



Poland

Outlook 2026

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Executive Summary

A year without an election should, in theory, be a year of political calm – but not in Poland in the late 2020s, nor elsewhere. In an era in which social media amplifies polarisation and rewards confrontation, politics offers little respite. The coalition government led by Prime Minister Donald Tusk is expected to intensify its efforts to avoid the fate of a one-term interlude after toppling the seemingly unassailable Law and Justice (PiS) in 2023. Those efforts are complicated by the election of PiS-aligned President Karol Nawrocki, whose veto power is already being used to block key reforms and to portray the government as ineffective.

Domestic political tensions are unfolding against a backdrop of acute global

geopolitical uncertainty. Poland once again finds itself on the frontline, bordering an increasingly assertive Russia. Unlike in previous decades, however, Poland's alliance with the United States can no longer be taken for granted. Washington appears more willing to accommodate Russian interests while simultaneously exploring ways to weaken the European Union, including by leveraging divisions within member states such as Poland. This prospect is viewed with deep concern by the Tusk government but resonates with parts of the Polish right, which Nawrocki may ultimately seek to unify under his leadership.

Despite this volatile political environment, Poland's economic outlook for 2026 remains relatively strong. Growth is expected to continue at a solid pace, a result that may appear counterintuitive given the intensity of political conflict. Still, analysts point to early warning signs, most notably Poland's adverse demographic trends, which weigh on long-term potential growth.

Barring black-swan events – such as a Russian border provocation spiralling out of control – the balance of risks suggests that 2026 may nevertheless prove a relatively tranquil year, even if underlying political and geopolitical tensions remain unresolved.

1.0 Political outlook

Poland enters 2026 politically divided, with Prime Minister Donald Tusk's coalition locked in open conflict with President Karol Nawrocki, who won a pivotal election in June. This domestic confrontation will play out against a backdrop of global geopolitical turbulence in which a once steadfast ally, the United States, appears increasingly willing to weaken the European Union while seeking accommodation with Russia. US policymakers have reportedly singled out Poland — alongside Austria, Hungary and Italy — as a potential gateway through which efforts to fragment the EU could be pursued, leveraging the growing strength of anti-EU political forces within Poland.

At the same time, President Donald Trump's apparent soft spot for Russia has left even Poland's MAGA-inspired circles uneasy, while long-standing Trump sceptics continue to struggle with the notion that the White House may no longer be reliably "on Poland's side" — an assumption that held even when Washington engaged in military interventions under dubious pretexts, with Poland willingly participating, as in Iraq in 2003.

As a result, Warsaw's traditional reliance on the EU, the US and NATO — institutions whose interests have largely overlapped until now — appears less clear-cut. Aligning too closely with one may risk alienating the others, particularly if Washington pursues controversial initiatives, such as renewed pressure over Greenland, which Trump has repeatedly signalled, or seeks peace with Russia at the expense of Ukraine's security and sovereignty.

These external uncertainties feed directly back into domestic politics. While no elections are scheduled for 2026, the year precedes yet another critical parliamentary vote in 2027. In the campaign, which will unofficially begin in 2026, Tusk's coalition will seek to withstand a challenge from the EU-sceptic

Law and Justice (PiS) party and two far-right groupings: Konfederacja and Konfederacja Korony Polskiej, the latter having split from the former.

Tusk has less than two years to ensure that all four coalition parties clear the parliamentary threshold. Only his own Civic Coalition appears secure, while the Left is hovering near the margin, and Polska 2050 and the Polish People's Party remain well below the required vote share, with polling trends having shown virtually no improvement for months.

The prime minister's position would have been considerably stronger had his preferred candidate won the presidency. Nawrocki's victory has complicated the government's outlook, despite Tusk's subsequent regrouping. In the wake of the presidential setback, the prime minister has sought to portray Nawrocki as inexperienced and obstructionist, pointing in particular to the president's readiness to veto key legislative initiatives. For his part, Nawrocki considers blocking the government's agenda as a means to instill the perception that Tusk's administration is ineffective and that handing it another four years would be a disaster.

Economically, the government enters 2026 with a mixed but broadly favourable backdrop. Inflation has fallen and economic growth remains solid, though neither can be attributed directly to the current administration. Real wage growth has slowed, yet unemployment is expected to stay low, at around 5–6%. Investment is projected to pick up, supported by stronger absorption of EU funds. These factors could provide political tailwinds through much of the year.

Risks remain, notably around public finances. Pressure to tighten fiscal policy is mounting, but maintaining such discipline may prove politically costly after years of loose spending.

The most serious risk, however, stems from Poland's position as a NATO frontline state at a time of intensifying Russian hybrid and information warfare, which, Polish and international analysts warn, could be elements of preparing a direct confrontation with NATO coming sometime in the late 2020s. Wary of Russia's renewed imperial ambitions, Poland has committed hundreds of billions of dollars to defence procurement, amid criticism that its military leadership was slow to adapt to battlefield innovations — particularly the mass deployment of drones — highlighted by the war in Ukraine. Misaimed, perhaps, but at 4.8% of GDP in 2026, Poland's defence expenditure is NATO's biggest.

Compounding this is a growing undercurrent of anti-Ukrainian sentiment, with far-right parties openly calling for the deportation of Ukrainians of draft age and an end to support for Kyiv — positions broadly aligned with Russian objectives. Fomenting anti-Ukrainian feelings also threatens to sputter Poland's growth since the estimated 1.5mn Ukrainians have eased workforce scarcity, created by Poland's rapidly worsening demographics.

The government, for its part, has ruled out deploying Polish troops to Ukraine, even in the event of a peacekeeping mission emerging from US-led negotiations.

Overall, 2026 is shaping up as a relatively calm and economically stable year for Poland - unless it turns out the opposite amidst rapidly shifting geopolitical grounds. Chief risks include a Russian border provocation escalating beyond

control, a successful US effort to weaken the EU — including by fuelling anti-EU sentiment in Poland ahead of elections — or Ukraine being forced into concessions under Russian pressure in the absence of sustained EU support without US involvement. Support, which the Polish government itself, for all of its pro-Ukrainian credentials and rhetoric, is unwilling to help boost.

2.0 Macro Economy

Main macroeconomic indicators	2022	2023	2024	2025e	2026e	2027e
GDP growth in %	5.3	0.1	2.8	3.5	3.5	3.2
Household consumption growth in %	5	-0.3	3.3	3.6	3.5	3.0
Gross investment growth in %	1.7	12.6	1.2	5.0	9.5	5.0
CPI change in %	14.3	11.6	3.7	2.3	2.5	2.5
Core inflation change in %	9.1	10.2	4.3	3.3	2.6	2.5
Gross average wage change in %	12	13.1	13.8	8.5	6.0	5.5
Registered unemployment rate in %	5.4	5.2	5.1	5.7	5.5	5.4
General govt surplus/deficit in % of GDP	-3.4	-5.3	-5.7	-6.9	-6.5	-6
Current account balance in % of GDP	-2.2	1.8	0	-0.8	-1.4	-1.2
Central bank reference interest rate in %	6.75	5.75	5.75	4.00	3.50	3.50
EUR/PLN at end of year	4.69	4.34	4.27	4.35	4.20	4.30
USD/PLN at end of year	4.38	3.94	4.1	4.35	3.50	3.52
Sources: GUS, Eurostat, NBP, BNP Paribas						

• 2.1 GDP

Analysts project that Poland will sustain robust growth in 2026, with central estimates clustered in the mid-3% range and upside scenarios reaching close to 4%.

The expected expansion in 2026 is principally investment-led. The acceleration

reflects a cumulation of public projects financed from the National Recovery Plan (KPO) and cohesion funds, substantial government capital spending, including military programmes, and a broader pick-up in private investment. Analysts point to a marked rise in grant-funded disbursements in late 2025 and anticipate that the investment contribution to GDP will increase materially in 2026, providing a bigger drag-free impulse than in 2025.

Private consumption is also set to remain an important engine of growth but is generally seen as moderating slightly relative to 2025. Forecasts assume continued real wage gains and relatively low unemployment will support household demand, even as the pace of income growth eases. Public consumption is expected to grow more slowly than in 2025, partly because of tighter fiscal conditions, though KPO spending will temper any sharp reduction.

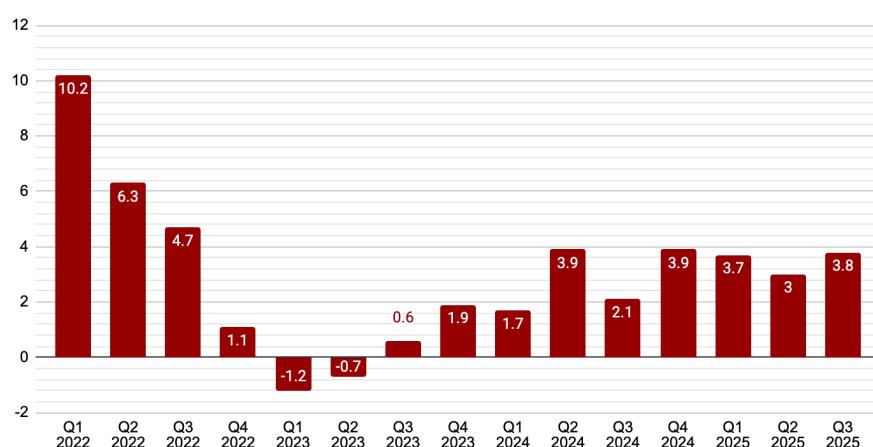
A gradual recovery in key export markets — Germany in particular and in the Eurozone more broadly — is expected to support exports, yet there is anticipation that net exports will remain a drag on headline growth as import-intensive investment and strong domestic demand lift imports faster than exports.

Upside risks to forecasts include faster EU-fund absorption, stronger private investment and an improving external cycle. Conversely, the main downside risks are concentrated in the external environment and policy uncertainty, such as the pace of demand recovery in trading partners, the effectiveness and timing of KPO implementation, fiscal strain and public-debt dynamics in the run-up to elections (due in 2027), monetary policy paths, and geopolitical developments related to the war in Ukraine. Even at projected growth rates above potential (the European Commission's potential estimate is at about 2.9%), these risks could alter the outturn if they materialise.

Poland's economy expanded 3.8% y/y in Q3, up from 3% y/y the preceding quarter, most recently available data show.

Poland GDP (seasonally adjusted), change y/y

source: GUS



• **2.2 Industrial Production & PMI**

Industrial output data for November painted a mixed picture heading into 2026. The statistical office GUS reported a 1.1% y/y decline in industrial production, a negative surprise after a 3.3% y/y rise in October.

The weakness was concentrated in manufacturing, where output declined -1.4% y/y, notably in intermediate goods and durable consumer goods. Energy output fell on weaker electricity demand, while mining and quarrying—linked to higher coal and copper extraction—contributed positively. Some export-oriented branches performed better, as machinery output rose and the automotive segment posted modest gains, underlining an uneven sectoral profile.

Analysts judge the November shortfall as at least partly temporary, affected by calendar and holiday timing effects, and point to supportive forces for 2026. Continued absorption of EU funds, rising public investment and an expected rebound in key export markets should underpin capital-goods production and wider industrial demand.

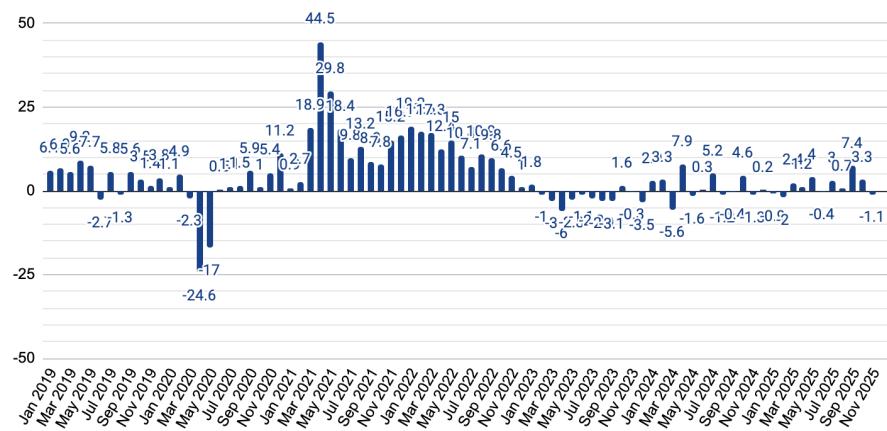
Near-term momentum may stay moderate, as some forecasts expect seasonally adjusted growth in early 2026 below 3% y/y, and external demand volatility is a persistent risk. On balance, the available hard data and PMI signals suggest a sector finishing 2025 in modest contraction but entering 2026 with improving expectations that could lift production during the year.

Manufacturing PMI fell to 48.5 from 49.1 in November, remaining below the 50-point expansion threshold for the eighth month and signalling continued, though moderate, deterioration. New orders fell for a ninth consecutive month, with export sales easing again after a one-off November uptick; respondents cited weakness in German and French markets. Output contracted at the fastest pace in four months, and employment declined for an eighth month running—albeit modestly. Input-stock reductions continued and price pressures stayed weak, with selling prices broadly unchanged.

That said, forward-looking indicators improved sharply: the future production index rose markedly to its long-run average and business sentiment was the strongest since March, suggesting firms enter 2026 with greater confidence in recovery, however incremental.

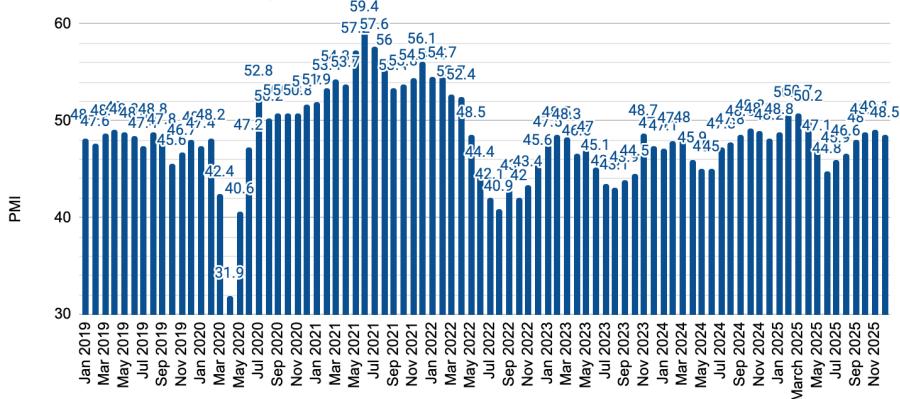
Poland industrial production y/y

source: GUS



Poland PMI

source: S&P Global Market Intelligence



• 2.3 Inflation

Inflation in Poland has entered a period of relative stability, with most analysts expecting price growth to remain close to the National Bank of Poland's (NBP's) 2.5% target through 2026 and beyond.

According to a survey of economists conducted by the European Financial Congress (EKF) in December, inflation is expected to stabilise around the target level until at least the end of 2027, creating conditions for a further easing of monetary policy, with the NBP's reference rate seen falling to 3.5% from the current 4%.

Most recent data confirm that disinflationary forces remain firmly in place. Headline inflation rate came in at 2.4% y/y in December, easing 0.1pp versus the preceding month, GUS flash data showed at the end of the year. The decline reflected three factors: the continuation of favourable trends in food prices, easing core inflation, and the absence of the expected increases in heating prices.

Food prices are likely to remain a key stabilising factor in 2026. Forecasts point

to food price inflation averaging around 2.3% in 2026, supported by strong grain harvest prospects for the 2025/2026 season and easing global food price pressures, as reflected in FAO indices. These trends suggest limited upside risk from agricultural inputs in the near term.

Core inflation is also expected to trend lower after a brief, modest rebound at the end of 2025 (which was yet unconfirmed as of writing this report). Analysts anticipate that underlying inflation will fall again in early 2026 and hover slightly below 2.5% y/y over the course of the year. A gradual slowdown in service price inflation is central to core inflation outlook, as wage growth moderates and labour cost pressures ease. While service inflation remains elevated for now, the direction of travel is clearly downward.

Energy inflation is expected to remain broadly stable in 2026, averaging just under 3%, largely due to the stabilisation of regulated tariffs, despite minor increases in selected charges. Fuel prices, which are currently recording negative annual growth, are forecast to rebound modestly next year from a very low base, though without generating significant inflationary pressure.

External factors are also supportive of a benign inflation environment. The fading energy shock, stable or declining oil prices, weak global demand for commodities, and a soft US dollar are all helping to anchor fuel and goods prices. In addition, rising inflows of low-cost goods from China into Europe (regardless of the political challenge they are becoming) are reinforcing disinflationary trends.

Against this backdrop, most forecasters expect inflation to average around 2.5% in 2026, slipping slightly below that level in 2027. With inflation contained and expectations anchored, the environment remains conducive to further interest rate cuts next year, although stronger domestic demand could reintroduce inflation risks further down the line.

• **2.4 Monetary Policy**

The NBP entered the final stretch of 2025 having delivered substantial monetary easing, while signalling growing caution about the next steps. In early December, the Monetary Policy Council (RPC) - the NBP's rate-setting body - cut the reference rate by 25 basis points to 4%, marking the sixth reduction this year and bringing total easing in 2025 to 175bp. The decision reflected a sharp improvement in inflation dynamics and a more favourable outlook for the coming quarters.

Headline CPI eased growth to 2.4% y/y in December, according to the most recent data from the statistical office GUS, 0.1pp below the previous month and firmly within the NBP's target band of 2.5% ±1pp. Wage growth also softened, reinforcing the view that inflationary pressures are easing. Analysts broadly agree now that additional rate cuts are likely in 2026. Two further 25bp reductions, taking the policy rate to 3.5%, are no longer seen as any

extravagant prediction.

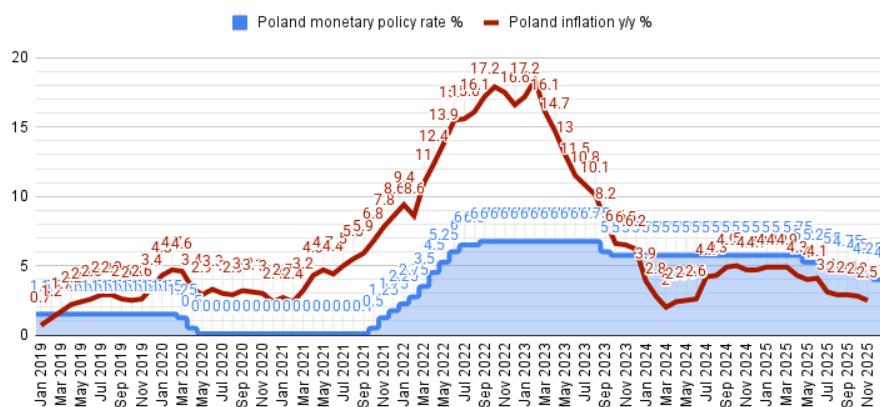
At the same time, the tone from the central bank has shifted, even if only slightly. NBP Governor Adam Glapiński said in December that the slew of reduction decisions should not be interpreted as a classic easing cycle, but rather as “adjustments” to improving inflation prospects. Glapiński also said that the current level of rates is “appropriate” and could be maintained for some time, while future moves will depend strictly on incoming data. The NBP, Glapiński underlined, prefers a “wait-and-see” approach to assess the cumulative effects of the cuts already delivered.

Analysts largely share this assessment, arguing that the space for further easing is narrowing, citing upside risks to inflation linked to still-elevated service prices, a potential clustering of EU-funded investment projects, and a high public finance deficit. March is currently seen as the earliest realistic window for another easing move, when a new NBP macroeconomic projection becomes available and uncertainty related to regulated prices and changes to the CPI basket diminishes.

Individual RPP members have echoed this cautious stance, pointing to the likelihood of a temporary pause at the start of 2026, arguing that the expected higher inflation reading in January, as well as data uncertainty, limit the scope for immediate action. Nonetheless, there is room for further easing later in the year if disinflation continues, with estimates for the terminal rate in the 3%-3.5% range.

Poland monetary policy rate vs CPI inflation y/y

source: Polish state statistics agency



• 2.5 FX

The złoty was one of the best-performing currencies against the euro in 2025, with the EUR/PLN rate ending the year slightly stronger than previously expected.

Entering 2026, analysts broadly expect a period of relative stability in the exchange rate, albeit with a mild bias towards depreciation in the second half

of the year. In recent months the Polish currency traded in a narrow range, roughly between 4.20 and 4.25 per euro, and at the turn of the year it was hovering close to 4.21. Market pricing already reflects the expected path of monetary policy, which has helped anchor short-term movements in the exchange rate.

The main factor weighing on the zloty outlook is the gradual easing of monetary policy by the NBP. As interest rates are reduced and real rates decline, the interest rate differential vis-à-vis the euro area is set to narrow, reducing one of the key supports for the currency in recent years. Analysts also point to the still-elevated level of the real effective exchange rate, which remains well above its long-term average, suggesting limited room for further appreciation. A mild deterioration in the current account balance is another factor that could add to depreciation pressures over time.

These negative influences are offset by a number of supportive elements. Poland continues to record solid economic growth, while lower energy prices benefit a commodity-importing economy. The current account deficit is fully financed by inflows of foreign direct investment and EU funds, and the finance ministry maintains a sizeable foreign-currency liquidity buffer of EUR 4.9bn..

Both fiscal and monetary authorities are seen as favouring exchange-rate stability in an environment of low inflation and relatively strong GDP growth, even though emerging-market currencies could become more sensitive to global shocks as easing cycles continue across major central banks.

Risk-wise, heightened tensions related to Ukraine or other regions, as well as potential hostile actions near Poland's borders, could weaken the currency, while successful diplomatic efforts and a durable end to the war in Ukraine would support the zloty and other regional currencies.

Domestic risks include concerns about fiscal policy and possible commentary from rating agencies, although no rating changes are assumed.

Against this backdrop, analysts expect EUR/PLN to trade broadly around 4.20 over the coming year, with end-2026 levels seen in the 4.20–4.30 range. For the dollar, the USD/PLN rate is expected to settle lower, in the region of 3.50–3.60 by the end of 2026.

• 2.6 Income & Labour

Income and labour market conditions in Poland in 2026 are expected to reflect a gradual stabilisation after the correction observed in 2025, with slower wage growth, limited job creation and unemployment remaining low by historical standards. The outlook is shaped by mixed signals from recent labour market data, which point to subdued demand for labour alongside still-solid household income dynamics.

Data up to 2025 suggest a soft labour market backdrop. According to the Labour Force Survey (BAEL), the third quarter of 2025 brought a slight year-on-year increase in the number of employed persons (0.5%) and in labour force participation (0.7%), while average employment in full-time equivalents in the enterprise sector continued to decline, by 0.8% y/y. Part of this divergence may stem from delays in how BAEL captures foreign workers, which can inflate headline employment growth.

Underlying labour demand remained moderate: the number of job vacancies in the third quarter of 2025 was nearly 17% lower than a year earlier, and the BAEL unemployment rate rose to 3.1% from 2.9%. The increase in unemployment was driven mainly by job losses rather than job switching or reactivation, a pattern last seen during the pandemic.

Despite this, the labour market remained a key pillar of the economy in 2025. Employment rebounded in the third quarter to a record 17.4mn people, while administrative data showed a rising number of foreign workers (a growing political issue it is, too). Registered unemployment stayed elevated partly due to earlier regulatory changes limiting automatic deregistration, rather than a sharp deterioration in labour conditions.

Looking ahead to 2026, wage growth is expected to slow further. Nominal wage growth in the national economy eased to 7.5% y/y in the third quarter, with forecasts pointing to average wage growth of just over 8% in 2025 overall, slowing to around 6% in 2026. This moderation is reinforced by the government-approved minimum wage increase of 3%, the lowest since 2005. With inflation low, real wages should continue to rise, albeit more slowly, contributing to a decline in unit labour cost growth supported by solid productivity gains.

Employment growth in 2026 is projected to be marginal, around 0.1%. Both BAEL and registered unemployment rates are expected to edge slightly higher than previously forecast but to remain low historically, with registered unemployment seen at 5.7% at the end of 2026. As economic conditions improve, stabilisation in employment and unemployment is anticipated, with the possibility of modest job gains and lower unemployment towards the end of 2026.

3.0 External Environment

• 3.1 Trade dynamics

The year 2026 points to a further acceleration in Polish exports, although imports are expected to grow even faster, implying a deeper negative contribution of net trade to GDP growth. Export volumes are forecast to rise by

about 5.2%, supported above all by an expected recovery in the German economy. European Commission projections indicate German GDP growth of 1.2% in 2026, following growth of just 0.2% in 2025, driven by a looser fiscal stance.

Additional support for Polish exports should come from improved price competitiveness linked to an anticipated slight weakening of the zloty. Demand for military equipment from other EU countries, connected with the implementation of the EU's SAFE programme of defence procurement, is also expected to have a positive effect. At the same time, business sentiment indicators, including the NBP's Quick Monitoring survey and GUS data, point to export expectations that remain weaker than the long-term average.

On the import side, analysts expect a recovery in investment demand in 2026, including import-intensive spending on the energy transition and the modernisation of the armed forces, supported by private consumption. As a result, the negative contribution of net exports to GDP growth is expected to deepen to around negative 0.8pp in 2026.

These projections follow a year in which Polish trade showed notable resilience. In 2025, exports of goods and services withstood turbulence in global tariff policy and the impact of a strong zloty. Export volumes, measured in national accounts terms, are estimated to have increased by 3.6%, up from 2% a year earlier. A key stabilising factor was Poland's high level of product diversification, with UNCTAD data indicating that Poland had the lowest export concentration index in the EU. Exports were also supported by expansion into non-EU markets such as Norway, Canada and selected ASEAN countries. A short-term boost came from the front-loading of deliveries in anticipation of higher US tariffs.

Despite this, imports grew faster, by an estimated 5.3%, driven by consumer demand, defence purchases and imports intended for re-export, mainly consumer goods and cars, resulting in a negative net export contribution of about minus 0.5pp in 2025.

• **3.2 Current Account dynamics**

Poland's current account deficit is expected to widen in 2026 towards 2% of GDP, marking a further shift away from the surplus recorded earlier in the cycle. Analysts broadly agree that this deterioration reflects the domestic growth mix rather than a loss of macroeconomic balance, with financing conditions remaining favourable thanks to capital inflows and foreign direct investment, particularly reinvested earnings.

The main driver of the wider deficit is the trade balance. As economic growth accelerates, import demand is set to outpace exports, largely because of the high import intensity of investment. Investment spending is projected to grow at a double-digit pace, increasing demand for capital goods and intermediate

inputs sourced from abroad.

By contrast, export growth is expected to pick up only moderately, constrained by a gradual recovery in the European Union and unfavourable price effects. Balance of payments data are reported in nominal terms, and recent declines in terms-of-trade indices reflect both the strength of the zloty and persistent deflationary pressure in global trade, linked in part to excess capacity in Chinese manufacturing.

On the export side, recent growth has been supported mainly by consumer goods categories with a strong re-export component, such as clothing, footwear and video game consoles, alongside buses and agricultural products. At the same time, exports of cars, car parts and supply goods have weakened. Imports have been driven increasingly by investment goods, including computers and passenger cars, with a notable rise in deliveries from China, while lower fuel prices have damped the value of energy imports.

Beyond trade in goods, the current account outlook also reflects changes in income balances. Stronger corporate performance is expected to deepen the deficit on primary income, as profits earned in Poland translate into higher income outflows. Meanwhile, the surplus in services trade is likely to narrow somewhat, further contributing to the overall balance.

Despite the widening deficit, external equilibrium is still viewed as a strength of the Polish economy. The zloty may ease from recent highs, but expectations of tighter monetary policy further ahead are seen as limiting the scale of any depreciation. With robust capital account inflows and continued foreign investment, the projected current account deficit in 2026 is not seen as a source of vulnerability, but rather as a by-product of solid domestic demand and an investment-led growth phase.

4.0 Budget & Debt

• 4.1 Budget

The 2026 Polish budget law sets the state budget deficit at PLN272bn and assumes the public-sector deficit at 6.5% of GDP. The government's macroeconomic assumptions published alongside the bill include GDP growth of 3.5% in 2026, average annual consumer-price inflation of 3%, nominal wage growth of 6.7%–6.9% and an end-of-year unemployment rate near 4.9%.

Defence is the single largest spending item. The budget earmarks more than PLN200bn for national defence, equivalent to approximately 4.8% of GDP - the highest proportion of all NATO member states - reflecting record modernisation outlays for the armed forces and national security measures. Other key

expenditure includes health care, transport and infrastructure, and welfare programmes to support parents and the elderly.

A 6.5% general-government shortfall leaves Poland among the EU countries with the largest deficits and highlights substantial net borrowing requirements next year. Calculations point to large gross financing needs even after accounting for EU transfers, with analysts warning that continuing high deficits complicate the path to medium-term consolidation.

Poland's shaky public finances position did not come unnoticed. In 2025 both Fitch and Moody's moved Poland's outlook to negative (while leaving the sovereign ratings unchanged), citing the rapid rise in public debt and limited near-term prospects for a decisive fiscal adjustment. Official debt-management projections in the government's strategy foresee general-government debt (as defined in the EU public finance rulebook) rising to 65.4% of GDP in 2026 and to about 75.3% by 2029. Those projections place Poland above typical debt ratios for countries with similar ratings and imply an elevated borrowing profile over the coming years.

Under national accounting rules, public debt could breach a 55%-of-GDP threshold as early as 2027, which would trigger statutory limits on wage rises in the budget sector, constrain new state guarantees and require presentation of a fiscal consolidation programme. Legal or statistical changes to the definition of national debt have been discussed as a potential avenue to avoid automatic constraints.

Before (and if) that happens, policy options to reduce deficit include freezing the public-sector wage bill and limiting indexation of social transfers. These measures are estimated to yield savings on the order of 2% of GDP if fully implemented. Further fiscal space from structural measures is framed around pension reform, tighter targeting of social spending, efficiency gains in health and public investment, and optimisation of defence expenditures.

Parallel revenue options modelled by analysts indicate that a 1pp rise in the effective VAT rate would raise roughly 0.6% of GDP, a similar change in PIT about 0.4% of GDP and adjustments to CIT about 0.2% of GDP; other scenarios consider new PIT thresholds, property taxes and curbs on disguised self-employment.

All told, the combination of large planned defence and investment programmes with limited immediate consolidation prospects will keep public finances a central theme of economic debate in 2026 and 2027. But the room for manoeuvre will be limited by politics: 2027 is an election year, with both the ruling coalition and the opposition expected to move into early campaign mode as early as January.

• 4.2 Debt

Poland's public debt has been rising rapidly, weighing on otherwise positive economic prospects. Over the past few years, public debt has increased from 45% to around 60% of GDP, and according to IMF forecasts, it is expected to reach nearly 76% of GDP by 2030, representing one of the fastest increases in Europe.

Debt-servicing costs are approaching 3% of GDP, while the primary deficit remains above 4% of GDP. Projections suggest that stabilising the debt-to-GDP ratio would require the primary balance to be no lower than -1% of GDP, while a primary surplus exceeding 1% of GDP would reduce the debt ratio. Achieving this would require approximately 4.5% of GDP in additional revenues or savings. Without adjustment, the economy risks entering a "rollover trap", where rising interest costs themselves drive further debt accumulation.

On the expenditure side, analysts indicate that freezing the public-sector wage bill and limiting indexation of social benefits, while politically difficult, could generate savings of around 2% of GDP. Further savings could come from pension reform, more efficient targeting of social transfers, improved efficiency in healthcare and public investment spending, and optimisation of defence outlays.

Although implementation would be challenging, such measures could significantly improve the general government balance and reduce pressure on debt growth, while potentially supporting long-term economic capacity.

Analysts also examine revenue-raising options, noting that several countries in the region have already increased core tax rates. In Poland, a 1pp rise in the effective VAT rate could generate 0.6% of GDP in additional revenue, while similar increases in PIT and CIT could yield 0.4% of GDP and 0.2% of GDP, respectively.

Considered options include new PIT thresholds, CIT reform, a property tax, and curbing bogus self-employment. Market assessments suggest that social acceptance of tax increases is possible, provided communication is clear and the burden is distributed fairly.

The room for manoeuvre will be limited by politics, however. Elections are looming in 2027, with both the ruling coalition and the opposition expected to move into early campaign mode as early as January, with no holds barred in the current extremely polarised political climate in Poland. For more on debt, see Chapter 7.3 of this report.

• 5.1 Agriculture

Stagnant or falling farm-gate prices, rising input costs and shifting trade rules amidst structural and policy changes do not offer a straightforwardly positive outlook for Polish farmers in 2026.

The coming year could be shaped by weaker commodity prices and high input bills, constrained farm incomes and tighter margins for many producers (counterbalanced in places by pockets of stronger demand), disease-driven supply shortages in poultry and supportive seasonal dynamics for some products. Major policy shifts, with the Deep and Comprehensive Free Trade Area (DCFTA) agreement with Ukraine and the Mercosur agreement with South America eventually becoming reality, will produce outcomes (for varying farm types, however) amidst dynamic environs for investment and credit uptake, as well as changing supply chains.

Survey data show a clear seasonal deterioration in sentiment at end-2025. The SGH (Poland's renowned economics university) composite agricultural confidence indicator, abbreviated IRGAGR, fell 4.3 points quarter-on-quarter in Q4, even though it remained 2 points above year-earlier levels.

The decline in sentiment reflects lower seasonal revenues, shrinking savings and rising indebtedness. Farmers nevertheless raised investment spending on machinery, buildings and structures and took on more credit – borrowing intentions reached their highest level since 2019.

Another monthly synthetic indicator (SWKR) also trended down through 2025. In November, the indicator reached its lowest level for the year and the weakest reading since June 2024. Analysts note that a fall in the price index for most basic agricultural commodities has driven much of the weakness in sentiment, while prices of production inputs have surged, with total input costs up by 140%, including fertilisers becoming more expensive by a factor of 2.5 and agricultural machinery by 3.

Price dynamics across key commodities varied in late 2025. Cereals prices were reported at levels comparable to roughly two decades ago and that long-run weakness remains a key concern for grain growers. Beef production in Poland outperformed many EU peers in January–July 2025, ranking second among the ten largest producers after Italy, yet record domestic prices have eroded competitiveness on EU markets.

Poultry continued to face production risks from animal disease and Poland lost official avian-influenza-free status in late September while outbreaks of pseudo-rabies in poultry have reduced supply and chick availability, supporting

rather than depressing seasonal price prospects.

Milk production rose among the world's top exporters and global dairy prices peaked mid-2025, remaining 8% above year-earlier levels as the year drew to a close. That implies seasonal support to farmgate milk prices in late 2025 but scope for correction in early 2026.

Fruit and vegetable outcomes are mixed: Polish apple harvests were pencilled in about +10% y/y in 2025 while vegetable field crops showed +6% production y/y (as of September) with markedly higher exports for some crops, driven by demand from Ukraine.

Ukraine remains looming over Polish farmers, even if some of their fears appear exaggerated. The revised DCFTA agreement with Ukraine, effective October 2025, re-introduced tariff-rate quotas and protection for sensitive products, such as pork or poultry.

Concurrently, negotiations on the Mercosur trade agreement with key South American economies are about to enter the final stage in early 2026. The Mercosur deal's farming part is unpopular among Polish farmers (which translates into government scepticism since farmers are an important voter cohort,) even though proposed import quotes for South American agricultural products are tiny when compared to EU's overall production (plus their entry is spread over several years).

Polish farmers are often small producers, much more vulnerable to market and policy shifts than big operations. There are repeated calls in Poland for a strategic shift toward quality, local processing and brand building. There has been a bottom-up reaction to this: short supply chains and direct sales have expanded through farmer initiative rather than systemic policy support, and several cities have begun to adopt municipal food strategies.

• **5.2 Construction & Real Estate**

Construction in Poland will be driven by a sharp rise in investment and a heavy public spending programme in 2026, according to forecasts. Latest available data show output in the sector contracted minimally, at 0.1% y/y in November, clearly below consensus, but the combination of accelerated absorption of EU funds, planned record infrastructure budgets and elevated defence spending points to a sustained uplift in building and civil works next year.

Local-government projects funded from EU instruments, large state programmes (notably transport and energy) and military building financed from the central budget and the Fund for Support of the Armed Forces will together provide a sizeable pipeline. Government plans envisage infrastructure spending rising to about PLN100bn in 2026, while rail projects alone account for more than PLN180bn for 2025–2032. Corporate investment appetite is also recovering, helped by falling interest rates. A more stable geopolitical backdrop, cited toward the end of 2025, no longer appears such, however, following Trump's geopolitical maverick moves in early January.

The sector's scale and supply base lend credibility to delivery but expose important fragilities. Construction directly accounts for roughly 10% of GDP and employs about 470,000 people, with more than 1.6mn jobs linked indirectly through logistics, transport and materials production. Yet utilisation of productive capacity in large contractors fell to its lowest level since 2016 last year, raising questions about whether the industry can absorb a sudden surge of work without bottlenecks or price pressures.

To avoid the crisis that plagued builders when Poland was the host of Euro 2012, producers and builders press the government for a reformed Railway Fund, better contract indexation, streamlined administrative procedures, support for exporters and procurement rules that privilege quality over lowest price.

Poland's commercial real estate market enters 2026 with steady demand but growing segmentation between high-quality assets and the rest of the stock. Activity in 2025 broadly mirrored the prior year, yet structural shortages of premium space and cautious developer sentiment will shape next year's outlook.

In the office segment, transaction volumes across primary markets are set to total about 1.5mn sqm in 2025, roughly unchanged on 2024, with renegotiations accounting for roughly half of deals and new leases below 45%. Supply of new, quality space is constrained: around 400,000 sqm were under construction but that pipeline is expected to fall to some 350,000 sqm by year-end. High financing and fit-out costs, elevated vacancy in regional cities and weak speculative demand have deterred developers. Rents are polarising — prime central assets and well-spec buildings outside core CBDs have seen increases, while older stock is static. Limited new supply should support modest rental growth in Warsaw and Kraków in 2026, but many occupiers will be unable to relocate due to lack of top-tier options. Owners of lower-quality offices will face choices: retrofit, repurpose to residential, or demolition.

In logistics and industrial, the warehouse market stabilised in 2025 after rapid expansion. Modern stock exceeded 35mn–36mn sqm and could approach 37mn sqm by year-end, with projections pointing to over 40mn sqm by 2027 if growth of 7%–7.5% per year continues. Activity remains geographically concentrated: six regions accounted for some 80% of ongoing projects. Tenant demand reached about 6mn sqm in 2025 and may edge to 6.5m sqm in 2026, driven by e-commerce and last-mile logistics. Vacancy should hold around 7%–8%, but prime locations will be tighter.

In retail, new supply was around 600,000 sqm in 2025 and looks set to remain steady in 2026. The mix has shifted toward retail parks and convenience centres (80% of recent supply), with growing mixed-use schemes adding high-street and neighbourhood retail. Top malls and prime high-street units are tightening, supporting selective rent rises; parks see smaller increases. Many older malls require modernisation to retain footfall, while ground floor retail in residential developments will gain importance.

• 5.3 Retail

Household consumption was the main driver of Poland's economy in 2025, with growth coming in slightly stronger than expected a year earlier. The structure of spending, however, was uneven.

Demand for services expanded solidly and provided the bulk of the momentum, reflecting a rebound in discretionary activity and sustained spending on everyday services. By contrast, outlays on goods were weaker than anticipated, with retail sales data repeatedly disappointing, particularly in the first months of the year.

Retail trade nonetheless remained a central pillar of economic activity. Even with subdued goods sales growth, the sector continued to absorb a large share of household spending and to support employment across logistics, wholesale and related services. The disappointing retail figures early in the year partly reflected high comparison bases and lingering caution among consumers, rather than a deterioration in underlying financial conditions.

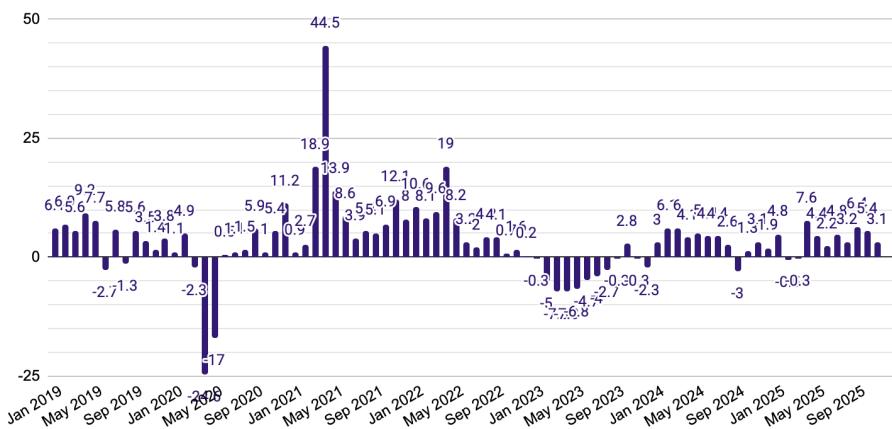
As the year progressed, the drag from goods consumption eased, though it never fully matched the strength seen in services. Most recent data from the statistical office GUS showed retail sales ease their growth rate to 3.1% y/y in November (consensus: 3.9% y/y) from a gain of 5.4% y/y the preceding month.

Looking ahead to 2026, private consumption is expected to remain a key contributor to growth, albeit with a more moderate pace and a slightly smaller contribution to GDP than in the previous two years. Support will come from rising real disposable incomes, even as nominal wage growth slows and indexation of social benefits becomes less generous than in recent years. With inflation falling more sharply, real wage growth is set to remain close to its long-term average, preserving households' purchasing power.

The financial position of households remains relatively sound, underpinned by low unemployment and stable labour market conditions. This should continue to support consumer sentiment and spending decisions. A lingering source of uncertainty is the still-elevated propensity to save, which has constrained retail demand. However, as interest rates decline and geopolitical uncertainty recedes, savings rates are expected to edge lower. This would provide an additional boost to consumption, partly offsetting slower income growth and reinforcing the role of retail as a stabilising force in Poland's economy in 2026.

Poland retail turnover (inc. cars) change y/y

source: GUS



• 5.4 TMT

Poland's technology-media-telecom (TMT) industries are entering 2026 from a position of cautious optimism. After a year in which digitalisation became a central government priority, experts report that the domestic IT sector has stabilised and is poised for moderate growth.

Enterprises are increasingly investing in automation, cloud, AI and cybersecurity – but progress is often slowed by high costs and integration challenges. For example, 68% of Polish firms cite excessive implementation costs and 72% cite IT-integration problems as barriers to new technology, according to data from Polcom, a cloud services provider. Only one-third of companies have any formal AI usage policy, and many employees use generative AI without oversight.

The public sector, in particular, has been urged to shift from reactive to proactive software and security management. On the positive side, Poland's startup and R&D ecosystem is strengthening: government research plans for 2026–2030 explicitly target advanced telecoms (5G/6G, satellite), cybersecurity and AI/big-data/cloud solutions. The year 2025 has been described as a "turning point" when digitisation moved from a side-project to the "foundation of public policy" – laying the groundwork for a tech-driven economy.

Investment in enterprise IT is rising, bolstered by looser monetary policy and EU funds. Polish data show e-commerce at some PLN150bn and growing, but also increased competition from foreign platforms. For instance, Chinese online marketplaces now have an estimated 6%–11% share of Poland's e-commerce market, prompting the Ministry of Development to plan new rules for fair competition amidst a wider geopolitical strife.

Cloud infrastructure is expanding, too, as Poland is positioning itself as a Central/Eastern Europe data-centre hub, with capacity forecast to exceed 500 MW by 2030. The state development bank BGK recently invested €25mn in a

data-centre fund to finance new cloud facilities in Poland.

In 2025 Poland's telecom sector saw continued 5G rollout and regulatory reforms that will shape 2026. Operators already cover most urban areas with 5G, but new spectrum auctions will extend coverage and capacity. In March 2025 the regulator completed a 700 MHz auction expressly for 5G use, and is consulting on the future allocation of millimetre-wave 26 GHz bands.

Analysts expect telecom revenues to rebound: new tariff structures with built-in price escalators are estimated to "bring material effects" in 2025, boosting operators' income. For example, major carriers like Orange Polska and Cyfrowy Polsat are forecasting higher sales due to these automatic price increases and growing demand for ICT services. Public policy also supports connectivity: the Institute of Communications' strategy highlights mobile, satellite and space telecoms as research priorities.

While major mobile and pay-TV operators remain the industry's backbone, competition is intensifying. International trends toward consolidation (e.g. cross-border M&A) and network sharing are mirrored locally by occasional joint ventures and passive infrastructure deals. On the consumer side, 5G speeds are improving: Polish users' median 5G download speed rose over 50% in 2024, reflecting densification of networks. By 2026 even larger data-heavy uses (like cloud gaming or industry IoT) are expected to become routine. State initiatives like BGK's investment in data centres also reinforce the aim of keeping data-driven services in Poland.

Poland's media industry is increasingly digital but not booming. According to a PwC report, the entire entertainment & media (E&M) sector will be worth 68.5 bn PLN in 2025. Nearly all Poles regularly consume audiovisual content, but the mix is changing. The highest growth area is online and mobile media: internet advertising is the fastest-growing segment (forecast +8.8% in 2025), and streaming services (especially ad-supported streaming) are expanding rapidly. In contrast, traditional TV and press are plateauing: linear TV revenues in 2025 are PLN11.5bn but forecast to grow under 1% annually, and print media are already in mild decline. This reflects changing viewer habits: a recent survey for MEGOGO found more Poles now watch on smartphones (74%) than on TV sets (69%), illustrating demand for on-demand mobile content.

Local content producers and broadcasters are adapting. State-owned channels are investing to boost viewership, and digital services (including hybrid TV and OTT apps) are gaining traction. For example, new hybrid TV advertising formats are emerging as cheaper alternatives to subscription streaming. The overall message is steady transformation rather than boom: advertising and subscription revenues will grow, but only in line with modest GDP and digital adoption gains.

Policy-wise, authorities have made digital transition a strategic goal and have backed it with funding and regulation. In 2025 the Polish government launched or expanded initiatives across cybersecurity, telecoms and innovation. For

example, amendments to the Communications Law in late 2025 enshrined universal broadband access, requiring operators to provide basic internet service to all citizens.

Polish parliament approved in late 2025 adjustments to the EU's Digital Services Act for Poland, strengthening content moderation rules and user protections. Industry bodies are actively lobbying for balanced laws: for instance, the association Związek Cyfrowa Polska appealed to MPs to treat cybersecurity legislation as a national-security issue, as disinformation and misinformation remain rampant and are often seen as furthering Russia's interests.

Cybersecurity is also under the spotlight – firms report a strong need for rapid alerts on vulnerabilities, and the government has updated its National Cybersecurity System to guard critical infrastructure.

• **5.5 Manufacturing**

Polish manufacturing entered late 2025 in a somewhat weakened position, with November data highlighting persistent challenges across a broad range of industrial sectors. Industrial output fell 1.1% year on year in November, following growth of 3.2% y/y the preceding month, a "significant negative surprise," according to analysts.

Weakness was visible in both export-oriented and domestically focused industries, including sectors that had previously acted as engines of growth such as computers, electronic and optical products, electrical equipment, furniture and textiles. Production of building materials also declined after several months of recovery, despite early signs of improvement in residential construction.

Calendar effects, including the mid-week public holiday on 11 November, may have negatively affected the y/y reading. Still, analysts agree that industrial weakness characterised most of 2025, marking a departure from earlier economic cycles in which manufacturing significantly outpaced overall GDP growth.

Within the industrial structure, performance diverged by category. The deepest declines were recorded in energy-related goods and durable consumer goods, while investment goods continued to show relative strength, growing by 3.7% y/y in November. Mining and water supply also posted positive annual growth, whereas manufacturing as a whole remained in contraction.

Survey data offer a broadly positive forward-looking perspective. Manufacturing PMI fell to 48.5 from 49.1 in November, remaining below the 50-point expansion threshold for the eighth month and signalling continued, though moderate, deterioration (more on that in Chapter 2.2). But, forward-looking indicators improved sharply: the future production index rose markedly to its long-run average and business sentiment was the strongest since March, suggesting firms enter 2026 with greater confidence in

(incremental) recovery.

Looking ahead, analysts expect conditions for Polish manufacturing to improve gradually in 2026. Key supportive factors cited include the acceleration of EU-funded investment under the Recovery and Resilience Facility, increased public infrastructure spending and a forecast recovery in eurozone demand, particularly in Germany.

At the same time, analysts warned that global trade shifts, persistent foreign competition and reduced competitiveness in some sectors are likely to limit the pace of any rebound compared with previous industrial cycles.

That said, Poland's prolonged industrial stagnation still compares favourably with deeper declines recorded in other Central and Eastern European economies. Analysts attribute this relative resilience to Poland's more diversified manufacturing base and large domestic market, which helped cushion weaker external demand, particularly from the euro area.

• **5.6 Banking sector**

Poland's banking sector enters 2026 at an inflection point influenced by a combination of political pressure, tax changes and a turning interest-rate cycle. While 2025 was another year of strong headline profits, the conditions that supported those results are fading, and the regulatory and fiscal environment is becoming materially more restrictive.

The most immediate change for 2026 is a sharp increase in corporate income tax for banks. From January, the CIT rate for commercial banks rises to 30%, compared with the standard 19% rate applied to most other sectors, while cooperative banks and credit unions face a rate of 27%.

Although the rates are scheduled to decline gradually in subsequent years, the initial hike significantly raises the sector's effective fiscal burden at a time when banks remain subject to a separate bank levy based on assets. Even before the change, the combined tax and regulatory load on the sector exceeded 32%, placing banks among the most heavily taxed industries in the economy.

This shift follows several years in which banks were portrayed in political debate as beneficiaries of exceptionally high profits. The sector's counterpoint has been that the Polish banking sector is neither the most profitable nor the most capital-rich part of the economy. Measured by return on assets, it ranks in the lower half of sectors represented on the Warsaw Stock Exchange, well behind industries such as transport, logistics, retail, IT, telecommunications and consumer goods. In European terms, banking profits relative to GDP are also modest, standing well below levels seen in many Western European countries.

Financial performance in 2025 has nonetheless been strong. Net profits are expected to rise by roughly 10% year on year and exceed PLN44bn, supported by still relatively elevated interest rates, low inflation, solid economic

growth and a resilient labour market.

This is widely seen as the last solid year of the current cycle. The central bank's interest rate cuts totalled 175bp in 2025, with more reductions expected in 2026. Monetary easing has already begun to compress net interest margins, which account for more than 80% of banks' total income. As lower rates feed through fully in 2026, revenue growth is expected to slow markedly.

At the same time, the higher tax burden reduces banks' capacity to accumulate capital internally. Over the coming decade, the cumulative impact of increased taxation is expected to materially constrain lending potential, limiting the sector's ability to finance large-scale investment projects, the sector has complained. This is particularly relevant given Poland's substantial funding needs related to infrastructure, energy transformation and defence, even as EU funds begin to flow more steadily.

Another structural challenge for 2026 is the rising cost of capital. With returns on equity projected to fall below the cost of capital as interest rates decline and taxes rise, investor appetite may weaken, putting pressure on valuations and potentially on future capital-raising capacity.

Despite these headwinds, the sector remains stable, well-capitalised and systemically important, continuing to deliver significant tax revenues and dividends to the state.

• **5.7 Automotive**

Poland's automotive sector is a structurally important but shifting industry, with its future prospects shaped by strong export orientation, foreign ownership, and the transition to low-emission vehicles.

The sector accounts for about 1.4% of added value in the economy, roughly 10% of the manufacturing sector's sales and employs directly some 300,000 people. It also generates some 8.5% of Poland's gross exports while absorbing 7.1% of import inputs. Those characteristics attest to the sector's strategic weight.

Still, the Polish automotive industry's position has been weakening. First, production is heavily integrated into global chains: about 92% of the value added produced is exported and imported content represents roughly 36% of production costs.

That integration makes Polish plants sensitive to demand swings in Europe and decisions taken by multinational principals on where to locate higher-value activities such as R&D and final assembly. A new threat has also been the influx of cheaper Chinese cars. The industry is dominated by foreign capital, which constrains domestic control over strategic investment and innovation choices.

On the positive side, the sector's concentration in parts production is a

comparative advantage, a report by the Polish Economic Institute noted in a recent report.

Component makers provide a technology-neutral base: suppliers of parts, remanufacturing and repair serve both internal-combustion and battery-electric vehicles (BEVs). Poland already has competitive niches — vans, petrol engines, braking systems and lithium-ion batteries — and growing activity in electric buses and light-commercial BEVs. This creates a near-term opportunity to deepen value capture through targeted R&D, higher local content and defence-sector orders.

On the risk side, global demand weakness in Europe, US re-industrialisation and China's dual role as competitor and exports market will continue to exert pressure on Poland's automotive sector, already grappling with rising labour and energy costs, and low automation.

The sector's low domestic value added and margin profile limit buffers against shocks. That can be improved by implementing measures to boost automation, foster domestic ownership of higher-margin activities, and improve the business climate for R&D. Inaction could risk further relocation of investment to lower-cost or more subsidy-friendly jurisdictions.

2026 should see Poland's automotive industry consolidate its role as a parts and components hub while seeking to convert that position into higher-value activities. Aligning state support, industrial policy and private investment to accelerate automation, local R&D and electromobility-related production will be crucial to ensure resilience.

A structural shift could begin taking shape if plans to build a large production and R&D hub in the southern town of Jaworzno move from concept to execution.

The Jaworzno project, led by ElectroMobility Poland (EMP), is intended to move Poland up the value chain, from a subcontracting role to a partner in technology development. A core element of the strategy is the creation of a domestic R&D base, with at least 1,000 engineers working in Poland on areas such as cybersecurity software, localisation of technology, and adaptation of design solutions provided by a foreign partner.

EMP aims to sign a partnership agreement in the first half of 2026 and is in talks with multiple global manufacturers, including major Chinese carmakers.

• **5.8 Copper, silver, and coal**

Polish state-controlled copper and silver miner KGHM has outlined an ambitious operating and investment plan for 2026, underpinned by favourable market conditions for base and precious metals. According to the company's budget assumptions, sales are expected to reach around 595,000 tonnes of copper and approximately 1,293 tonnes of silver, while production in concentrates is projected at nearly 396,000 tonnes of copper and about 1,296

tonnes of silver. Capital expenditure is planned at roughly PLN 4.1bn, reflecting continued investment in domestic mining assets and foreign operations.

The outlook is supported by historically high metal prices. Copper prices on the London Metal Exchange have moved above USD 11,000 per tonne, while silver prices have climbed towards USD 60 per ounce. Market analyses cited by Polish financial media point to a structurally tight copper market in 2026, with the International Copper Study Group signalling a supply deficit and global investment banks forecasting prices remaining elevated into 2027. Disruptions at major foreign mines and declining ore grades have further constrained global supply.

For KGHM, one of the world's largest silver producers and a key copper supplier in Europe, these conditions translate into higher revenues and improved cash generation. Polish analysts note that even small price increases in silver have a material impact on earnings.

In parallel, the government has announced plans to adjust the copper mining tax, a move which the finance ministry estimates could leave the company with several hundred million zlotys annually for additional investment. Late-2025 discussions around the tax reform are therefore seen as an important factor shaping the 2026 outlook for the non-ferrous mining sector.

By contrast, Poland's hard coal sector enters 2026 under sustained financial and structural pressure. Official budget documents indicate that coal output is expected to remain close to 45m tonnes, broadly in line with recent years. At the same time, state support for the sector remains substantial, with more than PLN 14bn earmarked in the 2026 budget for mining-related expenditures, including operating subsidies, debt servicing and restructuring measures.

Despite this support, demand for coal continues to decline. Sector analyses published by Polish energy think tanks and specialist media show that coal-fired power generation is being displaced by renewables and gas, sharply reducing domestic offtake. The industry posted a record net loss in 2024, reflecting weak sales volumes and persistently high labour costs.

Polska Grupa Górnica, the country's largest coal producer, reported multi-billion-zloty losses and has warned that without legislative changes it could face liquidity problems. As a result, late-2025 government proposals to amend mining legislation — including redundancy payments, accelerated mine closures and continued budgetary support — are critical for the sector's survival in 2026. The passage of these measures is viewed as essential to maintaining operational continuity across the state-owned coal industry, even though its strategic importance is diminishing by the year.

6.0 Energy & Power

• 6.1 Gas

Poland enters 2026 as a crucial regional natural gas hub in the making, with export capacity and cross-border flows set to play a larger role in its energy and geopolitical footprint.

Expectations for further growth next year rest on infrastructure, contracts and regional demand, but the foundations of this role were laid — and tested — in 2025, when gas transmission reached an all-time high.

In 2025, Poland's gas transmission system handled close to 20bn cubic metres (bcm) of natural gas, the highest volume ever recorded. Domestic throughput remained broadly stable, while exports — more precisely, re-exports — drove the increase. Volumes sent abroad are estimated at 1.9bcm-2 bcm in 2025, up from 1.3 bcm in 2024 and only a few hundred million cubic metres in earlier years. This shift reflects the rapid reconfiguration of Europe's gas market following the collapse of Russian pipeline supplies.

The surge in cross-border flows is the direct result of sustained investment over the past decade. Poland has expanded interconnectors linking its gas grid with Germany, Slovakia, the Czech Republic and Ukraine, while commissioning strategic assets such as the Baltic Pipe and the LNG terminal in Świnoujście. Together, these projects transformed Poland from a peripheral end-user into a transit and supply country for Central and Eastern Europe at a time of tight regional supply.

Gas now flows not only westward to Germany and south to Slovakia, but increasingly eastward to Ukraine, reversing historical patterns. With Ukrainian energy infrastructure heavily damaged by Russia's war, Poland has become a key corridor for gas deliveries to Kyiv. This role combines security considerations with commercial incentives, as transit volumes generate growing revenues for the transmission system operator.

Looking into 2026, exports could rise further, potentially approaching 3 bcm, depending on winter conditions, regional demand and the conclusion of additional supply agreements. Domestic consumption in Poland remains broadly flat at around 18 bcm per year, meaning future growth is concentrated almost entirely in transit and re-exports. Poland's domestic gas production is tiny at some 3.5 bpm annually (not including Polish companies' gas fields overseas).

Natural gas is expected to remain central to Europe's energy system despite decarbonisation goals. Its lower emissions compared with coal and its ability to provide flexible backup for wind and solar underpin continued demand.

As Europe consumes more than 500 bcm of gas annually, efficient import and redistribution infrastructure remains a strategic asset. In that context, Poland's position is set to strengthen further once a floating LNG terminal in the Bay of Gdańsk comes online. By 2026, this additional entry point could enhance

supply security, expand export capacity and consolidate Poland's role as a key gas hub in the region.

• **6.2 Electricity production**

Poland's power sector continued to change in 2025, with electricity production reflecting both short-term volatility and longer-term structural shifts that will shape the outlook for 2026.

In November 2025 (latest data available as of early January), Poland produced 15.1GWh of electricity, up 4.4% y/y, slightly above domestic demand of 14GWh, which made Poland a net exporter. Renewable sources generated 3.6TWh of electricity in Poland, accounting for 23.7% of total output. This was down 33.2% month on month and 0.3% y/y, marking one of the weakest monthly results for renewables in 2025 and the third consecutive November with the same 23.7% share.

Wind farms produced 1.8TWh, representing 51.5% of renewable generation. As output fell 22.8% y/y and 40.7% from the record October level, it still attested to the ever-growing role of renewables in the mix. Installed wind capacity stood at 11.2GW at the start of November, up 5.9% y/y.

Solar installations generated 0.7TWh, or 19.3% of renewable output, in November, with production down 44.7% m/m but up 92.4% y/y. Installed photovoltaic capacity reached 24.9GW at the start of October, up 22.8% year on year, with prosumer, or producer-consumer) systems accounting for about 12.8GW. Biomass plants produced around 0.9TWh in November, while hydropower added 0.1TWh.

The maximum hourly share of weather-dependent renewables (wind and solar) in electricity production reached 43.4%, with a minimum of 0.7%, while their peak share in electricity consumption climbed to 64.6%.

Meanwhile, gas-fired power plants generated 2.8TWh, up 14.6% m/m and 12.4% y/y, in November, giving gas a record 18.4% share of the energy mix. Hard coal output rose to 5.8TWh, up 14.5% from October but down 4.9% y/y, while lignite generation totalled 2.8TWh, down 3.2% y/y but up 8.2% m/m.

Lignite and hard coal remained the largest source of electricity, supplying 8.7TWh or 57.5% of the mix, up 12.7% m/m but down 4.3% y/y. Over the past decade, however, coal's share of the energy mix fell by a whopping 21.7pp, reflecting rapid renewable growth and the rising role of large gas-fired units, though seasonal effects continue to weigh on renewable output in winter.

Arguably, 2025 marked a structural turning point in Poland's electricity generation. Over the course of the year, coal's share in Poland's electricity mix fell below 50% for the first time, even if only temporarily, as renewable capacity continued to expand.

As renewable capacity kept growing, data showed growing system stress, with

operators curtailing renewable generation due to grid constraints, an issue that will dog Poland's energy transformation in 2026 and beyond. In November, the combined share of wind and solar in national electricity production ranged from a minimum of 0.7% to a maximum of 43.4% in individual hours, while their share in electricity consumption peaked at 64.6%. This volatility (although it was partially weather-driven) has reinforced the need for grid expansion, storage and flexible generation.

Looking ahead to 2026, the trajectory points to a further rise in renewable output. PSE, the state grid operator, has outlined plans to integrate more than 80 GW of new renewable capacity by 2034, alongside energy storage and dispatchable sources, but much of the required network investment must accelerate to avoid bottlenecks.

Onshore wind and solar are expected to remain the main growth drivers in the near term, while coal and gas plants will continue to play a stabilising role during winter and periods of low renewable output.

A new chapter in the history of Polish electricity generation will also begin in 2026 with the start of construction of the country's first nuclear power plant, on the Baltic Sea coast - provided that a recent decision by the European Commission to greenlight state aid for the project does not contain clauses effectively barring it, as was the case in Czechia.

Overall, electricity production in 2026 is likely to see renewables strengthen their position in Poland's energy mix, even as fossil fuels remain essential for system security. The balance between rapid capacity growth and the pace of grid development will be decisive in determining how smoothly that transition unfolds.

• **6.3 Renewables**

Renewables supplied 23.7% of Poland's electricity in November 2025 (latest available data as of early January), with output reaching 3.6TWh, official estimates show — a low point for the year driven by weak wind and seasonal PV decline.

Wind farms generated about 1.8TWh in November (roughly 51.5% of renewable output), down 22.8% year-on-year and 40.7% below October's result, while solar delivered 0.7TWh, a 44.7% month-on-month fall but a 92.4% rise versus last November. Biomass supplied 0.9TWh and hydropower 0.1TWh.

The hourly share of weather-dependent renewables peaked at 43.4% of domestic generation in November and reached 64.6% of consumption in the highest hour.

Despite the seasonal setback, the medium-term pipeline is substantial. Installed capacity stood at some 11.2GW for wind (up 5.9% y/y, +619MW) and 24.9GW for utility-scale PV (up 22.8% y/y, +4,607MW), of which around

12.8GW were so-called prosumer (producer-consumer) units (+9.2% y/y, +1,086MW). Large-scale solar now accounts for most recent capacity additions.

The government prioritises offshore wind as a strategic pillar of energy transformation, targeting multi-gigawatt Baltic Sea projects and pressing local-content and enabling legislation to accelerate construction. In the short term, onshore wind and solar are expected to drive most additions: a March 2025 draft law easing siting rules for turbines should unlock previously stalled sites and feed new builds through 2026.

System integration remains the binding constraint. Transmission operator PSE's ten-year grid plan envisages the backbone for tens of gigawatts of renewables, including links to carry offshore output. Much of that rollout must progress in 2026 for projects to connect on schedule. Earlier years' rapid renewables growth already forced frequent curtailments: in 2024 operators curtailed or reduced output on more than 200 days to protect system stability. Storage, demand response and flexible gas-to-power capacity will be needed to limit future curtailment.

Rising network charges also weigh on industry. Peak capacity fees for large consumers could approach €51.9/MWh (PLN219/MWh) in 2026, up as much as 50% from 2024, increasing costs for energy-intensive firms and commercial users. The sector argues that deeper investment in PV and on-site generation, which produces power during daytime peak hours, can help mitigate these charges.

In 2026, if permitting speeds up, grids expand and flexibility is deployed, there could be significant capacity gains in solar, onshore wind and the start of offshore commissioning.

7.0 Markets Outlook

• 7.1 Equity Capital Markets

Warsaw Stock Exchange management indicated in late 2025 that at least some of the transactions postponed in 2025 are now targeting the first half of 2026. Market participants expect a mix of mid-sized private-sector listings, potential state-related offerings and secondary placements rather than blockbuster privatisations (those are getting increasingly few and far between). Consumer, retail and infrastructure-related businesses are widely seen as the most likely candidates, reflecting investor appetite and the sectoral structure of recent deal flow.

Equity market fundamentals point to continued, though more moderate, gains in 2026 after the strong rally of 2025, which has seen the WSE's main index, the WIG, rise over 43% by mid-December. The blue-chip WIG-20 index has gained just over 41% over the same time period.

Corporate earnings are expected to grow further, supported by solid GDP growth, easing inflation and gradually declining interest rates. Still, valuations remain relatively attractive compared with many developed and emerging peers, despite last year's gains. Analysts broadly expect positive returns across major indices, though at a slower pace than in 2025, with performance increasingly differentiated by sector and company fundamentals rather than driven by broad re-rating.

Institutional participation has strengthened, while retail investor engagement remains subdued. Domestic households continue to favour bank deposits and fixed-income instruments, a trend reinforced by high real interest rates in recent years. However, expectations of more monetary easing in 2026, combined with new long-term savings and investment products, could gradually redirect part of household savings toward equities. Pension-related inflows are likely to remain a stabilising factor for the market, providing a steady source of domestic demand.

Foreign investors continue to play a dominant role in the Polish equity market, accounting for a large share of turnover and capital inflows. Poland's relatively strong economic growth outlook, EU fund absorption and political stability compared with some regional peers underpin this interest. International investors increasingly view Poland as a core CEE exposure rather than a peripheral market. That said, foreign flows may become more selective in 2026, with greater focus on liquidity, corporate governance and earnings visibility.

Banks, which were key drivers of market performance in recent years, may face earnings pressure from regulatory and fiscal measures as well as narrowing margins in a lower-rate environment. In contrast, domestically oriented cyclical sectors such as retail, construction, selected industrials - defence in particular - and technology-related businesses are expected to benefit from rising consumption, investment and EU-funded projects. Mid- and small-cap stocks could therefore outperform large caps if domestic demand remains robust.

The broader macroeconomic backdrop is supportive, as inflation is expected to remain close to target, allowing the central bank to continue cautious monetary easing. Fiscal policy is likely to remain expansionary, while EU recovery and cohesion funds should underpin investment activity.

Policy unpredictability, including sector-specific taxes or regulatory changes, remains a key risk for equity valuations. Overall, however, the balance of factors suggests that 2026 should be another constructive year for Poland's equity capital market, although marked by selective growth rather than broad-based exuberance.

• 7.3 Debt Capital Markets

Poland enters 2026 with a debt capital market shaped by heavy sovereign funding needs, rising public debt and a yield curve increasingly influenced by fiscal rather than monetary factors.

The government is set to remain the dominant issuer in the market. Elevated deficits and still-loose fiscal policy imply large gross borrowing requirements, with most funding again sourced domestically in zloty. Foreign-currency issuance, including eurobonds, is expected to play a supplementary role, mainly to diversify the investor base and pre-fund part of the year's needs.

Behind these plans sits a rapidly deteriorating public finance backdrop. Public debt has risen from about 45% of GDP to roughly 60% in just a few years, and IMF projections point to nearly 76% of GDP by 2030 — one of the fastest increases in Europe. Debt servicing costs are approaching 3% of GDP, while the primary deficit remains above 4% of GDP.

According to PKO BP, merely stabilising the debt ratio would require reducing the primary deficit to no worse than -1% of GDP, while an outright decline in debt would require a primary surplus above 1% of GDP. That implies fiscal adjustment worth around 4.5% of GDP through higher revenues or spending cuts.

Despite a budget deficit close to 7% of GDP and expected to remain above 6% as Poland heads toward elections in 2027, sovereign risk premia remain relatively low. Concerns about fiscal sustainability are expected to intensify, with the 10-year government bond yield rising from about 5.25% currently to around 5.5% by end-2026.

Monetary easing has supported the front end of the curve, but the long end has proved sticky. Since September 2023, the NBP has cut rates by 275bp, pulling two-year yields down by about 140bp, while 10-year yields have fallen by only just over 40bp. Even if the policy rate drops further to around 3.5%, as is expected by June 2026, analysts see limited scope for a sustained decline in long-term yields given underlying inflation pressures, loose fiscal policy and rising debt.

There is also growing discussion about fiscal consolidation scenarios. PKO BP points to drastic but effective measures such as freezing the public-sector wage bill or limiting indexation of social benefits, which could save around 2% of GDP. Additional savings could come from pension reform, more efficient social transfers, healthcare and public investment spending, or optimisation of defence outlays.

On the revenue side, modest increases in effective tax rates could generate sizeable gains: a 1pp rise in VAT yields around 0.6% of GDP, PIT 0.4% and CIT 0.2%. These debates matter for the bond market because delays in consolidation increase the risk of a repricing of term premia.

Some analysts say Polish term premia look low given the fiscal trajectory and could widen if tightening continues to be postponed. The Poland–Germany 10-year spread, at around 240bp, is low by historical standards, suggesting scope for widening over the medium term. Overall, the yield curve is expected

to remain elevated, with the 10-year yield staying above 5% and potentially drifting higher.

The corporate bond market should see more selective growth in 2026. Elevated sovereign issuance and relatively high risk-free yields will continue to crowd out weaker borrowers, but conditions remain supportive for banks and large, well-rated corporates. Covered bonds are likely to remain a key segment, as mortgage lenders seek longer-term funding.

Retail bond issuance is also expected to continue, supported by household demand for yield in a stable inflation environment. However, spreads are unlikely to compress meaningfully. Rising public debt, the prospect of higher term premia and limited further declines in government yields mean corporate funding costs will ease only gradually. Overall, Poland's debt capital market in 2026 is set to remain active but increasingly sensitive to fiscal credibility, with sovereign dynamics shaping both pricing and risk appetite across the curve.