



Poland: Weekly Macroeconomic Update

LAST WEEK:

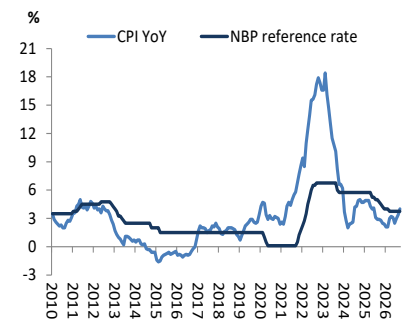
The government adopted the **draft budget for 2027** with a deficit of 281.2 billion PLN compared to the 271.7 billion PLN deficit projected in the 2026 budget law. The budget draft assumes that in 2027 GDP will grow by 3.0% and the average annual inflation will be 2.8%. State budget revenues in 2027 are expected to reach 696.4 billion PLN (an increase of 49.2 billion PLN compared to the revenues projected in the 2026 budget law), and expenditures 977.6 billion PLN (an increase of 58.7 billion PLN compared to the expenditures projected in the 2026 budget law). Defense spending in 2027 is expected to amount to 198.1 billion PLN, which is 4.5% of GDP. The Ministry of Finance forecasts CIT tax revenues in 2027 at 94.6 billion PLN, which is 14.2 billion PLN (17.7%) more than the projected execution this year. VAT revenues are expected to reach 363.7 billion PLN in 2027, which is 33.7 billion PLN (10.2%) more than the projected execution in 2026. In our view, the average annual inflation was assumed very conservatively, which means that the actual VAT revenues could be higher than those assumed in the budget draft.

According to preliminary estimates from the Central Statistical Office, **inflation** in September was 0.7% month-on-month and 4.0% year-on-year, which was in line with our forecast. In September, food prices went up by 0.1% month-on-month but were down 0.5% year-on-year, energy prices rose by 0.9% month-on-month and were up 4.9% year-on-year, while fuel prices increased by 9.2% month-on-month and were 36.1% higher year-on-year.

The **PMI manufacturing index** rose to 49.0 points in September from 48.3 points in August, matching our forecast and exceeding market consensus. In September, production, new orders, and employment were declining at a slower pace. The drop in new orders in September was milder than the previous month, due to weak market demand and rising prices. The fall in export orders accelerated in September. Because the overall decline in orders was less severe, the drop in production was also milder in September. In September, the decline in industrial employment was only marginal. Forecasts for future production were the highest since May, driven by expected demand improvement, company expansion plans, and the launch of new products. In September, production cost inflation was the lowest in four months, but inflationary pressure remained high due to higher prices of raw materials, energy, fuel, and transport because of geopolitical disruptions. Finished goods price inflation sped up a bit, though. In September, companies increased their stock of production materials, despite significantly longer delivery times.

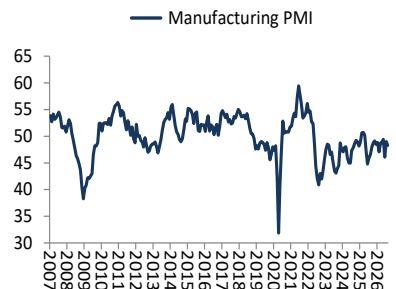
President Karol Nawrocki signed a law introducing a tax on extraordinary profits from fuel sales, which will be applied from March 1, 2026, to March 31, 2027. This tax will go directly to the state budget, and the revenue from it is expected to reach 4 billion PLN. The Minister of Finance and Economy issued a regulation lowering the VAT rate on liquid fuels from 23% to 8%. The excise tax on fuels was also reduced. Both cuts will be in effect from October 3, 2026, to December 31, 2026. According to the Minister of Energy, Miłosz Motyka, lowering the VAT and excise on fuels should lead to retail fuel prices dropping by 1.2 PLN per liter for gasoline and 1.3 PLN per liter for diesel. The cost of the current indirect tax cuts on fuels to the state budget is 1.6 billion PLN per month, which means it will amount to 4.8 billion PLN by the end of this year. Lowering fuel taxes should reduce monthly inflation in October by 0.17 percentage points. This decision also pushes back the prospect of an interest rate hike by the National Bank of Poland to Q1 2027.

Figure 1. CPI and NBP reference rate



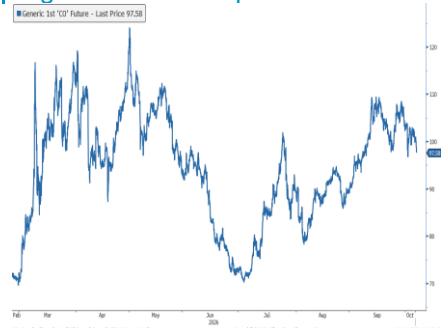
Source: GUS, NBP

Figure 2. PMI manufacturing



Source: S&P Global

Figure 3. Brent oil prices



Source: Bloomberg



DIARY (this week)

Date	CET	Release/Event	DB Expected	Actual	Consensus
Oct-07		MPC decision	3.75%		3.75%
Oct-07	14:00	Official reserve assets (Sep)			
Oct-08	15:00	NBP president press conference			
Oct-09	14:00	Minutes from MPC meeting			

Source: Deutsche Bank Estimates.. Reuters and Bloomberg Finance LP

FX and interest rate forecasts

	EUR/PLN	USD/PLN	CHF/PLN	GBP/PLN	EUR/USD	NBP Reference rate	WIBOR 3M*	WIBOR 6M*	EURIBOR 3M	Fed Funds (mid)	CPI (Poland)	Yield on 10Y POLGB
	(end of period)											
Oct-26	4.360	3.841	4.638	5.128	1.135	3.75	3.90	3.95	2.70	3.875	3.8	6.25
Nov-26	4.330	3.782	4.631	5.067	1.145	3.75	3.95	4.10	2.75	3.875	3.9	6.15
Dec-26	4.320	3.740	4.633	5.031	1.155	3.75	4.10	4.15	2.91	4.125	4.0	6.00
Jan-27	4.310	3.716	4.634	5.016	1.160	3.75	4.12	4.20	2.88	4.125	4.3	5.80
Feb-27	4.300	3.675	4.624	4.962	1.170	4.00	4.15	4.25	2.86	4.125	4.3	5.65
Mar-27	4.290	3.636	4.613	4.908	1.180	4.00	4.15	4.30	2.86	4.375	3.7	5.55
Apr-27	4.275	3.608	4.597	4.870	1.185	4.00	4.15	4.35	2.86	4.375	3.2	5.55
May-27	4.260	3.595	4.581	4.853	1.185	4.00	4.20	4.38	2.86	4.375	3.8	5.50
Jun-27	4.250	3.571	4.570	4.821	1.190	4.25	4.35	4.45	2.86	4.375	4.6	5.50
Jul-27	4.250	3.571	4.570	4.821	1.190	4.25	4.35	4.45	0.00	0.000	3.7	5.50

*- According to the announcement published by the Polish Financial Supervision Authority (UKNF) and GPW Benchmark, the departure from WIBOR for currently existing contracts based on WIBOR is to take place on January 1, 2037. The departure from WIBOR for new contracts is to take place from the beginning of 2027.

Note: Due to Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 the way of calculation of WIBOR rates and their values may be subject to change.

Source: Deutsche Bank Polska S.A.



Appendix 1

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