increase the labour supply. On the other hand, changes in the demographic structure of Poland's population will have a negative impact on potential GDP growth over the projection period. This is reflected in the assumed decline in working age population, which will reduce economically active population and, consequently, the number of employed.

Along with the forecast recovery in economic activity in the coming quarters, the currently negative output gap will increase and become slightly positive in 2026 Q2-Q3 (Figure 4.15). This means that the increased demand pressure expected in that period will limit the decline in inflation. In 2027, following a slowdown in GDP growth, demand pressure will ease again, increasingly supporting the disinflation process in the Polish economy.

Labour market

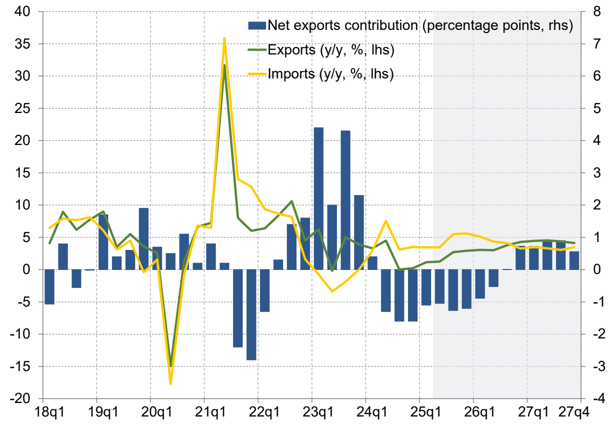
In the coming quarters, the unemployment rate will decline slightly as a result of the lagged response of the labour market to the expected acceleration of domestic GDP growth (Figure 4.16). This is reflected in the results of business surveys, where a higher proportion of firms plan to increase rather than decrease employment in the horizon of

Figure 4.12 Use of EU funds for public investment (PLN billion)



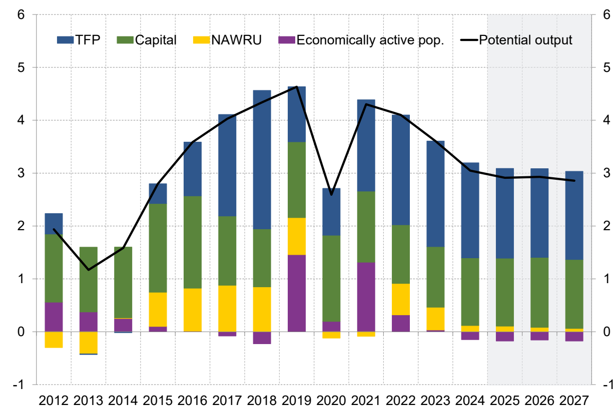
Source: MFiPR, Statistics Poland (GUS) data, NBP calculations.

Figure 4.13 Foreign trade



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.14 Potential product (y/y, %) – breakdown



Source: NBP calculations.

Potential output growth is defined as the economic growth rate that does not cause the accumulation of inflationary pressure. It may originate from the growth of labour supply, productive capital or total factor productivity. In the NECMOD model it is estimated on the following Cobb-Douglas production function:

$$PKB_t^{pot} = TFP_t^{trend} \cdot \left[LF_t^{trend} \cdot (1 - NAWRU_t)\right]^{0.67} \cdot K_t^{1-0.67},$$

where PKB_t^{pot} is the level of potential output, TFP_t^{trend} – total factor productivity, smoothed by the Hodrick-Prescott (HP) filter extended with an index of capacity utilisation, LF_t^{trend} – the number of economically active people smoothed by a HP filter, $NAWRU_t$ – non-accelerating wage rate of unemployment in the equilibrium, K_t – productive capital. The output elasticity with respect to labour was set at the level of 0.67.

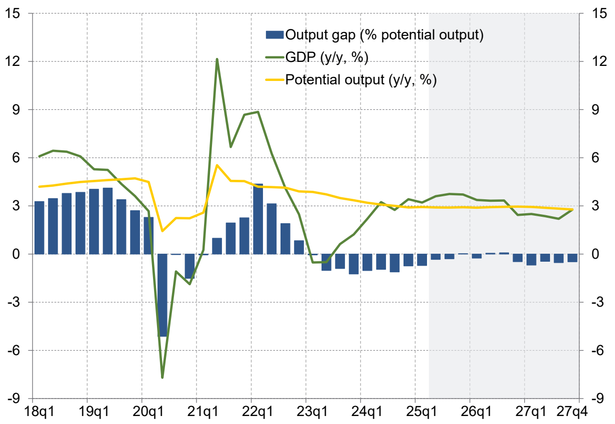
a year[44] (Figure 4.17). In 2027, the unemployment rate will again rise on the back of the slowdown in economic growth (Figure 4.16). However, the scale of this growth will be limited by demographic processes reducing the number of people of working age.

Over the projection horizon, wage growth will decline markedly relative to its high level observed in 2024 and will amount on average approximately labour productivity growth (Figure 4.19). This scenario is confirmed by a smaller than in 2024 scale of wage increases in the general government sector and in the minimum wage amounted over the projection horizon. Due to the lag in incorporating the scale of price increases into the wage-setting mechanism, the high inflation in 2022-2023 also had a significant impact on nominal wage growth in 2024. The forecast decline in the pace of wage growth is supported by the findings of the NBP Quick Monitoring Survey, according to which the median of wage increases declared by enterprises over a one-year horizon remains at 5%.[45]

Regulatory changes affecting the projected path of CPI inflation

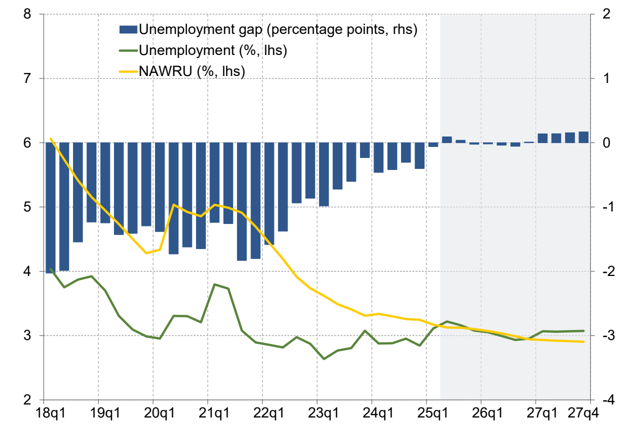
Pursuant to the Act adopted in November 2024,[46] the collection of the capacity charge from households will resume on 1 July 2025. At the end of September 2025, the cap on electricity prices (set at PLN 500/MWh) will expire, and household electricity bills will be calculated according to the tariffs approved by the President of the Energy Regulatory Office (currently PLN 623/MWh on average). Assuming no change in electricity tariffs, in 2025 Q4 there will therefore be a significant increase in the average household electricity bill. However, it should be noted that the future level of tariffs is subject to high uncertainty.

Figure 4.15 Output gap



Source: Statistics Poland (GUS) data, NBP calculations.
The output gap is a synthetic measure of demand pressure in the economy. It is expressed as a percentage of the deviation of the actual real level of GDP from the level of potential output.

Figure 4.16 Unemployment



Source: Statistics Poland (GUS) data, NBP calculations.
$NAWRU_t$ – non-accelerating wage rate of unemployment in the equilibrium.
The LFS unemployment data before 2019 and from 2019 are not fully comparable – see note to the Figure 4.17.

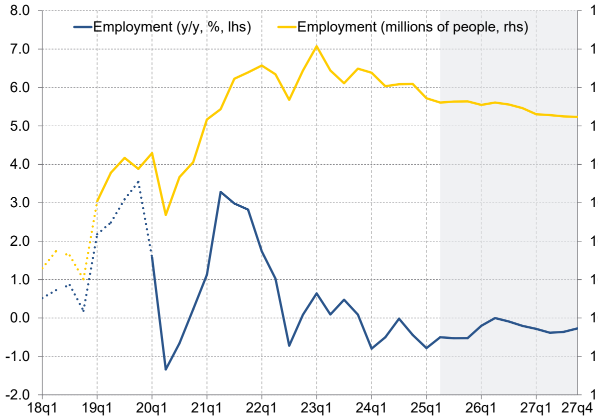
[44] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector*, NBP, April 2025.
[45] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector*, NBP, April 2025.
[46] *Act of 27 November 2024 amending the Act on emergency measures to reduce electricity prices and support certain consumers in 2023 and 2024 and certain other acts.*

In the case of natural gas, in May 2025 the President of the Energy Regulatory Office (ERO) approved a new PGNiG Retail Trade tariff at the level of PLN 204.26/MW for the sale of this energy commodity to households and certain public utility institutions (among others, hospitals, schools, pre-schools). This tariff will be in force from 1 July 2025 to 30 June 2026, resulting in a fall in gas prices by approx. 14.8%; however, the average bill will decrease on a smaller scale because subscription and distribution fees have remained unchanged.

Changes in excise tax on tobacco products and their substitutes will, in turn, affect the projected core inflation path. Pursuant to the Excise Tax Act, amended in October 2024, the new excise tax rates introduced on 1 March 2025 are 25-75% higher than the previous ones in force, depending on the product. In January 2026 and 2027, these tax rates will increase again, although on a smaller scale (from 15% to 50%).

An important factor with a potentially major impact on the path of energy prices and CPI inflation in 2027 is the planned extension of the CO_2 trading system in EU Member States to new sectors, i.e. road transport and construction (*EU ETS2*). According to the new regulations, suppliers of gas, petrol, coal and other fuels will be forced to redeem allowances according to the volume of CO_2 emissions. It is not yet known how the prices of these allowances will behave in 2027; however, it is planned to limit their growth if the price exceeds EUR 45/tonne (at 2020 prices – indexed by the harmonised price index). Assuming a full pass-through of price of allowances to fuel prices, each additional PLN 10 of the cost of a tonne of CO_2 emissions will directly increase CPI by 0.08 p.p. As of today, like many other EU countries, Poland has not yet implemented the EU directives relating to the EU ETS2 system into national legislation. Negotiations aimed at postponing the implementation of the new system are still underway. Therefore, in the current projection the effects of the entry into force of EU ETS2 have not

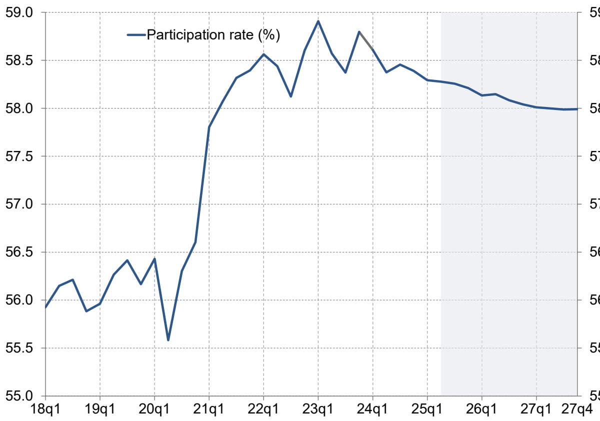
Figure 4.17 Employment



Source: Statistics Poland (GUS) data, NBP calculations.

Since 2023 Q4, the LFS data are harmonized with the number of the population according to the 2021 National Census. The retrospectively recalculated data, however, cover the period from 2019 Q1 to 2023 Q3, making periods before 2019 Q1 not comparable with later periods, which also leads to a distortion of growth rates in the y/y terms for employment in 2019.

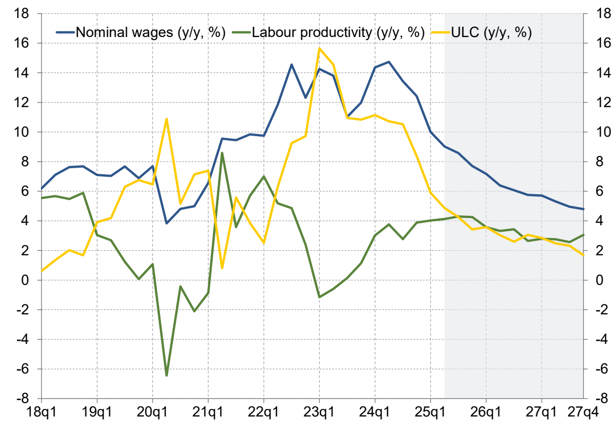
Figure 4.18 Labour force participation



Source: Statistics Poland (GUS) data, NBP calculations.

The data before 2019 and from 2019 are not fully comparable – see note to the Figure 4.17.

Figure 4.19 Unit labour cost



Source: Statistics Poland (GUS) data, NBP calculations.

Unit labour cost is defined as the average cost of labour per unit of output produced. They are calculated by dividing the product of average wages and the number of employed persons in the economy by the total GDP. Alternatively, they can be expressed as the quotient of the average wage and labour productivity, in other words, the relation of GDP to the number of the employed persons. Unit labour cost (ULC) presented in the chart include employers' social security contributions. With regard to the data on growth rates in the y/y terms for unit labour cost (ULC) and labour productivity before 2020 - see note to the Figure 4.17

been taken into account in the central path of the projection.

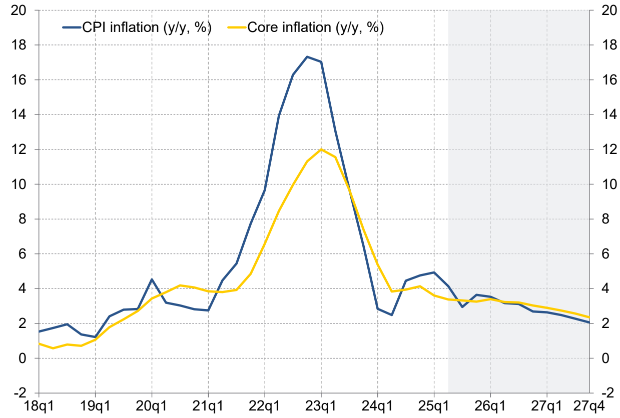
CPI inflation

After peaking at 4.9% y/y in 2025 Q1, CPI inflation will return to the band of deviations from the NBP inflation target in 2025 Q3 (2.5% +/-1 p.p.). However, in 2025 Q4 it will rise once again (to 3.6% y/y). According to the results of the projection – under the assumption of unchanged NBP interest rates – a sustained return of consumer price growth to the band (1.5%-3.5%) will take place in 2026 Q1 (Figure 4.20, Figure 4.21).

In 2025, CPI inflation will be significantly influenced by regulatory measures affecting prices of electricity and natural gas (Figure 4.23). The decline in CPI inflation in 2025 Q3 will be caused by the May 2025 decision of the President of the Energy Regulatory Office (URE), under which lower tariffs for the sale of natural gas to households will apply from 1 July 2025 (see *Regulatory changes affecting the projected path of CPI inflation*). The base effect related to the partial unfreezing of electricity prices in July 2024 will act in the same direction. The scale of the fall in energy price growth will, however, be limited by the reinstatement of the capacity charge at the beginning of July 2025. In 2025 Q4 the cap on electricity prices is set to expire and, in line with the projection assumptions, household bills will be calculated according to the higher tariffs and the CPI inflation rate will rise again (see *Regulatory changes affecting the projected path of CPI inflation*).

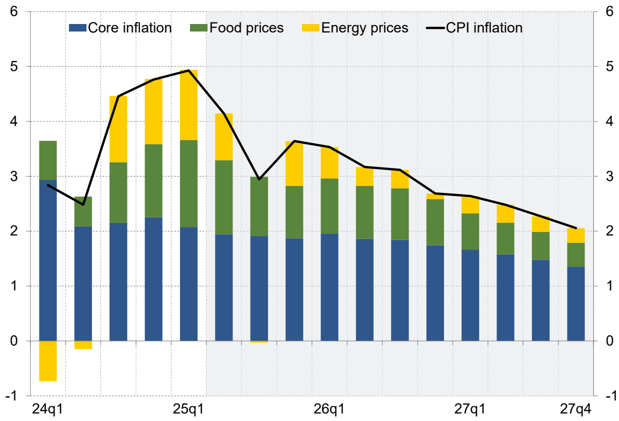
Over the course of 2025, core inflation will be influenced by weakening growth in labour costs, but its fall will be limited. This will be due to the persistently high growth in administered prices, including housing services for refuse collection, supply of cold water and sewage disposal. Core inflation in 2025 will also be boosted by higher excise tax rates on tobacco products and their

Figure 4.20 CPI and core inflation



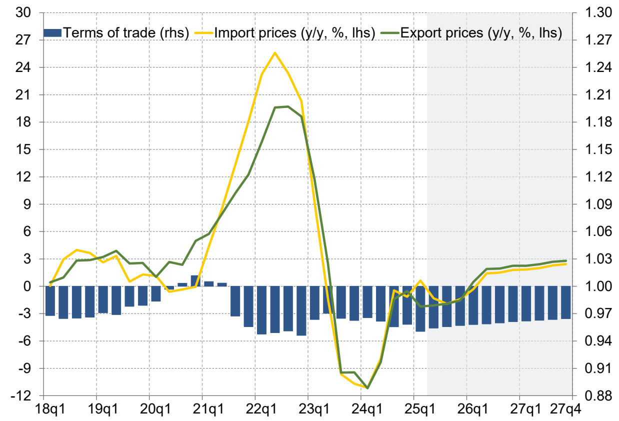
Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.21 CPI inflation (y/y, %) – breakdown



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.22 Export and import prices



Source: Statistics Poland (GUS) data, NBP calculations.

substitutes (see *Regulatory changes affecting the projected path of CPI inflation*).

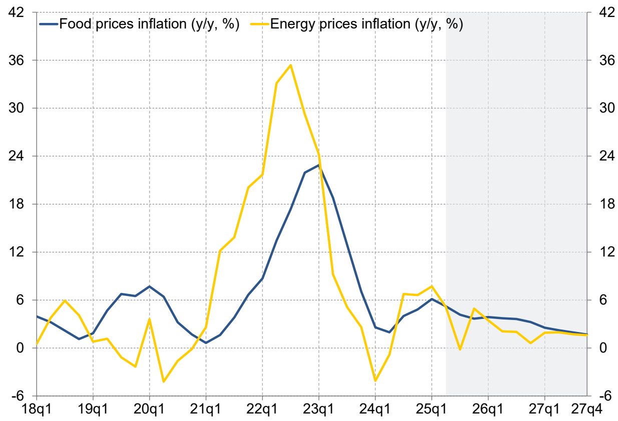
In 2026-2027, CPI inflation will increasingly be affected by weakening wage growth, which – due to market mechanisms – has a slightly delayed impact on prices. Disinflation will also be supported by the assumed moderate growth in import prices (Figure 4.22) due to low inflation in the Poland's economic environment and the lowered level of global prices of energy commodities. Over the longer-term horizon, the fall in price growth will be supported by low demand pressure reflected in the narrowing of the output gap, which will again take on negative values (see *Potential output and the output gap*). The impact of the above factors will result in CPI inflation returning to the band of deviations from the NBP inflation target (2.5% +/-1 p.p.) in 2026-2027.

4.4 Current versus previous projection

Data and information released after the cut-off date of the March projection have contributed to a major downward revision of CPI inflation in 2025, with a smaller scale of correction in the years 2026-2027. On the other hand, the expected path of GDP has not changed significantly (Table 4.2, Figure 4.24, Figure 4.25, Figure 4.26, Figure 4.27).

The fall in price growth in 2025 compared to the March projection was caused by the lower performance of this indicator in 2025 Q1, largely due to the update of weights in the CPI basket. The decline in global prices of energy commodities compared to the assumptions of the previous forecasting round, alongside the appreciation of the zloty against the US dollar acts in the same direction. This change has the fastest downward effect on domestic fuel prices, but with a lag it also affects the remaining energy carriers as well as food prices and core inflation by reducing manufacturing and distribution costs. In 2026-2027, the impact of these factors on CPI inflation will

Figure 4.23 Food and energy price inflation



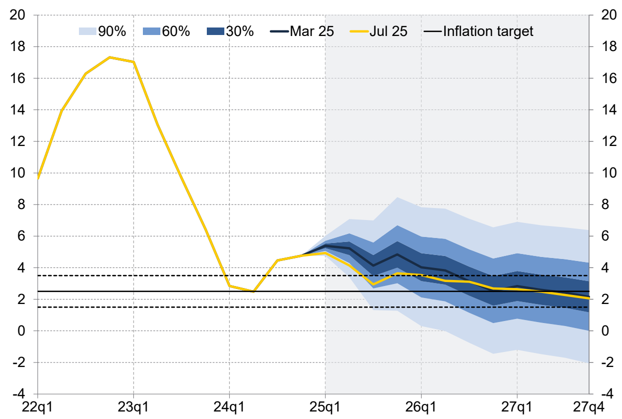
Source: Statistics Poland (GUS) data, NBP calculations.

Table 4.2 July projection versus March projection

	2025	2026	2027
CPI inflation (y/y, %)			
July 2025	3.9	3.1	2.4
March 2025	4.9	3.4	2.5
GDP (y/y, %)			
July 2025	3.6	3.1	2.5
March 2025	3.7	2.9	2.3

Source: NBP calculations.

Figure 4.24 July projection versus March projection: CPI inflation (y/y, %)



Source: Statistics Poland (GUS) data, NBP calculations.

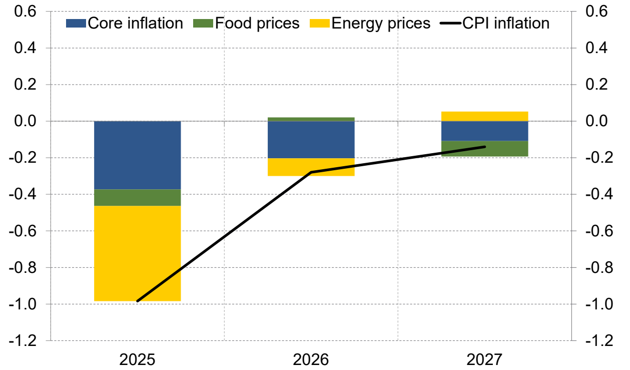
fade, supported by slightly higher economic activity growth than in the March projection.

The somewhat weaker than expected economic conditions in the environment of the Polish economy and the increase in uncertainty related to the trade policy of the major economies contribute to the slight decline in GDP growth in 2025. The lower than expected readings of domestic GDP in 2025 Q1 were a reflection of this impact, but current data indicate that the slowdown in economic activity at the beginning of the year was temporary. On the other hand, the 0.5 percentage point cut in interest rates adopted by the MPC in May 2025 contributes to higher GDP growth than assumed in the March projection, especially in 2026. The improvement in the domestic economic conditions over the projection horizon is also supported by the downward revision of global prices of energy commodities, which reduces the costs of conducting business activities. In 2027, a slightly stronger recovery in the German economy than assumed in the March projection is also expected, stemming from the planned fiscal easing (see Chapter 4.2 *External environment*). As a result of these conditions, in 2026-2027 the projected path of economic growth will run slightly higher than the expectations of the March forecasting round.

4.5 Forecast uncertainty sources

The central scenario of the projection, presenting the most likely macroeconomic developments in Poland, is subject to uncertainty reflected in the fan charts (Figure 4.1, Figure 4.2). The economic outlook and CPI inflation path in Poland depend to a large extent on the formation of domestic energy prices in the years 2025-2027. In turn, the main external risk factors for the projection are concentrated around the future shape of reciprocal trade relations between the major economies and the impact of heightened uncertainty on the decisions of economic entities. Another important source of risk in the external environment of the

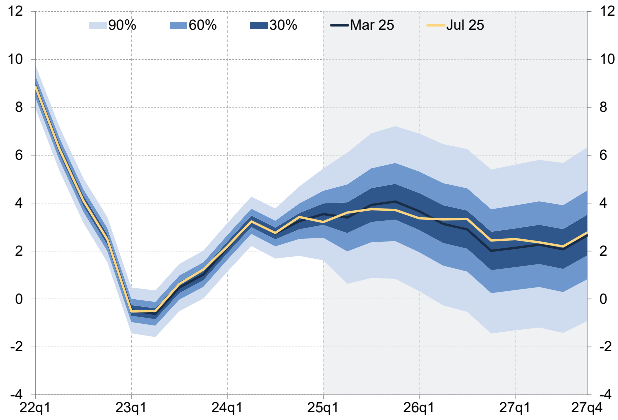
Figure 4.25 Decomposition of deviations between July and March projection: CPI inflation (percentage points)



Source: NBP calculations.

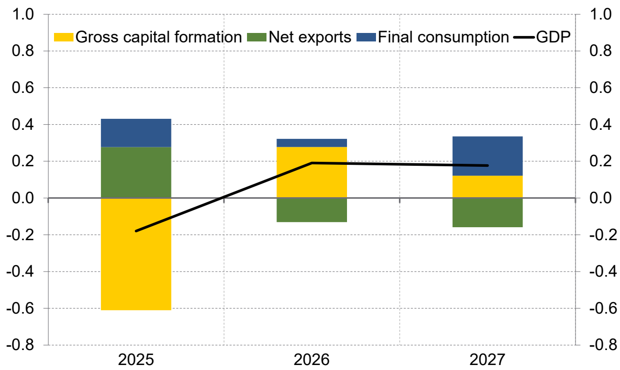
The data presented in the chart may vary slightly from those in Table 4.2, due to rounding of numbers to one decimal place.

Figure 4.26 July projection versus March projection: GDP growth (y/y, %)



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.27 Decomposition of deviations between July and March projection: GDP growth (percentage points)



Source: NBP calculations.

The data presented in the chart may vary slightly from those in Table 4.2, due to rounding of numbers to one decimal place.

Polish economy is the further course of military conflicts, including in particular the Russian aggression. The balance of uncertainty factors indicates a close to symmetric distribution of risks for GDP growth and CPI inflation over the projection horizon (Table 4.3).

Table 4.3 Probability of inflation running:

	Below 1.50%	Below 2.50%	Below 3.50%	Below the central projection	In the range (1.5-3.5%)
25q2	0.00	0.00	0.05	0.50	0.05
25q3	0.10	0.34	0.69	0.50	0.59
25q4	0.08	0.22	0.46	0.50	0.38
26q1	0.12	0.28	0.49	0.50	0.37
26q2	0.24	0.39	0.56	0.50	0.32
26q3	0.25	0.40	0.56	0.50	0.31
26q4	0.32	0.47	0.63	0.50	0.32
27q1	0.33	0.48	0.64	0.50	0.31
27q2	0.35	0.51	0.66	0.50	0.31
27q3	0.38	0.54	0.69	0.50	0.31
27q4	0.41	0.57	0.72	0.50	0.30

Source: NBP calculations.

Regulatory changes affecting energy prices

The future trajectory of energy prices in Poland is one of the most important risk factors for the current projection. Future administrative decisions regarding prices of energy carriers, including in particular measures affecting the average electricity bill for households, might result in energy price growth and CPI inflation running below the central scenario. Another risk factor that may affect the future path of energy prices is the planned introduction of a new Emissions Trading System in 2027, covering road transport and residential construction (the so-called ETS2, see *Regulatory changes affecting the projected path of CPI inflation*). At the time of formulating the assumptions of the current projection, there was still no domestic legislation introducing these solutions, and its implementation process may be delayed due to future political decisions. Consequently, these changes have not been included in the baseline scenario of the projection. The possible extension of the Emissions Trading System therefore constitutes a risk of upward growth of energy prices and CPI inflation in the last year of the projection.

Use of EU funds under the National Recovery and Resilience Plan

Another source of uncertainty is the pace and scale of the use of funds in the form of subsidies from the National Recovery and Resilience Plan (NRRP) due to their low implementation so far in relation to the total allocation for Poland. According to the arrangements agreed during the creation of the NRRP, all milestones and targets for investment projects – which Poland can partly renegotiate with the European Commission – have to be achieved by August 2026. The Ministry of Development Funds and Regional Policy has announced a preliminary agreement with the European Commission on the possibility of extending the deadline by at least three months, but so far there is no formal confirmation of this decision. Moreover, the revised deadline is relatively small and the implementation of all the projects will remain a challenge. The lower use of EU funds in 2025-2026 than was assumed in the central scenario would entail a slower GDP growth in the Polish economy in this period, including in particular a lower investment path.

Impact of external factors

The prospects for economic development in Poland and its immediate economic environment are to a large extent dependent on the development of trade policy of the major economies, especially on the decisions of the United States in this respect. A further increase in trade barriers by the US administration, including the introduction of new sectoral tariffs, would lead to a decline in economic activity and a likely temporary increase in inflation in this economy. However, it is more difficult to assess the impact of an escalation of trade tensions on price levels in the euro area and Poland. On the one hand, potential action on the part of the European Union in the form of the imposition of retaliatory tariffs on the United States would result in higher import costs, creating upward pressure on prices in Poland and its immediate environment. On the other hand, increased competition from China, which in response to increased trade barriers with the United States might direct more goods to the European market, would put downward pressure on inflation in Europe. Subsequent changes in trade policy would increase the level of uncertainty, which could negatively affect investment decisions of economic entities. It is assessed that the overall impact of the above factors would result in lower GDP growth and CPI inflation in Poland. On the other hand, an improvement in the geopolitical situation, including an end to the Russian aggression against Ukraine, would lead to an improvement in consumer and business sentiment in European countries, including in Poland. The de-escalation of trade tensions, including the partial lifting of previously imposed sectoral tariffs by the US administration, which might be accompanied by a lowering of customs barriers by the European Union on imports from the United States, would also have a positive impact on the development of global sentiment. Should this scenario materialise, there would be an increase in expenditure on consumption and investment in the major economies, which would be accompanied by an improvement in the outlook for foreign trade and economic activity in Poland.

Prices of energy commodities

Changes in global energy commodity prices remain a source of uncertainty for the inflation path in the baseline scenario. The prices of oil and other commodities could be subject to significant volatility, not only due to changes in expectations regarding demand prospects, but also due to action taken by the major producers regarding production levels. Significant sources of risk for the development of future energy commodity prices are also related to the course of the armed conflicts around the world and the scope of sanctions imposed on certain countries that are important hydrocarbon producers.

Table 4.4 Central path of inflation and GDP projection

	2024				2025				2026				2027				2024	2025	2026	2027
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Consumer Price Index CPI (%, y/y)	2.8	2.5	4.5	4.8	4.9	4.1	2.9	3.6	3.5	3.2	3.1	2.7	2.6	2.5	2.3	2.1	3.6	3.9	3.1	2.4
Core inflation (CPI net of food and energy prices, %, y/y)	5.4	3.8	3.9	4.1	3.6	3.4	3.3	3.3	3.4	3.2	3.2	3.0	2.9	2.7	2.6	2.4	4.3	3.4	3.2	2.6
Food prices (%, y/y)	2.6	2.0	4.0	4.8	6.1	5.2	4.2	3.7	3.9	3.7	3.6	3.3	2.5	2.2	2.0	1.7	3.3	4.8	3.6	2.1
Energy prices (%, y/y)	-4.1	-0.8	6.8	6.6	7.7	5.1	-0.2	4.9	3.4	2.1	2.0	0.6	1.9	2.0	1.7	1.6	2.0	4.3	1.9	1.8
GDP (%, y/y)	2.2	3.2	2.8	3.4	3.2	3.6	3.7	3.7	3.4	3.3	3.3	2.4	2.5	2.4	2.2	2.8	2.9	3.6	3.1	2.5
Domestic demand (%, y/y)	1.9	4.9	4.6	5.3	4.6	4.9	5.4	5.2	4.5	4.1	3.5	1.8	1.9	1.6	1.4	2.3	4.2	5.1	3.5	1.8
Household consumption (%, y/y)	4.3	4.5	0.2	3.5	2.5	3.6	4.6	3.5	3.6	3.2	3.2	3.1	3.2	3.0	2.9	2.8	3.1	3.4	3.3	3.0
Public consumption (%, y/y)	9.2	11.3	5.2	7.6	2.0	5.0	7.9	5.6	2.7	3.2	3.1	2.2	3.1	3.0	2.9	2.8	8.2	4.9	2.8	2.9
Gross fixed capital formation (%, y/y)	3.6	3.9	-4.3	-6.9	6.3	4.5	6.9	10.6	6.1	9.4	7.8	0.8	-2.7	-2.4	-3.4	0.9	-2.2	5.9	5.9	-1.9
Contribution of net exports (percentage points, y/y)	0.4	-1.3	-1.6	-1.6	-1.1	-1.0	-1.3	-1.2	-0.9	-0.5	0.0	0.7	0.7	0.9	0.9	0.6	-1.1	-1.2	-0.2	0.8
Exports (%, y/y)	3.3	4.5	0.0	0.2	1.1	1.2	2.7	2.9	3.0	3.0	3.8	4.3	4.5	4.5	4.4	4.1	2.0	2.2	3.5	4.4
Imports (%, y/y)	2.9	7.6	3.1	3.5	3.5	3.5	5.5	5.6	5.1	4.3	4.1	3.3	3.5	3.3	3.0	3.5	4.2	4.7	4.2	3.3
Gross wages (%, y/y)	14.4	14.7	13.4	12.4	10.0	9.0	8.6	7.7	7.2	6.4	6.1	5.8	5.7	5.3	5.0	4.8	13.7	8.9	6.3	5.2
Total employment (%, y/y)	-0.8	-0.5	0.0	-0.4	-0.8	-0.5	-0.5	-0.5	-0.2	0.0	-0.1	-0.2	-0.3	-0.4	-0.4	-0.3	-0.4	-0.6	-0.1	-0.3
Unemployment rate (%)	2.9	2.9	3.0	2.8	3.1	3.2	3.2	3.1	3.1	3.0	2.9	3.0	3.1	3.1	3.1	3.1	2.9	3.1	3.0	3.1
NAWRU (%)	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.9	2.9	3.3	3.1	3.0	2.9
Labour force participation rate (%, y/y)	58.6	58.4	58.5	58.4	58.3	58.3	58.3	58.2	58.1	58.1	58.1	58.0	58.0	58.0	58.0	58.0	58.5	58.3	58.1	58.0
Labour productivity (%, y/y)	3.0	3.8	2.8	3.9	4.0	4.1	4.3	4.3	3.6	3.3	3.4	2.7	2.8	2.8	2.6	3.1	3.4	4.2	3.2	2.8
Unit labour cost (%, y/y)	11.1	10.7	10.5	8.4	5.9	4.9	4.3	3.4	3.6	3.0	2.6	3.1	2.8	2.5	2.3	1.7	10.1	4.7	3.1	2.3
Potential output (%, y/y)	3.2	3.1	3.0	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	3.0	2.9	2.9	2.8	2.8	3.0	2.9	2.9	2.9
Output gap (% potential GDP)	-1.0	-1.0	-1.1	-0.7	-0.7	-0.3	-0.3	0.0	-0.3	0.1	0.1	-0.5	-0.7	-0.5	-0.5	-0.5	-1.0	-0.3	-0.1	-0.5
Index of agricultural commodity prices (EUR; 2019=1.0)	1.28	1.38	1.33	1.35	1.33	1.27	1.27	1.25	1.25	1.29	1.29	1.26	1.26	1.29	1.29	1.26	1.33	1.28	1.27	1.28
Index of energy commodity prices (USD; 2019=1.0)	1.43	1.65	1.66	1.66	1.67	1.53	1.49	1.45	1.49	1.52	1.50	1.47	1.46	1.44	1.41	1.39	1.60	1.54	1.49	1.43
Gross value added deflator abroad (%, y/y)	2.2	1.8	1.8	2.2	2.3	2.3	2.2	1.8	1.8	1.7	1.8	1.9	1.9	1.9	2.0	1.9	2.0	2.1	1.8	1.9
GDP abroad (%, y/y)	0.6	0.7	0.9	1.1	1.1	1.0	0.7	0.7	0.7	0.9	1.2	1.4	1.5	1.4	1.3	1.3	0.9	0.9	1.1	1.4
Current account balance (% GDP)	1.6	1.3	0.5	0.2	-0.4	-0.6	-0.8	-1.2	-1.4	-1.5	-1.4	-1.3	-1.2	-1.0	-0.9	-0.8	0.2	-1.2	-1.3	-0.8
WIBOR 3M (%)	5.86	5.86	5.86	5.85	5.86	5.48	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.37	5.86	5.52	5.37	5.37

Source: Bloomberg, Eurostat, Statistics Poland (GUS), NBP calculations.

For the majority of variables, the values up to 2025Q1 are determined on the basis of raw quantities, while in the projection horizon are presented seasonally adjusted data. In the case of the unemployment rate, the NAWRU rate, the labour force participation rate, potential output growth, the output gap, the agricultural commodity price index, the energy commodity price index, inflation abroad and GDP growth abroad only seasonally adjusted data are presented, while the WIBOR 3M rate series is not seasonally adjusted.

LFS data on total employment, labour force participation rate and unemployment rate. The agricultural commodity price index includes prices of wheat, pork, skimmed milk powder, butter, sugar, cocoa, coffee, frozen concentrated orange juice, potatoes, oilseed, allowing for weights reflecting the consumption structure of Polish households. The energy commodity price index covers prices of crude oil, coal and natural gas, taking into account the structures of consumption of these commodities in Poland.

5. The voting of the Monetary Policy Council members in February – May 2025

■ Date: 5 February 2025

Subject matter of motion or resolution:
Motion to raise the NBP interest rates by 2.00 p.p.

MPC decision:
The motion did not receive majority vote.

Voting of the MPC members:

For:		Against:	
	J.B. Tyrowicz		A. Glapiński I.K. Dąbrowski I. Duda W.S. Janczyk C. Kochalski L. Kotecki P. Litwiniuk G. Masłowska H.J. Wnorowski

■ Date: 12 March 2025

Subject matter of motion or resolution:
Motion to raise the NBP interest rates by 2.00 p.p.

MPC decision:
The motion did not receive majority vote.

Voting of the MPC members:

For:		Against:	
	J.B. Tyrowicz		A. Glapiński I.K. Dąbrowski I. Duda W.S. Janczyk C. Kochalski L. Kotecki P. Litwiniuk G. Masłowska H.J. Wnorowski

Date: 1 April 2025

Subject matter of motion or resolution:
Resolution no. 1/2025 on approving the annual financial report of Narodowy Bank Polski prepared as of 31 December 2024.

Voting of the MPC members:

For:		Against:	
	A. Glapiński		J.B. Tyrowicz
	I.K. Dąbrowski		
	I. Duda		
	W.S. Janczyk		
	C. Kochalski		
	L. Kotecki		
	P. Litwiniuk		
	G. Masłowska		
	H.J. Wnorowski		

Date: 2 April 2025

Subject matter of motion or resolution:
Motion to raise the NBP interest rates by 2.00 p.p.

MPC decision:
The motion did not receive majority vote.

Voting of the MPC members:

For:		Against:	
	J.B. Tyrowicz		A. Glapiński
			I.K. Dąbrowski
			I. Duda
			W.S. Janczyk
			C. Kochalski
			L. Kotecki
			P. Litwiniuk
			G. Masłowska
			H.J. Wnorowski

- **Date: 6 May 2025**

Subject matter of motion or resolution:
Resolution no. 2/2025 on approving the Report on monetary policy in 2024.

Voting of the MPC members:

For:		Against:	
	A. Glapiński		J.B. Tyrowicz
	I.K. Dąbrowski		
	I. Duda		
	W.S. Janczyk		
	C. Kochalski		
	L. Kotecki		
	P. Litwiniuk		
	G. Masłowska		
	H.J. Wnorowski		

- **Date: 6 May 2025**

Subject matter of motion or resolution:
Resolution no. 3/2025 on evaluation of the activities of the NBP Management Board as regards the implementation of monetary policy guidelines for 2024.

Voting of the MPC members:

For:		Against:	
	A. Glapiński		J.B. Tyrowicz
	I.K. Dąbrowski		
	I. Duda		
	W.S. Janczyk		
	C. Kochalski		
	L. Kotecki		
	P. Litwiniuk		
	G. Masłowska		
	H.J. Wnorowski		

Date: 6 May 2025

Subject matter of motion or resolution:
Resolution no. 4/2025 on approving the report on the operations of Narodowy Bank Polski in 2024.

Voting of the MPC members:

For: A. Glapiński
I.K. Dąbrowski
I. Duda
W.S. Janczyk
C. Kochalski
P. Litwiniuk
G. Masłowska
H.J. Wnorowski

Against: L. Kotecki
J.B. Tyrowicz

Date: 7 May 2025

Subject matter of motion or resolution:
Motion to raise the NBP interest rates by 2.00 p.p.

MPC decision:
The motion did not receive majority vote.

Voting of the MPC members:

For: J.B. Tyrowicz

Against: A. Glapiński
I.K. Dąbrowski
I. Duda
W.S. Janczyk
C. Kochalski
L. Kotecki
P. Litwiniuk
G. Masłowska
H.J. Wnorowski

■ Date: 7 May 2025

Subject matter of motion or resolution:
Motion to cut the NBP interest rates by 0.50 p.p.

MPC decision:
The motion was passed.

Voting of the MPC members:

For:	A. Glapiński	Against:	J.B. Tyrowicz
	I.K. Dąbrowski		
	I. Duda		
	W.S. Janczyk		
	C. Kochalski		
	L. Kotecki		
	P. Litwiniuk		
	G. Masłowska		
	H.J. Wnorowski		

■ Date: 7 May 2025

Subject matter of motion or resolution:
Resolution no. 5/2025 on the reference rate, refinancing credit rate, fixed-term deposit rate, rediscount rate and discount rate at Narodowy Bank Polski.

Voting of the MPC members:

For:	A. Glapiński	Against:	J.B. Tyrowicz
	I.K. Dąbrowski		
	I. Duda		
	W.S. Janczyk		
	C. Kochalski		
	L. Kotecki		
	P. Litwiniuk		
	G. Masłowska		
	H.J. Wnorowski		

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