Monthly market report

Economic and Sector Research

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BNP PARIBAS

The bank for a changing world

Global economic situation

Financial markets: In March, market attention was solely focused on the Middle East. After the US-Israeli attack on Iran, stock market valuations fell, and the scale of sell-offs on the main exchanges reached 5-10%. In response to the risk of higher price dynamics globally, market interest rates moved sharply upwards. 5-year swap rates in the United States and the Eurozone have increased by 40-50bp. The dollar gained on the geopolitical turmoil and the EURUSD cross fell to around 1.1550. Gold also lost value, which may reflect the increase in interest rates and the market's take that people buy gold when they're worried about the future and sell gold when they're worried about the present. By the end of March, the news-flow around the war somewhat improved with information about ongoing talks between the US and Iran. However, it is not yet known when, on what terms and under what conditions a ceasefire may be agreed.

Economic activity: In March, the composite PMI indicators declined in both the Eurozone and the US, most likely due to the deterioration of sentiment after the outbreak of the war in the Persian Gulf, which negatively affected service industries. That said, the situation in European industry in March has actually improved. However, the jump in prices and the availability of energy resources may quickly hit this sector. The European Union is namely a very large importer of fuels.

Inflation: After the start of military operations in Iran, the prices of energy resources jumped. Currently, Brent crude oil is nearly 50% more expensive than a month ago. In case of natural gas prices on the European market, the scale of the rise is even greater and amounts to 70%. In March, prices of agricultural commodities rose somewhat, and metal prices dropped. In the US, inflation was stable in February. In the euro area, on the other hand, core inflation (excluding energy, fuels, and foodstuffs) and the dynamics of services' prices accelerated.

Monetary policy of the main central banks

Fed & ECB: In March, both the US and European monetary authorities kept interest rates unchanged. It seems that the Fed will be in a wait-and-see mode in the coming months. Both the market as well as the BNP Paribas Market 360 analysts do not expect changes in the monetary policy parameters in the US this year. The situation is different in the eurozone. Here, the bar for interest rate hikes in response to inflation caused by more expensive energy seems to be set much lower. Market pricing and BNP Paribas analysts predict three interest rate hikes in the eurozone this year and an increase in the ECB's deposit rate to 2.75% from 2.00% currently.

Polish economy in a nutshell

Economic activity: The data from the domestic economy published in March went largely unnoticed. We maintain the view that GDP in Poland will increase by 3.7% this year. Before the start of the war in Iran and the increase in energy commodity prices, we saw chances that GDP growth could turn out to be faster than we assume. Now we see downside risk to our forecast, but for now we feel comfortable with the initial estimate of the economic growth rate in 2026.

Inflation: In February, CPI inflation remained at 2.1% y/y. After the jump in fuel prices in March, price dynamics will clearly accelerate and probably exceed 3% y/y. For now, we believe that in the remainder of the year CPI inflation will hover in a 3-3.5% range.

MPC: In March, the Monetary Policy Council (MPC) decided to cut the National Bank of Poland's interest rates by 25bp, bringing the reference rate down to 3.75%. Given the situation on the energy commodity market, we believe that this was the first and last interest rate cut in Poland this year. We think that a further slight downward adjustment in interest rates will only be possible in mid-2027.

Exchange rate: By the end of March, the EURPLN cross rose towards 4.27. The geopolitical situation will set the direction for the zloty in the near future.

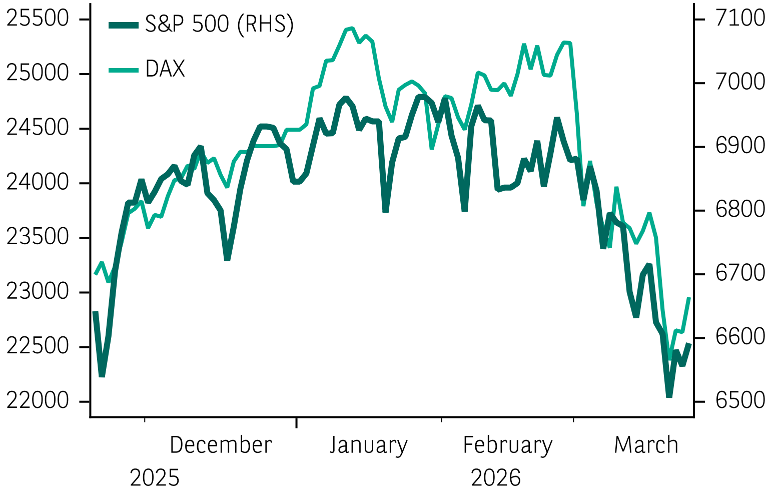
FINANCIAL MARKETS IN MARCH

	Level		Change m/m
EURPLN	4,28	▲	1,4 %
USDPLN	3,70	▲	3,5 %
CHFPLN	4,67	▲	1,0 %
EURUSD	1,16	▼	-2,0 %
Wibor 3m (%)	3,84	▼	0,0 pp
Euribor 3m (%)	2,14	▲	0,1 pp
USD SOFR 3m (%)	3,69	▼	-0,1 pp
WIG 20 (pt.)	3 312	▼	-4,8 %
S&P 500 (pt.)	6 592	▼	-5,1 %
DAX (pt.)	22 957	▼	-8,8 %
Nikkei 225 (pt.)	53 750	▼	-6,2 %
PL 10-year bonds	5,70	▲	0,8 pp
DE 10-year bonds	2,95	▲	0,2 pp
US 10-year bonds	4,33	▲	0,3 pp
Brent (USD/bbl)	103,1	▲	45,6 %
Gold (USD/oz)	4 475	▼	-13,0 %
Copper (USD/t)	12 283	▼	-8,0 %
Rapeseed (EUR/t)	499,3	▲	3,4 %
Wheat (EUR/t)	204,0	▲	5,7 %

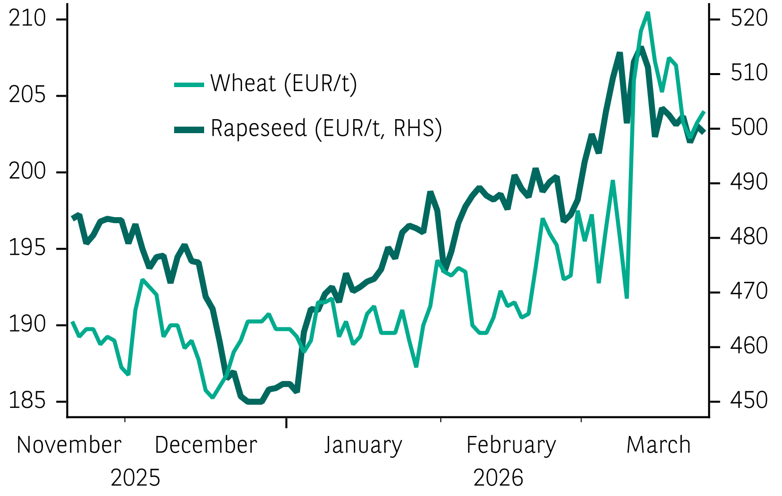
Source: Macrobond

Update: 25-03-2026

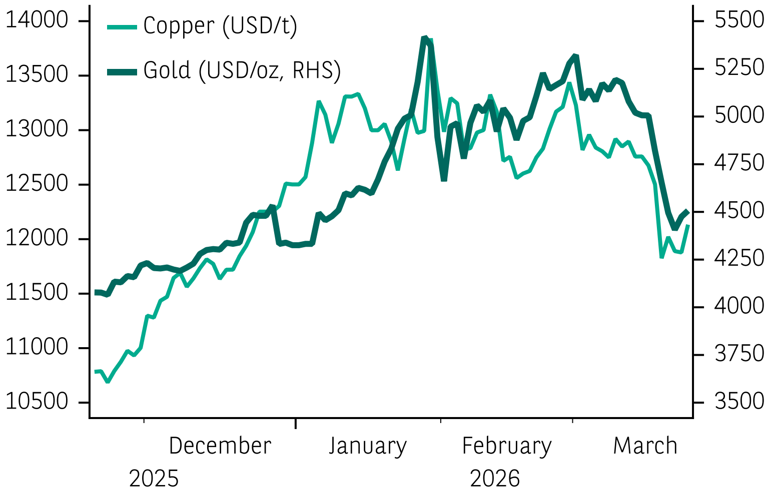
Stock market



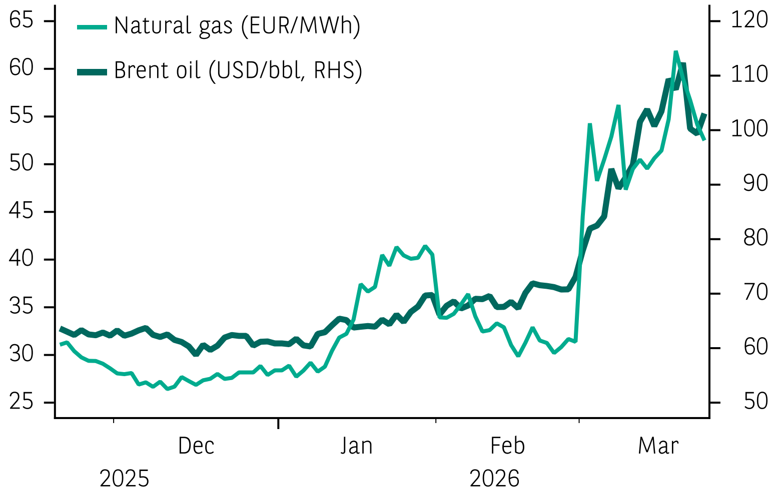
Cereals



Metals



Energy



BNP PARIBAS BANK POLSKA FORECAST

Exchange rates forecast

	Spot (*)	Q2'26	Q3'26	Q4'26	Q4'27
EURPLN	4,28	4,20	4,20	4,20	4,30
USDPLN	3,70	3,56	3,53	3,50	3,52
CHFPLN	4,67	4,47	4,47	4,47	4,57
GBPPLN	4,94	4,63	4,55	4,55	4,58
EURUSD	1,16	1,18	1,19	1,20	1,22
EURCHF	0,92	0,94	0,94	0,94	0,94
GBPUSD	1,34	1,30	1,29	1,30	1,30
USDCNY	6,89	6,90	6,87	6,80	6,70
EURCZK	24,47	23,80	23,80	23,75	23,50
EURHUF	387	380	380	380	380

Source: BNP Paribas

** Spot: 25-03-2026*

BNP PARIBAS BANK POLSKA FORECAST

Interest rates forecast

	Spot (*)	Q2'26	Q3'26	Q4'26	Q1'27
Poland:					
NBP policy rate (%)	3,75	3,75	3,75	3,75	3,75
3-mths rate (%)	3,84	3,85	3,85	3,85	3,85
2y IRS (%)	4,40	4,30	4,15	4,00	3,90
5y IRS (%)	4,52	4,40	4,25	4,15	4,10
10y IRS (%)	4,72	4,60	4,45	4,35	4,30
10y government bond yield (%)	5,70	5,55	5,30	5,10	5,05
Eurozone:					
ECB depo (%)	2,00	2,25	2,75	2,75	2,75
3-mths Euribor* (%)	2,14	2,53	2,72	2,79	2,83
US:					
Fed funds (%)	3,50-3,75	3,50-3,75	3,50-3,75	3,50-3,75	3,50-3,75

Source: BNP Paribas *Spot (*) =* *25-03-2026*

**Euribor pricing derived from the futures market*

Key indicators for Poland*:	2023	2024	2025	2026	2027
Gross Domestic Product (% y/y)	0,2	3,0	3,6	3,7	3,2
Private consumption (% y/y)	-0,3	2,9	3,7	3,5	3,0
Gross fixed investment (% y/y)	12,7	-0,9	4,2	10,0	4,0
Exports of Goods & Services (% y/y)	3,7	2,0	4,0	4,5	5,0
Imports of Goods & Services (% y/y)	-1,5	4,5	5,2	6,0	5,0
CPI Inflation (% y/y)	11,6	3,7	3,6	3,2	2,5
Core inflation (% y/y)	10,2	4,3	3,3	2,7	2,7
Average wage in the national economy (% y/y)	13,1	13,8	8,2	5,8	5,5
Registered unemployment rate (%, end of period)	5,1	5,1	5,7	5,5	5,4
General government balance (% of GDP)	-5,2	-6,5	-6,9	-6,5	-6,0
Current account balance (% of GDP)	1,6	0,3	-0,7	-1,2	-1,2
NBP main policy rate (%, end of period)	5,75	5,75	4,00	3,75	3,50
EURPLN (end of period)	4,34	4,27	4,22	4,20	4,30
USDPLN (end of period)	3,94	4,10	3,60	3,50	3,52

*period average unless stated otherwise; Source: GUS, NBP, Eurostat, Bank BNP Paribas

1. PARKIET Konkurs „Parkietu" 2025 PROGNOZY MAKROEKONOMICZNE I RYNKOWE

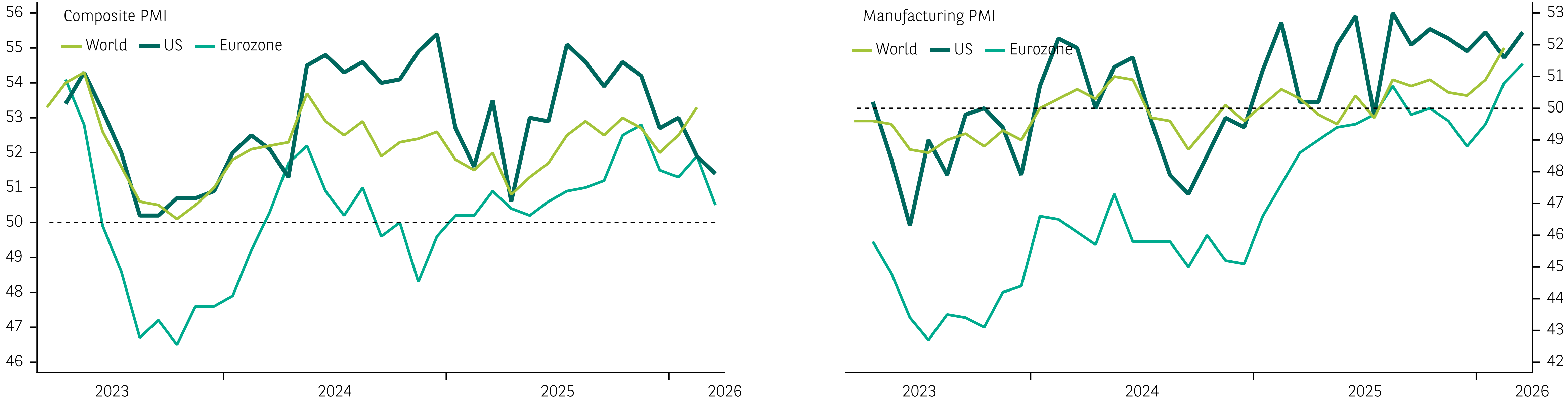
LSEG DATA & ANALYTICS LSEG STARMINE AWARD FOR REUTERS POLLS 2025 Winner

Best Forecaster Economic Indicators for Poland

Global economic situation

MEDIOCRE DATA IN MARCH…

… in the US and the eurozone



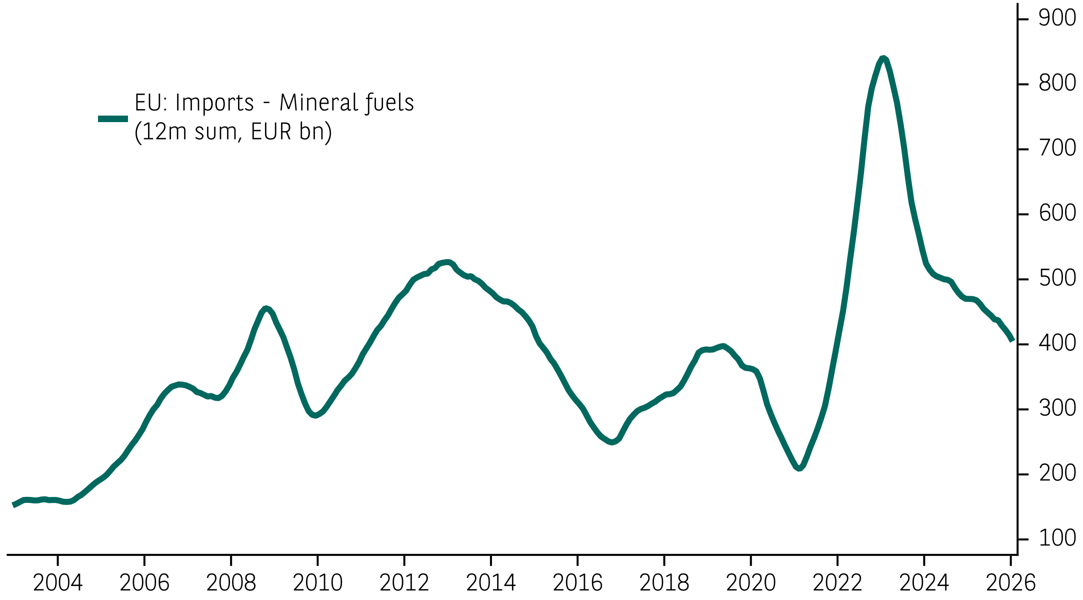
In the United States, the data published in March had mixed tones. On the one hand, the results of retail sales and industrial production turned out to be better than expected. The number of vacancies has also increased. On the other hand, other labour market statistics rather suggested headwinds in the US economy. Non-farm payrolls fell by 92,000, while the unemployment rate rose slightly to 4.4%.

A less optimistic picture of activity in the US is also drawn by the composite PMI index, which fell to 51.4 points in March from 51.9 points in February. The dip was primarily driven by services, which may reflect the first effects of the ongoing war in the Middle East and weaker consumer sentiment.

The situation is similar in the Eurozone, where the main PMI index slipped to 50.5 points from 51.9 points a month ago, which was also driven by services. In case of manufacturing, the index in March stood at 51.4 points, which is its highest level since June 2022. Other data published in March were quite lukewarm, indicating a moderate pace of development of the European economy.

WORLD ECONOMY: WAR IN THE MIDDLE EAST WILL HIT GLOBAL ECONOMIC ACTIVITY…

… and the European Union seems exposed to a negative hit stemming from more expensive energy commodities

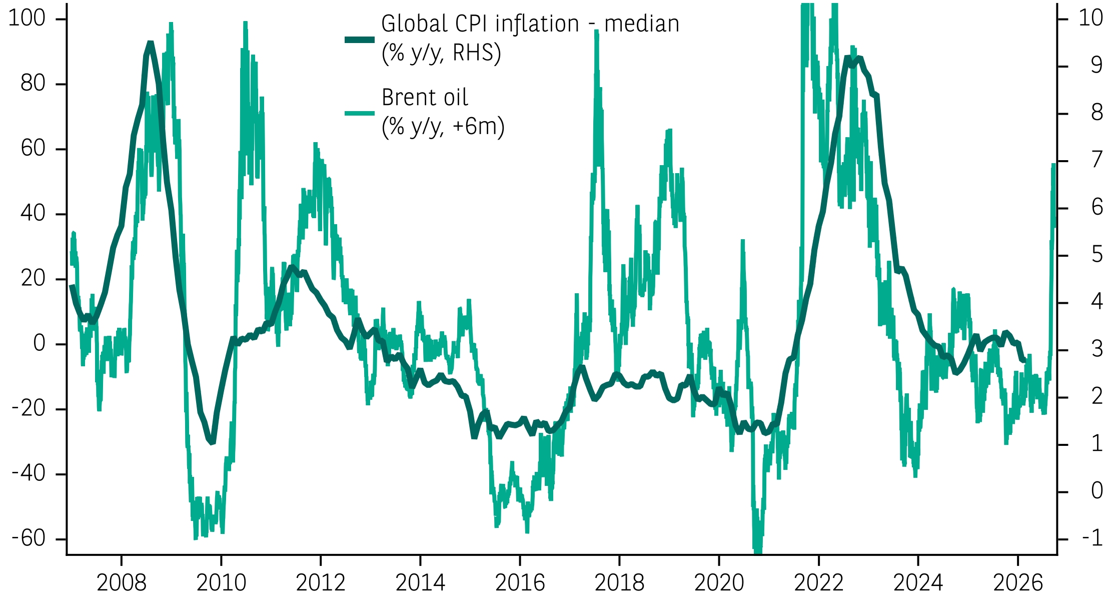


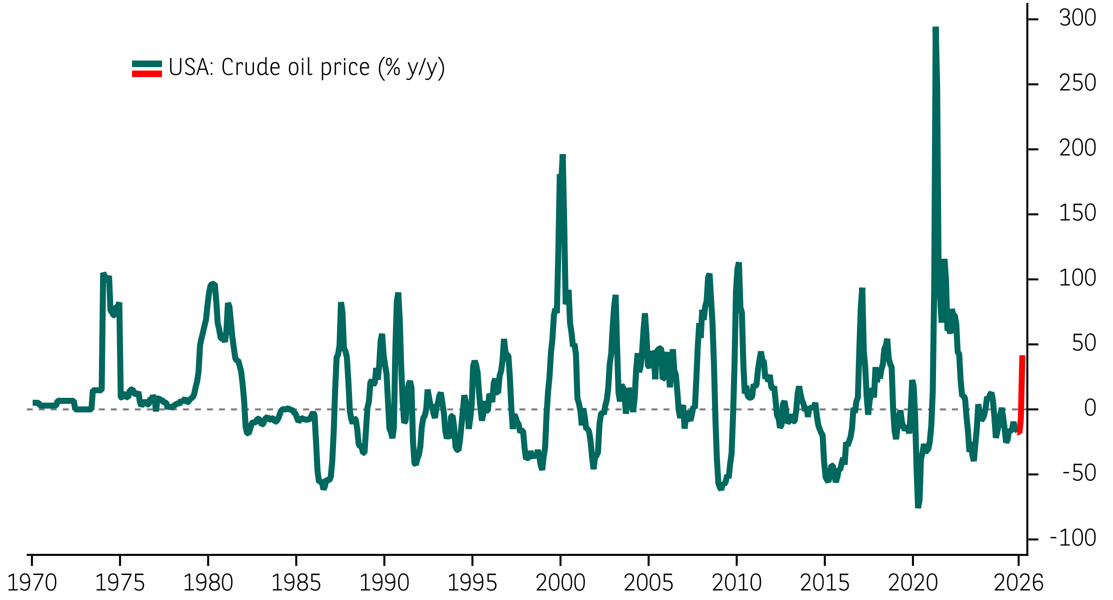
In the near future, global economic activity may experience a negative impact of the situation in the Persian Gulf. The increase in energy commodity prices will hit both corporate profitability and households' wallets. While the state of the global trade and industry seemed quite promising earlier this year, the picture could quickly deteriorate. A decline in demand and higher freight costs (maritime transport accounts for about 5% of global oil consumption) may mean that the global economy will sputter, as it did after the shock in 2022, when activity weakened significantly in the subsequent months.

Europe seems to be particularly vulnerable to the potential damaging impact of the war in the Middle East on the economic situation. The European Union is a net importer of energy resources, and last year the EU countries spent EUR 400 billion on imported fuels, equivalent to more than 2% of the EU's GDP. After the price jump in 2022, however, this burden was more than twice as high and amounted to nearly 5% of GDP. Yet, if the tensions between the US and Israel and Iran will not ease and an agreement is not reached, a permanent increase in the cost of purchasing fuels will begin to leave its mark on economic statistics in the EU.

COMMODITIES: HIGHER PRICES OF ENERGY…

… will be felt by everyone



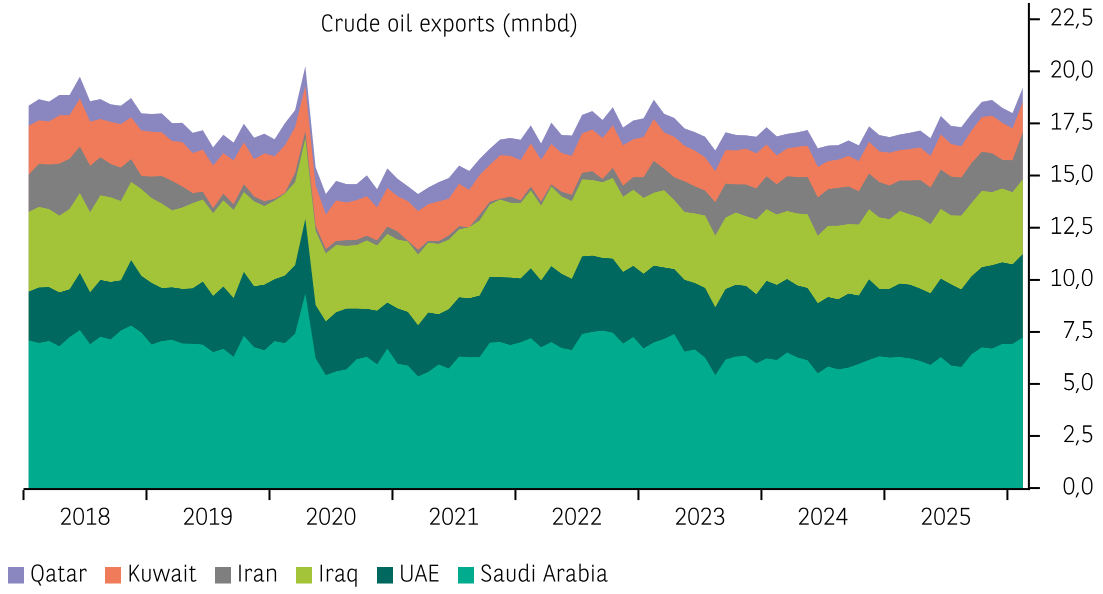


The jump in energy prices caused by the Gulf War is a shock to global inflation. Although the impact of the situation in the Middle East is/will be felt in virtually every corner of the world, the scale of this impact can vary greatly from country to country or region. The scale of the pass-through into price processes in a given economy is a function of the structure of energy production and consumption, as well as dependence on supplies from the region affected by the hostilities. For example, while natural gas prices in the United States have practically not budged, in Europe and Asia the quotations have surged, rising by up to 100%.

This different sensitivity of individual countries may make it difficult to assess how serious is the shock we are currently dealing with. Looking at oil, whose market is the most globalized and which seems to be the best candidate for historical comparisons, the scale of price increases is significant, but not unprecedented. Over the last 50-60 years, the price increases have many times been greater than the current 30-50%. However, what distinguishes the current situation is the speed with which prices have increased. While market tensions usually gradually intensify, leading to a significant increase in prices over a period of months, this time crude oil surged almost immediately.

COMMODITIES: HUGE ROLE PLAYED BY THE PERSIAN GULF ECONOMIES…

… on the oil & natural gas markets



Such a market reaction results from the role that the Middle East plays in the production and trade of fuels. The Gulf states (Saudi Arabia, the United Arab Emirates, Iraq, Iran, Kuwait, Qatar) together export about 19 million barrels of oil per day, which accounts for slightly more than 20% of global production and accounts for 35-40% of the global volume of oil transported by sea.

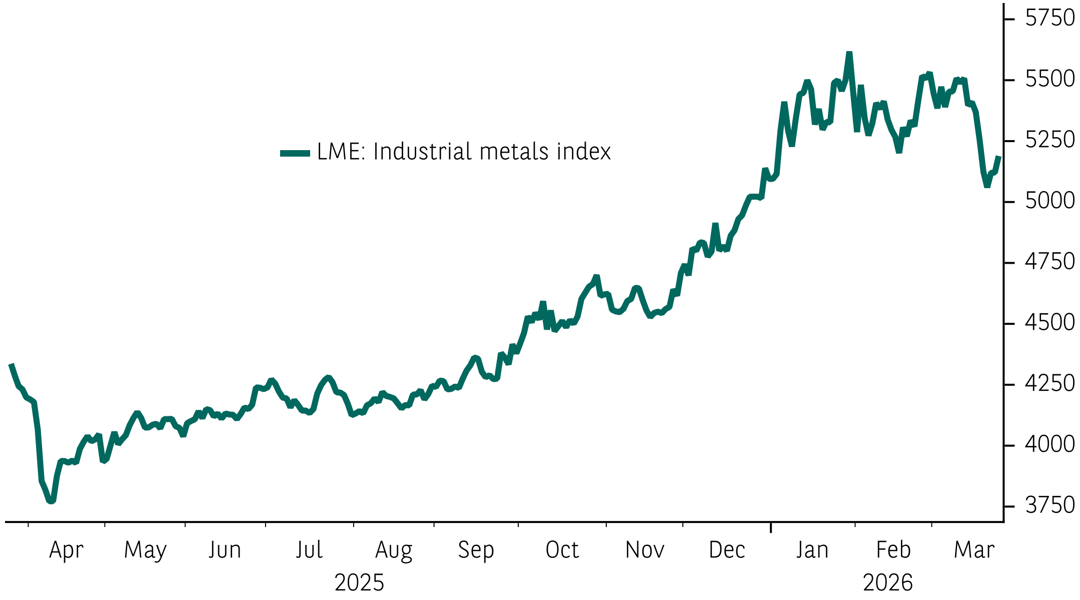
Most of this oil enters the world market through the Strait of Hormuz, whose role can be compared to a fuse ensuring uninterrupted power to the world economy. In addition to oil itself, other petroleum-based fuels and liquefied natural gas from Qatar also entered the market through this route. At the moment, when Iran effectively closed this strait, the global market was deprived of huge quantities of raw materials, which cannot be fully replaced by supplies from other countries. Hence such rapid and significant price movement.

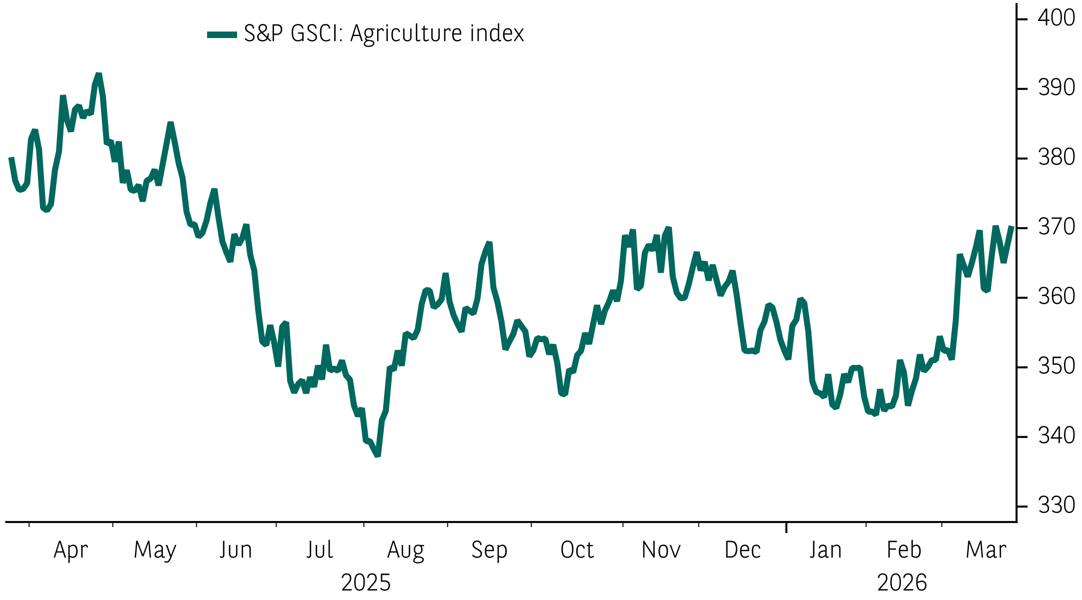
The longer the halt to maritime transport, the more the imbalance between supply and demand deepens, which may lead to further significant upward pressure on energy commodity prices. On the other hand, allowing the flow would quickly improve the situation, although it should be remembered that due to the stoppage to current production and the destruction of energy infrastructure – according to the head of the International Energy Agency, Fatih Birol, 40 installations in the region have been damaged – a return to 'business-as-usual' may not be immediate.

Assessing the impact of the war in the Middle East on inflation, it should be remembered that as its consequence, not only energy raw materials have become more expensive, but also related products, such as fertilizers for instance.

COMMODITIES: METAL PRICES UP…

… agricultural commodities down





In the case of industrial metals, prices in March declined, which in our opinion reflects concerns about the strength of the global economy due to more expensive energy. This month, copper and zinc prices fell the most (more on page 15). On the spot market, you had to pay more for aluminium, but in the case of futures contracts, they turned out to be quite stable.

Gold prices decreased significantly by about 10%. Intuitively, greater geopolitical uncertainty should support bullion prices. However, rising interest rates and choosing the dollar as a safe haven resulted in a drop in prices. Declines in quotations may also reflect the market's take that people buy gold when they're worried about the future and sell gold when they're worried about the present.

On the agricultural commodities market, prices have risen somewhat compared to February. Sugar was visibly more expensive, the cost of which increased by about 10% on the ICE exchange. As for cereals (wheat, rapeseed, maize), prices increased in March on a moderate scale of 3-8%. In the coming months, the prices of agricultural raw materials may be boosted by the energy shock (due to more expensive input costs, especially fertilizers and fuels).

ENERGY (SPOT & FUTURES): MUCH MORE EXPENSIVE, APART FROM CO2 CERTIFICATES

Brent oil (USD/bbl)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	103,1	97,3	86,9	82,3	79,5	77,9	76,8	76,0	75,3	74,8	74,3	73,8
One month ago	70,8	70,3	68,8	67,6	66,7	66,2	65,9	65,7	65,6	65,7	65,6	65,7
Difference	45,6%	38,4%	26,4%	21,8%	19,2%	17,6%	16,5%	15,7%	14,8%	14,0%	13,1%	12,3%

Low Sulphur Gasoil (USD/tonne)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	1 183	959	870	819	790	761	746	731	721	705	695	682
One month ago	729	694	677	661	652	643	641	636	636	633	633	630
Difference	62,2%	38,3%	28,6%	23,9%	21,1%	18,4%	16,4%	14,9%	13,3%	11,4%	9,8%	8,3%

Natual gas: Dutch TTF (EUR/MWh)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	52,5	53,1	53,1	53,3	50,2	39,1	38,7	38,8	35,9	27,1	26,8	27,5
One month ago	30,8	30,3	30,7	31,2	29,9	25,1	25,5	26,4	25,5	21,4	22,0	23,1
Difference	70,3%	75,0%	72,9%	70,9%	67,8%	55,4%	51,8%	46,9%	40,5%	26,2%	21,9%	18,9%

ICE Rotterdam Coal (USD/tonne)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	118,6	128,1	130,0	131,8	131,4	128,9	128,5	127,7	125,4	124,8	125,2	125,9
One month ago	106,5	107,9	108,3	109,4	110,6	110,6	112,2	113,1	111,6	111,1	111,7	112,5
Difference	11,3%	18,7%	20,0%	20,5%	18,8%	16,6%	14,6%	12,9%	12,4%	12,3%	12,1%	12,0%

CO2 emission certficates (EUR/tonne)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	69,4	69,7	70,3	70,7	71,4	72,1	72,7	73,3	74,0	-	-	75,8
One month ago	71,3	71,8	72,2	72,6	73,1	73,8	74,1	74,6	75,2	-	-	76,8
Difference	-2,6%	-2,8%	-2,7%	-2,5%	-2,3%	-2,2%	-1,9%	-1,8%	-1,6%			-1,3%

Source: ICE, Macrobond, BNP Paribas Polska

**) Spot: 25 March 2026*

METALS (SPOT & FUTURES): PRICES DOWN, APART FROM SHORT-TERM CONTRACTS ON ALUMINIUM

LME: Copper (USD/tonne)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	12 135	12 324	12 363	12 396	12 419	12 437	12 457	12 477	12 500	12 507	12 515	12 524
One month ago	13 171	13 352	13 401	13 418	13 436	13 449	13 465	13 479	13 490	13 499	13 499	13 499
Difference	-7,9%	-7,7%	-7,7%	-7,6%	-7,6%	-7,5%	-7,5%	-7,4%	-7,3%	-7,3%	-7,3%	-7,2%

LME: Aluminum (USD/tonne)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	3 295	3 253	3 190	3 120	3 047	3 020	2 984	2 930	2 905	2 893	2 864	2 836
One month ago	3 107	3 175	3 175	3 166	3 151	3 141	3 120	3 105	3 096	3 086	3 077	3 058
Difference	6,0%	2,5%	0,5%	-1,5%	-3,3%	-3,9%	-4,4%	-5,6%	-6,2%	-6,2%	-6,9%	-7,3%

LME: Nickel (USD/tonne)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	17 320	17 336	17 517	17 701	17 868	18 021	18 171	18 321	18 459	18 597	18 735	18 871
One month ago	17 750	18 141	18 331	18 491	18 649	18 787	18 943	19 096	19 234	19 372	19 510	19 647
Difference	-2,4%	-4,4%	-4,4%	-4,3%	-4,2%	-4,1%	-4,1%	-4,1%	-4,0%	-4,0%	-4,0%	-4,0%

LME: Zinc (USD/tonne)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	3 047	3 092	3 076	3 065	3 043	3 021	2 995	2 959	2 926	2 893	2 858	2 824
One month ago	3 352	3 393	3 394	3 380	3 366	3 333	3 297	3 250	3 220	3 190	3 141	3 090
Difference	-9,1%	-8,9%	-9,4%	-9,3%	-9,6%	-9,4%	-9,2%	-9,0%	-9,2%	-9,3%	-9,0%	-8,6%

COMEX: Gold (USD/oz)	Spot*	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Today	4 550	4 586	4 636	4 686	4 735	4 783	4 829	4 874	4 917	4 961	-	5 047
One month ago	5 206	5 266	5 323	5 374	5 424	5 471	5 515	5 561	5 605	5 649	-	5 733
Difference	-12,6%	-12,9%	-12,9%	-12,8%	-12,7%	-12,6%	-12,5%	-12,4%	-12,3%	-12,2%		-12,0%

Source: LME, COMEX, Macrobond, BNP Paribas Polska **) Spot: 25 March 2026*

FOODS & SOFTS: HIGHER PRICES, WITH SUGAR LEADING THE PACK

Euronext: Wheat (EUR/tonne)	Spot*	May-26	Sep-26	Dec-26	Mar-27	May-27	Sep-27	Dec-27	Mar-28	May-28
Today	204	204	211	218	222	226	222	226	228	231
One month ago	193	197	201	207	211	214	211	216	221	223
Difference	5,7%	3,8%	5,2%	5,2%	5,3%	5,7%	5,5%	4,8%	3,5%	3,4%

Eurnext: Corn (EUR/tonne)	Spot*	Jun-26	Aug-26	Nov-26	Mar-27	Jun-27	Aug-27	Nov-27	Mar-28	Jun-28
Today	209	209	211	207	209	210	213	211	208	208
One month ago	193	192	195	196	197	203	204	204	204	204
Difference	8,3%	8,9%	7,8%	5,7%	6,0%	3,5%	4,4%	3,4%	2,2%	2,2%

Euronext: Rapeseed (EUR/tonne)	Spot*	Apr-26	Jul-26	Oct-26	Jan-27	Apr-27	Jul-27	Oct-27	Jan-28	Apr-28
Today	499	499	492	495	494	493	474	478	486	486
One month ago	483	483	467	470	471	470	452	459	466	470
Difference	3,4%	3,4%	5,4%	5,3%	4,9%	5,1%	4,9%	4,0%	4,4%	3,5%

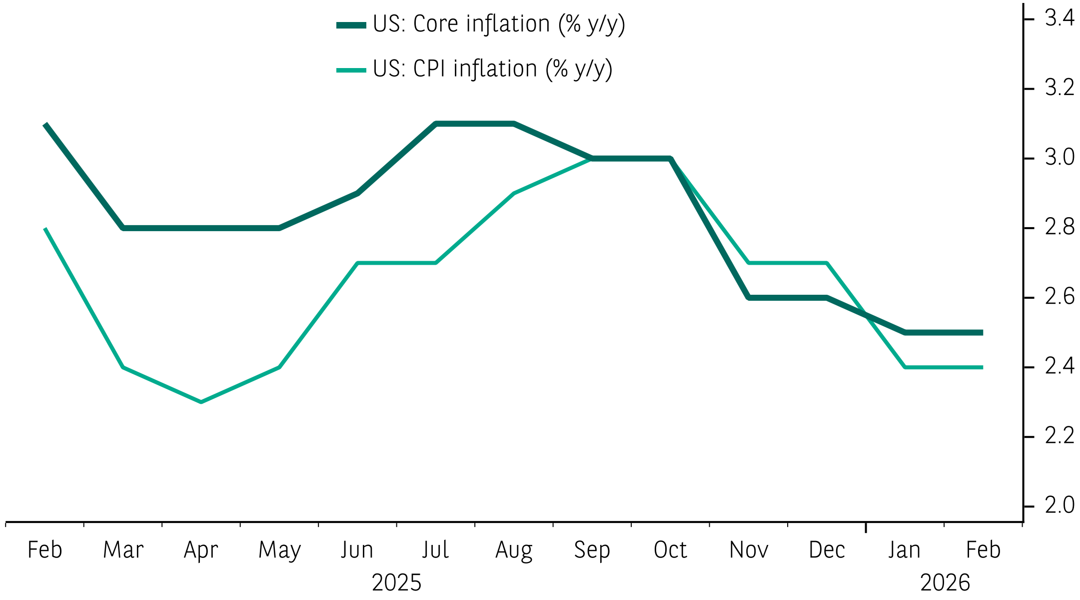
CBOT: Soybean meal (USD/tonne)	Spot*	Jul-26	Sep-26	Dec-26	Mar-27	Jul-27	Sep-27	Dec-27	Mar-28	Jul-28
Today	320	318	312	312	311	312	308	307	309	313
One month ago	318	324	321	321	320	321	317	316	318	320
Difference	0,5%	-1,9%	-2,8%	-2,7%	-2,8%	-2,9%	-2,9%	-2,8%	-2,8%	-2,3%

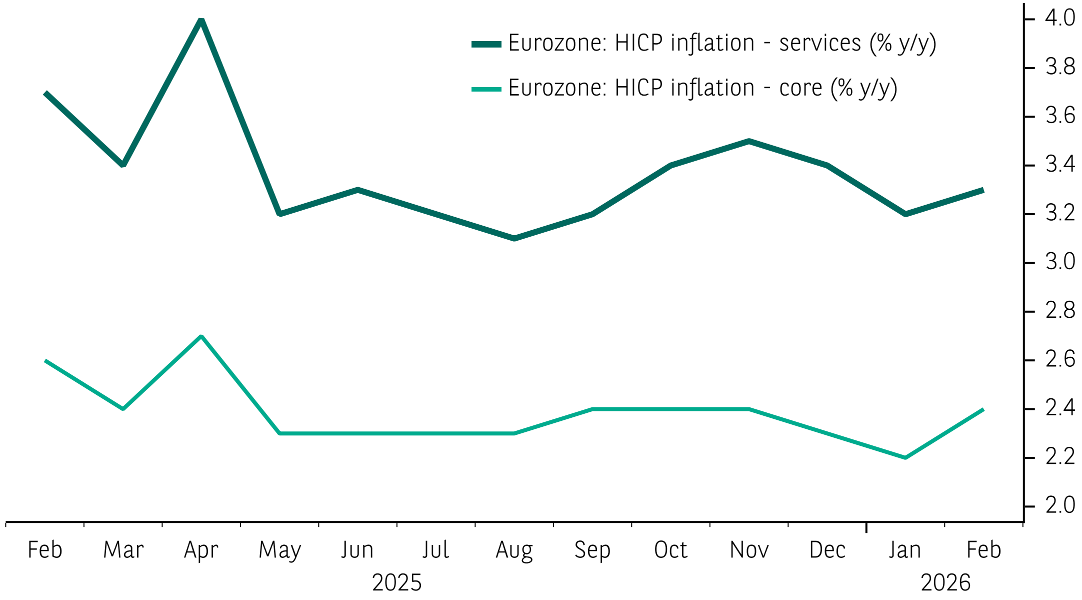
ICE: Sugar (EUR/tonne)	Spot*	May-26	Aug-26	Oct-26	Dec-26	Mar-27	May-27	Aug-27	Oct-27	Dec-27
Today	454	454	453	455	457	462	462	461	462	466
One month ago	407	407	405	405	408	413	415	417	420	425
Difference	11,5%	11,5%	12,0%	12,4%	12,1%	11,8%	11,2%	10,5%	10,2%	9,7%

Source: Euronext, CBOT, ICE, Macrobond, BNP Paribas Polska **) Spot: 25 March 2026*

INFLATION: US AND EUROZONE

In the eurozone core inflation and services prices dynamics up





In the US, CPI inflation was stable in February and amounted to 2.4% y/y. Core inflation (excluding energy, fuel and food prices) also remained unchanged compared to January and remained at 2.5% y/y

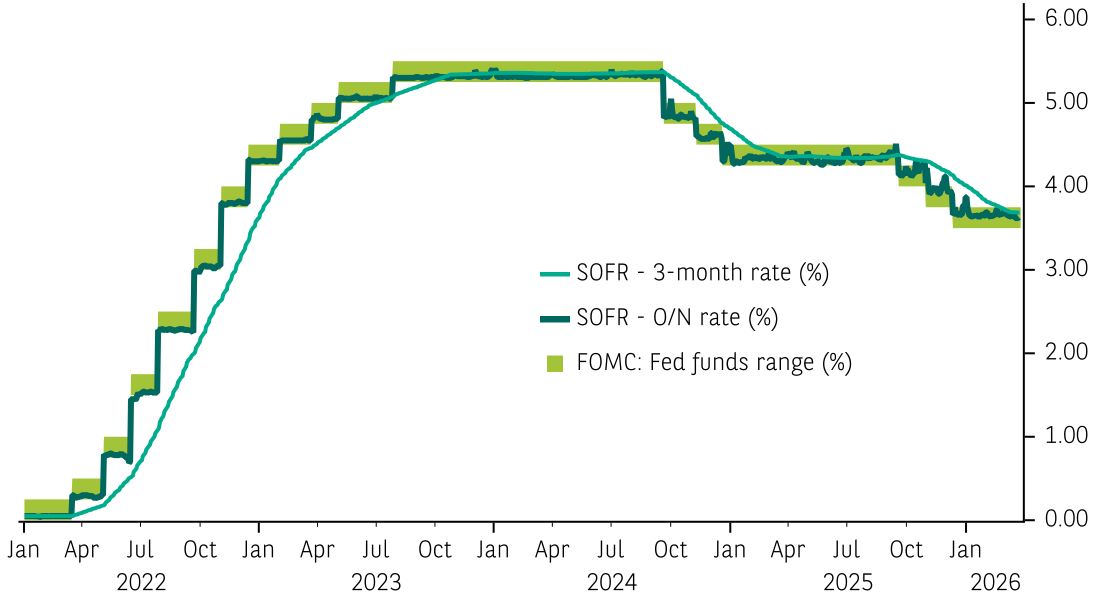
Last month food and energy prices dynamics were higher in the US. On the other hand, telecommunications equipment has become cheaper. In the coming weeks, inflation will accelerate due to more expensive fuels.

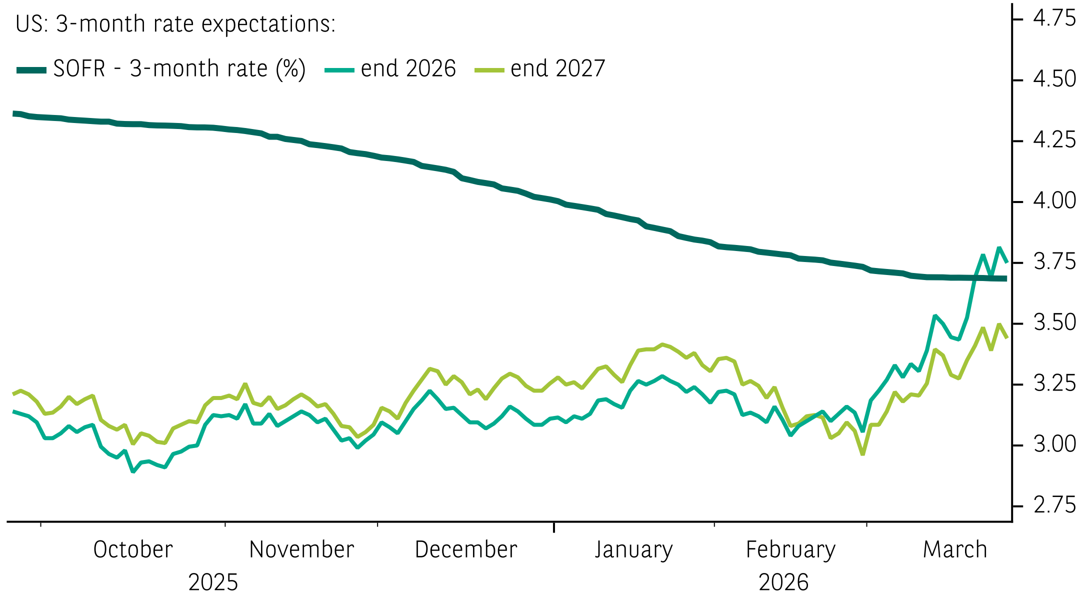
In the euro area, HICP inflation accelerated to 1.9% y/y in February, remaining slightly below the European Central Bank's inflation target (2%). Core inflation also rose compared to January and amounted to 2.4% y/y. Last month, prices of, among others. clothing and footwear, as well as alcohol and tobacco products rose faster

From the point of view of the European monetary authorities, the dynamics of prices of services, which remain above the target (3.3% y/y in January), is an element that attracts attention. In February, the costs of hotel and transport services increased more markedly.

FED WAITS…

… and assesses the situation in the Middle East





At its March 18 meeting, the Federal Open Market Committee (FOMC) kept interest rates unchanged, leaving the fed funds rate in the 3.50-3.75% range. 11 out of 12 FOMC members voted in favour of such a decision. Only Fed board member Stephen Miran supported the proposal to cut interest rates by 25bp.

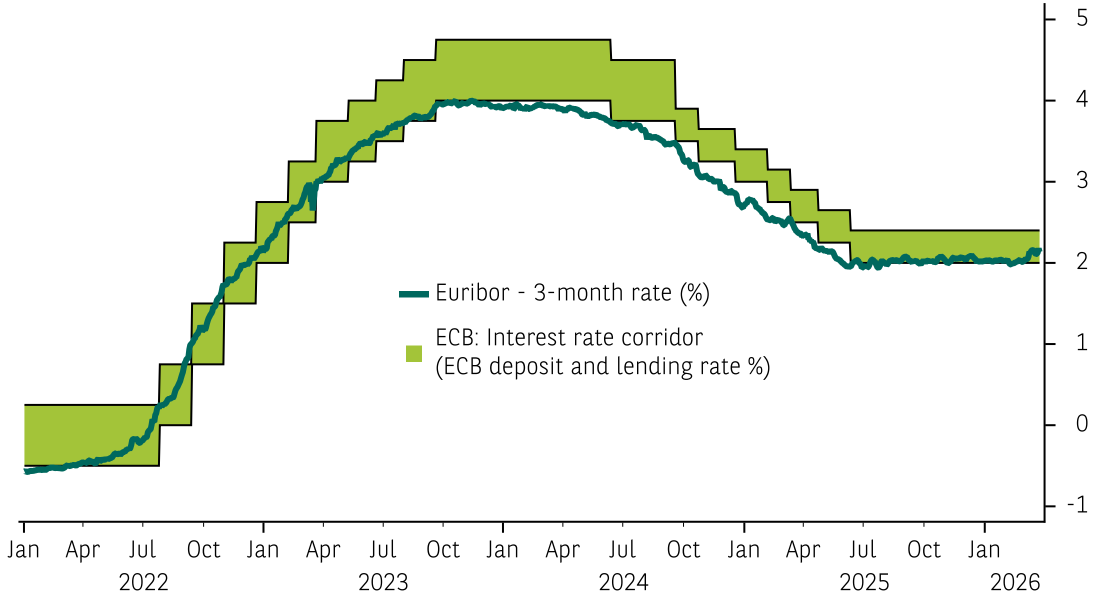
It seems that the Fed will be in a wait-and-see mode in the coming months. Chairman Jerome Powell indicated that policy easing will be possible with an improvement in the inflation outlook, which seems unlikely in the near term in the face of the Gulf War. At the same time, he did not rule out tightening policy if a jump in energy commodity prices begins to translate into inflation expectations and increases the risk of price pressure persisting in the longer term. Therefore, the key for the direction of monetary policy in the US will be the impact of the situation in the Middle East on the US economy, which, according to Chairman Powell, is difficult to determine precisely at this juncture.

Analysts at BNP Paribas Markets 360 do not expect any change in interest rates in the US until the end of this year. After the outbreak of the war in Iran, the market abandoned predictions of monetary policy easing this year and attributes about a 25% probability of an interest rate hike by the end of this year.

A new opening for the Committee may come with the change at the of the Fed, which will take place in May. Jerome Powell will be replaced by Kevin Warsh, who was a member of the Federal Reserve's board of directors in the past.

ECB: WORRIES ABOUT INFLATION…

… will lead to interest rates hikes?



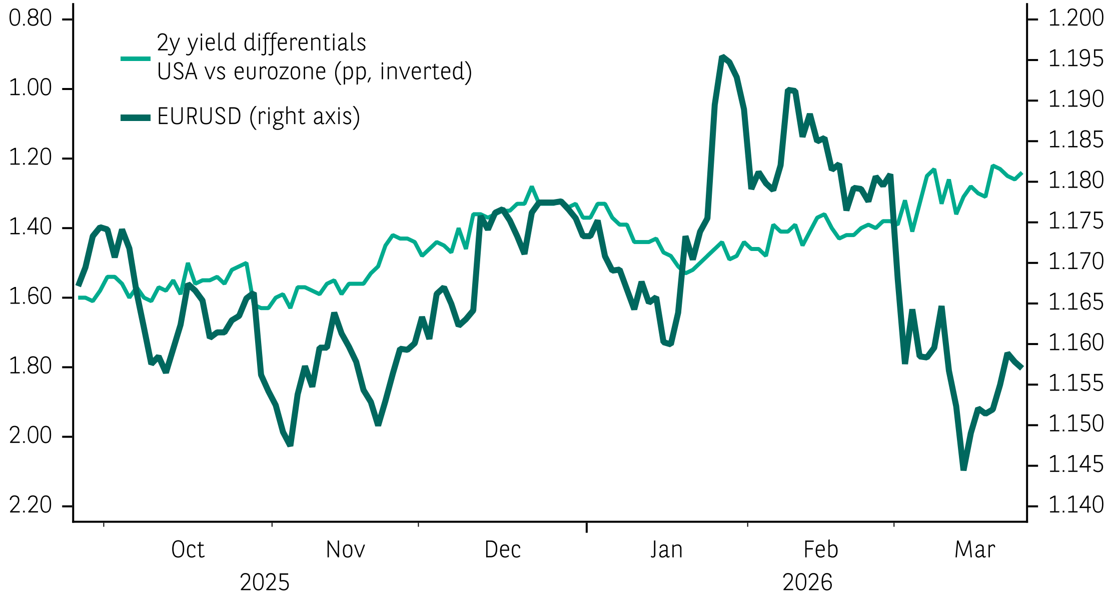
In March, the Governing Council of the European Central Bank did not surprise and left interest rates in the euro area unchanged at its sixth consecutive meeting, including the ECB deposit rate at 2.00%. Bank President Christine Lagarde stressed that the war in Iran is a shock that will boost inflation in Europe while worsening economic growth prospects. Unlike previous conferences, the ECB chief did not state that the Bank was "in a good place", indicating that the ECB was "well positioned", which most likely reflected the heightened uncertainty and was the way to underscore that the monetary authorities in Frankfurt are ready to act if necessary.

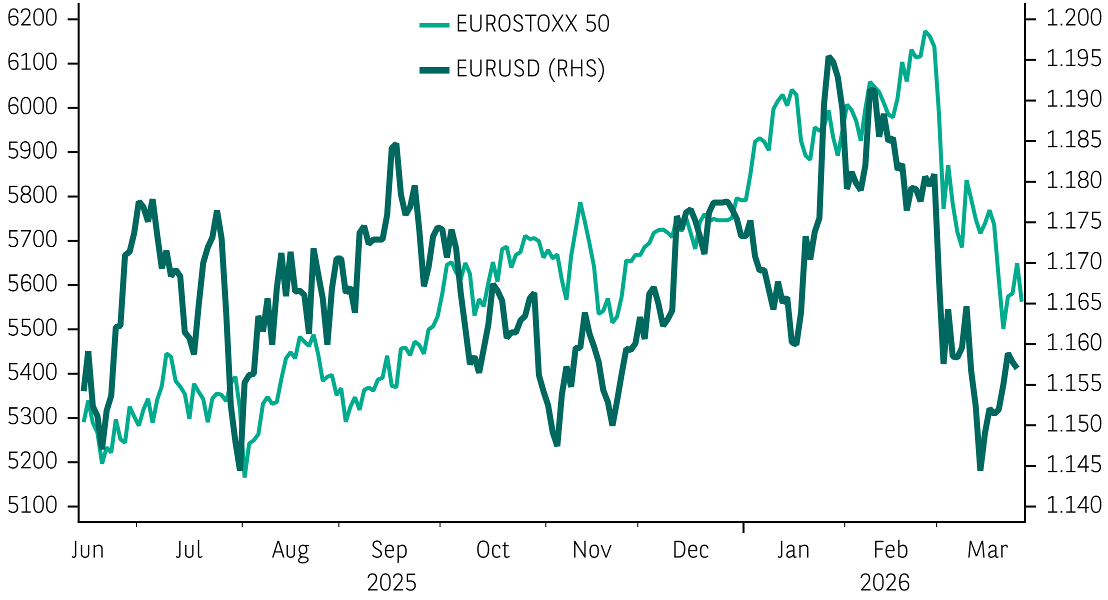
In response to the energy shock, ECB analysts revised their forecasts for the eurozone economy. Currently, inflation is expected to average 2.6% y/y this year. Earlier forecasts predicted inflation at 1.9%. GDP growth, on the other hand, is expected to amount to 0.9% y/y vs. 1.2% y/y assumed in December.

The market is currently pricing in three interest rate hikes in the eurozone this year and gives about a 60% chance that the first such move could take place at the next meeting scheduled for April 30. Analysts at BNP Paribas Markets 360 also expect that fears of faster inflation will push the ECB to tighten policy this year, but they expect the first of three hikes only in June.

EURUSD EXCHANGE RATE: WAR IN IRAN…

… resulted in stronger dollar





In March, the EURUSD exchange rate fell and by the end of the month the cross was trading around the 1.1550 level. The strengthening of the dollar was influenced by an increase in risk aversion and an outflow of capital towards safe havens, primarily dollar assets. The euro is also disadvantaged by the fact that Europe, as an importer of energy resources, is more exposed than the United States to the negative effects of the war in the Middle East, including an increase in the foreign trade deficit. Worse prospects for the European economy favour the American currency in the current difficult international environment.

Nevertheless, the difference in interest rates between the US and the eurozone suggests that the euro may gain again in the scenario of calming down of the geopolitical tensions. Analysts at BNP Paribas Markets 360 forecast that the EURUSD exchange rate will reach 1.20 at the end of this year and 1.22 at the end of next year, although with the current geopolitical situation, all point forecasts are burdened with greater uncertainty than usual.

Special theme:
The sensitivity of the Polish economy to a fuel price shock

POLAND IS STRONGLY DEPENDENT ON IMPORTS OF ENERGY COMMODITIES

Supply of oil & petroleum products and their estimated value	Supply* (barrels mn)	Value at price of 60 USD/bbl (USD mn)	Value at price of 100 USD/bbl (USD mn)	Difference (USD mn)
Gross available energy	**244,36**	**14 661**	**24 436**	**9 774**
Primary production	6,02	361	602	241
Recovered & recycyled products	0,44	26	44	18
Imports	**288,64**	**17 318**	**28 864**	**11 545**
Exports	**44,11**	**2 646**	**4 411**	**1 764**
Change in stock	-6,63	-398	-663	-265

Supply of natural gas and estimated value	Supply* (TWh)	Value at price of 30 EUR/MWh (EUR mn)	Value at price of 55 EUR/MWh (EUR mn)	Difference (EUR mn)
Gross available energy	**197,33**	**5 920**	**10 853**	**4 933**
Primary production	35,82	1 075	1 970	895
Imports	**156,19**	**4 686**	**8 591**	**3 905**
Exports	**0,95**	**29**	**52**	**24**
Change in stock	6,27	188	345	157

*Source: Eurostat, Macrobond, BNP Paribas Polska; *) data for 2024*

The energy shock caused by the war in the Middle East is not without its impact on the Polish economy. Poland is a net importer of both crude oil and petroleum products and natural gas.

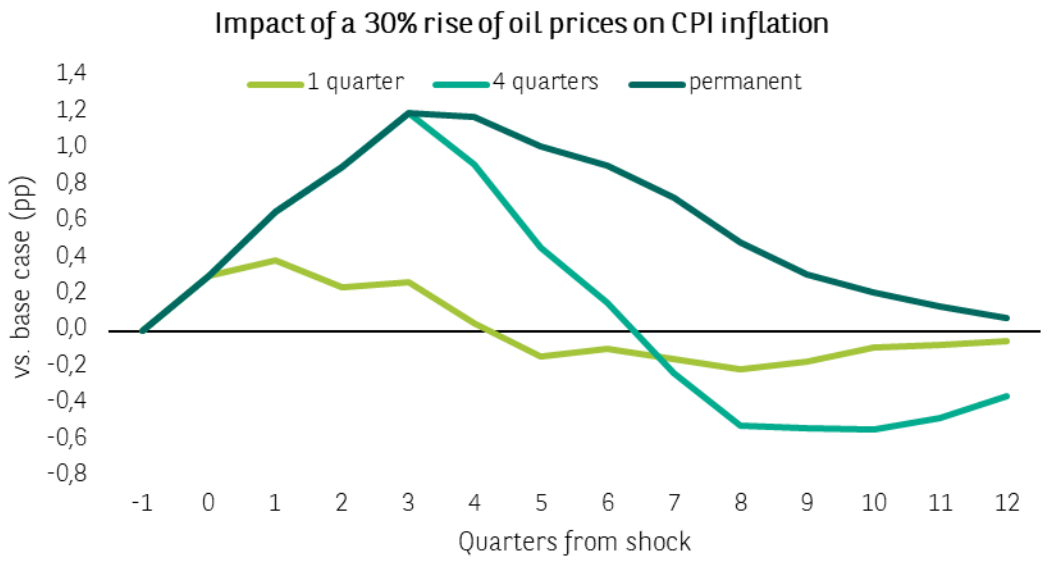
In the case of natural gas, domestic production accounts for a larger share of total supply than in the oil segment (18% vs. 2.5%). In turn, in the case of petroleum products, exports play a greater role in the energy balance. Poland sells 40-45 million barrels of petroleum products abroad (the price of which may exceed the cost of oil), mainly to Ukraine.

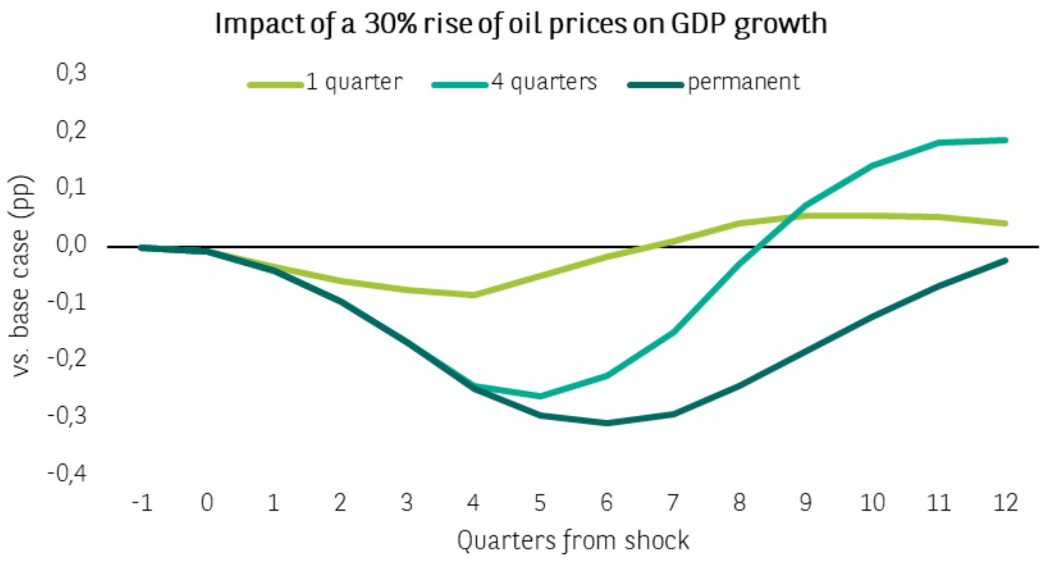
We estimate that higher oil and natural gas prices since the beginning of March – if they were to continue throughout the year – would increase Polish's trade deficit by about USD 10 billion due to higher oil prices, and additionally by almost EUR 4 billion due to more expensive natural gas, i.e. a total of about EUR 12.5 billion, equivalent to 1.3% of Poland's GDP.

Such a significant increase in the bill for fuels purchased from abroad, if it materialized, would have a clear impact on both inflation and economic activity.

THE IMPACT OF THE FUEL PRICE SHOCK…

… on inflation and economic growth





At the macro level, assessing the impact of the increase in energy commodity prices on the economy is not easy, without knowing how long it may last. Using our models, we estimated how the 30% increase in oil prices would translate into our baseline forecasts for CPI inflation and GDP growth. We considered 3 variants: a short shock lasting 3 months, a shock lasting a whole year, and finally a permanent increase in the price of oil.

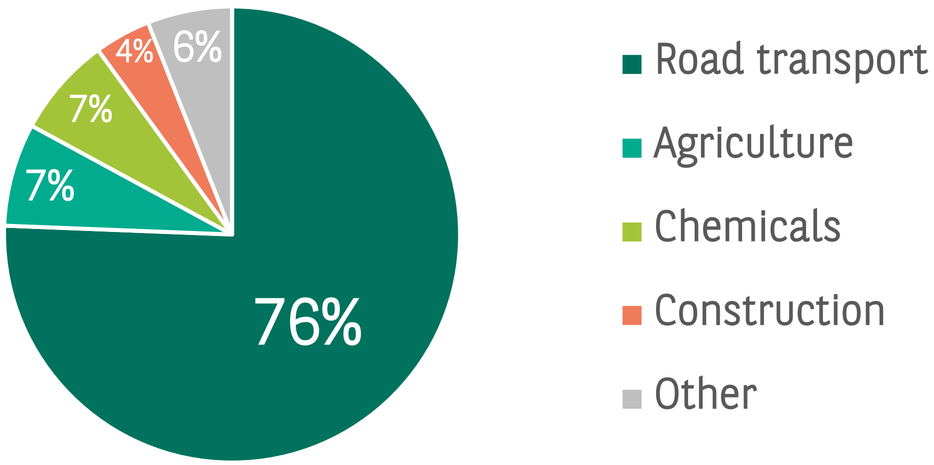
The results of our calculations are not surprising. While an increase in oil prices always causes inflation to rise and weakens economic growth, the magnitude of this impact largely depends on the duration of the shock. Short turbulences do not have serious consequences for the economy – usually the effects of their impact are relatively weak and fully expire within 4-6 quarters. As a result, if the ongoing peace talks were to bring success, we could quickly forget about the consequences of the Gulf War. The situation looks differently in the case of a permanent increase in prices. Then the scale of the acceleration of price dynamics and the slowdown in activity becomes much more visible and severe. An energy shock hits the economic situation by negatively affecting all major components of demand (consumption, investments, exports).

When analysing the sensitivity of the Polish economy to the current situation in the Middle East, it should not be forgotten that although the impulse related to oil seems to be the most noticeable, the economy's functioning is also affected by changes in the prices of other raw materials, such as natural gas.

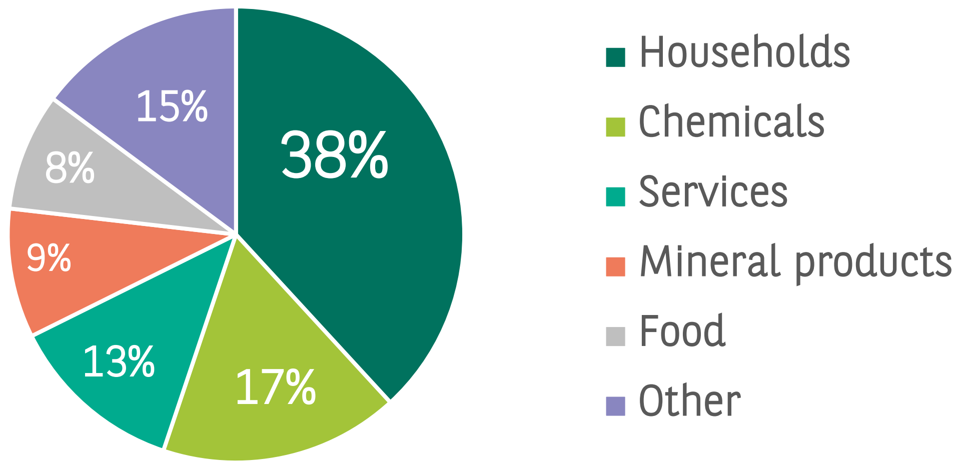
WHO USES FUELS…

… in Poland?

Oil products final use in Poland in 2024
(217,51 mn barrels)



Natural gas final use in Poland in 2024
(128,98 TWh)



The burden of the need to bear higher fuel purchasing costs is unevenly distributed in the economy. As far as the consumption of petroleum products is concerned, about 3/4 of it is accounted for by road transport, including car traffic (approx. 60% of demand in this category) and heavy vehicles (approx. 35%). It should be emphasized here that although consumption in this category largely concerns private passenger traffic, it also reflects services related to the transport of cargo/delivery of goods, i.e. the channel through which the shock to oil prices spreads throughout the economy. Apart from transport, petroleum products are also widely used, in agriculture (as fuel), chemicals (as a feedstock in the production process) and construction (asphalt), making these sectors the most exposed to the negative consequences of recent market perturbations.

In the case of natural gas, the main recipients of the fuel - apart from the energy sector, which burns about 70-80 TWh - are households. In the industrial sector, the chemical sector is by far the most exposed to increases in purchase costs, as over 20 TWh of gas is used in the industry, including about 5 TWh for energy purposes and 15 TWh as an ingredient for the production of, for example, nitrogen fertilizers. Large amounts of natural gas are also consumed in commercial and public services, the production of non-metallic products and the food industry.

COST OF OIL AND NATURAL GAS FOR VARIOUS SECTORS AT DIFFERENT PRICE SCENARIOS

Consumption of energy commodities and estimated direct cost	Oil & petroleum products* (barrels mn)	Cost at price of 60 USD/bbl (USD mn)	Cost at price of 100 USD/bbl (USD mn)	Difference (USD mn)	Natural gas (TWh)	Cost at price of 30 EUR/MWh (EUR mn)	Cost at price of 55 EUR/MWh (EUR mn)	Difference (EUR mn)
Transport	**165,45**	**9 927**	**16 545**	**6 618**	**1,07**	**32**	**59**	**27**
Road**	164,48	9 869	16 448	6 579	0,65	20	36	16
Other	0,97	58	97	39	0,42	12	23	10
Industry	**29,34**	**1 760**	**2 934**	**1 174**	**62,04**	**1 861**	**3 412**	**1 551**
Mining & Quarrying	0,93	56	93	37	0,37	11	20	9
Food Beverages & Tobacco	0,84	50	84	33	10,76	323	592	269
Textile & Leather	0,26	16	26	10	0,42	13	23	10
Wood & Wood Products	0,30	18	30	12	0,43	13	24	11
Paper, Pulp & Printing	0,45	27	45	18	2,75	82	151	69
Chemical & Petrochemical	15,42	925	1 542	617	21,90	657	1 204	547
Non-Metallic Minerals	0,88	53	88	35	11,83	355	651	296
Iron & Steel	0,25	15	25	10	5,54	166	304	138
Non-Ferrous Metals	0,27	16	27	11	1,99	60	110	50
Machinery	0,36	21	36	14	2,54	76	140	63
Transport Equipment	0,37	22	37	15	1,29	39	71	32
Construction	8,68	521	868	347	0,39	12	22	10
Not Elsewhere Specified	0,33	20	33	13	1,83	55	101	46
Other sectors	**22,72**	**1 363**	**2 272**	**909**	**65,88**	**1 976**	**3 623**	**1 647**
Agriculture	15,86	952	1 586	634	0,51	15	28	13
Commercial & public services	2,96	177	296	118	16,12	484	887	403
Households***	3,88	233	388	155	49,24	1 477	2 708	1 231

*Source: Eurostat, Macrobond, BNP Paribas Polska; *) data for 2024; **) road transport including households' use of fuels for private transport; ***) for energy use only*

WHICH SECTORS ARE MOST AFFECTED BY A CHANGE IN PRICE OF ENERGY COMMODITIES?

Estimated direct cost of energy commodities: oil and natural gas vs. sectors' net revenues	2021	2022	2023	2024	2021-24 average
Transport	**9,3%**	**11,2%**	**8,8%**	**8,0%**	**9,3%**
Road	10,1%	12,9%	10,3%	9,5%	10,7%
Other	2,9%	1,2%	0,8%	0,7%	1,4%
Industry	**1,0%**	**1,8%**	**0,7%**	**0,7%**	**1,1%**
Mining & Quarrying	0,9%	1,4%	0,8%	0,8%	1,0%
Food Beverages & Tobacco	0,6%	1,3%	0,5%	0,4%	0,7%
Textile & Leather	0,6%	1,3%	0,5%	0,5%	0,7%
Wood & Wood Products	0,3%	0,5%	0,3%	0,3%	0,3%
Paper, Pulp & Printing	0,9%	1,8%	0,7%	0,6%	1,0%
Chemical & Petrochemical	9,4%	13,8%	5,8%	6,0%	8,8%
Non-Metallic Minerals	3,9%	7,5%	2,6%	2,1%	4,0%
Iron & Steel	2,0%	3,1%	1,6%	1,5%	2,0%
Non-Ferrous Metals	2,7%	4,9%	1,7%	1,8%	2,8%
Machinery	0,2%	0,4%	0,1%	0,1%	0,2%
Transport Equipment	0,2%	0,3%	0,1%	0,1%	0,2%
Construction	0,4%	0,8%	0,5%	0,5%	0,5%
Not Elsewhere Specified	0,2%	0,5%	0,2%	0,2%	0,3%
Other sectors					
Agriculture	2,9%	3,0%	2,8%	2,2%	2,7%
Commercial & public services	0,2%	0,4%	0,1%	0,1%	0,2%

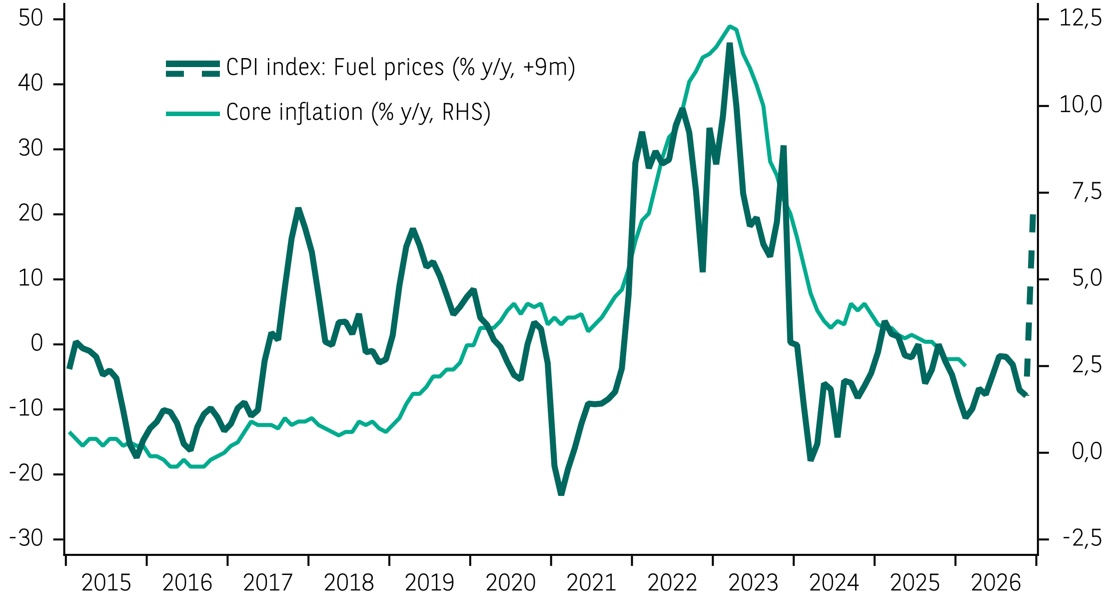
Source: Eurostat, Macrobond, BNP Paribas Polska

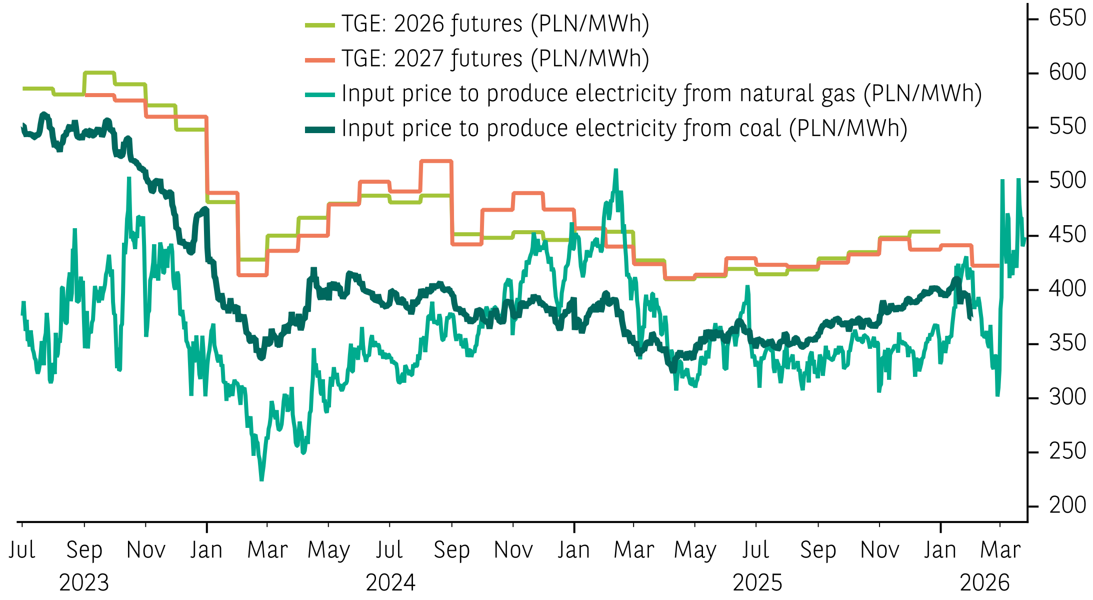
The direct cost of energy consumption for individual sectors changes over time, depending on the price of oil and gas and the PLN (PLN currency exchange rate). It is worth noting here that in practice, the actual expenditure incurred by companies for the purchase of raw materials is higher due to the impact of taxes and margin fees collected by domestic producers and suppliers of oil and gas products.

The economic impact of changes in energy commodity prices on specific industries depends on their share in the total operating costs of the sectors (or their net revenues, which makes it easier to assess the impact of prices on profitability).

Based on these indicators, the sectors of the Polish economy that are most directly exposed to the increase in global oil and gas prices are: road transport, manufacturers of chemicals (especially heavy chemicals), metal industry (both iron and steel and non-ferrous metals), manufacturers of building materials (non-metallic mineral products) and agriculture.

… for the war in the Middle East?





The final impact of the increase in energy prices on companies' financial results depends on how much of the higher costs (energy, transport, feedstock) can be passed on to end users (in Poland and abroad). However, the inevitable consequence of the desire of companies to maintain profitability is the occurrence of the so-called second-round effects and an increase in consumer prices of a wide range of goods and services. In other words, the less the effects of the jump in commodity prices are felt by companies, the more it will hit consumers' wallets. Either way, someone will have to bear the cost of events in the Middle East.

In the analysis of the impact of more expensive energy resources on the economy, one should not forget about indirect effects related to, e.g. the translation into electricity prices – which affect the functioning of all economic agents– or fertilizers, which translate into food prices in the long run.

Considering the national energy system, more expensive input for electricity production may cause electricity prices to jump. In the short term, the increase would probably concern primarily corporate customers (prices for households are regulated and, consequently, do not change under the influence of daily market fluctuations). So far, the war has not translated into a sharp increase in the cost of purchasing electricity, mainly due to the reduction in CO_2 emission allowances prices (table on page 14), but in the event of a possible re-escalation of the situation, it cannot be ruled out that this picture could change quickly, intensifying the negative cost shock in the Polish economy. .

Polish economy: GDP growth, inflation, interest rates

POLAND: OVERVIEW OF ECONOMIC DATA PUBLISHED IN MARCH

The data from the Polish economy published in March went largely unnoticed. The situation in the construction sector continued to look bleak, as the volume of works fell by nearly 14% y/y in February. However, this was mainly due to weather factors, including low temperatures and the snow cover that persisted last month. In industry, production increased by a lukewarm 1.5%. Consumer demand remains very solid, with retail sales increasing by 5% y/y in February.

Meanwhile, we are still observing stagnation on the labour market. Employment in the enterprise sector fell by 0.8% y/y in February, while the registered unemployment rate in accordance with the seasonal pattern climbed by 0.1pp to 6.1%. On the other hand, wage growth in companies employing more than 9 people remained at 6.1% y/y.

In February, CPI inflation, as in January, stood at 2.1% y/y. Core inflation (excluding energy, fuel and food prices) slowed slightly to 2.5% y/y last month from 2.7% y/y. In the case of industrial goods, the deflation of sales prices (PPI index) eased slightly to 2.3% y/y.

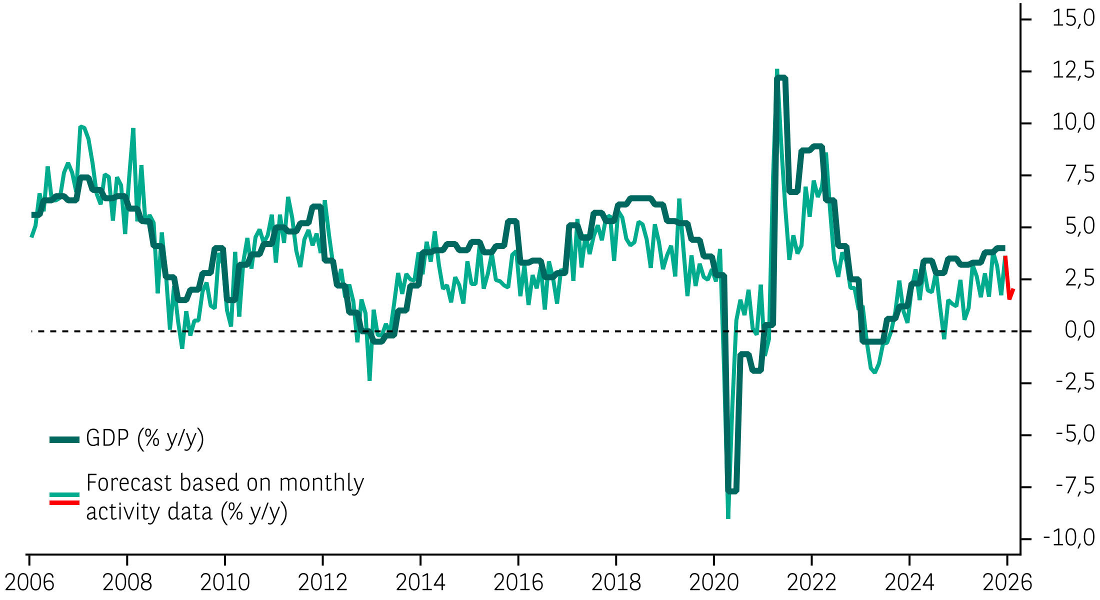
At the beginning of the year, a clear surplus of EUR 1153 million unexpectedly appeared on the current account. This was mainly due to a stronger-than-forecast decline in imports in January (-6.1% YoY). Meanwhile, the value of exports in the first month of the year decreased by 1.8% y/y.

Economic activity	Period	*Previous reading*	Consensus estimate	ACTUAL
Industrial production (y/y)	Feb-26	*-1,5%*	1,5%	1,5%
Retail sales (y/y)	Feb-26	*4,4%*	5,9%	5,0%
Construction output (y/y)	Feb-26	*-12,9%*	-7,6%	-13,7%
Labour market				
Corporate wage (y/y)	Feb-26	*6,1%*	6,6%	6,1%
Corporate employment (y/y)	Feb-26	*-0,8%*	-0,8%	-0,8%
Unemployment rate	Feb-26	*6,0%*	6,1%	6,1%
Prices				
CPI inflation (y/y)	Feb-26	*2,1%*	2,1%	2,1%
Core inflation (y/y)	Feb-26	*2,7%*	2,6%	2,5%
PPI inflation (y/y)	Feb-26	*-2,6%*	-2,4%	-2,3%
Balance of Payments				
Current account (EUR mn)	Jan-26	*-1698*	-295	1153

Source: Parkiet, NBP, GUS

ECONOMIC GROWTH HAS LIKELY DECELERATED IN EARLY 2026…

… but we still see GDP up by 3.7% this year



Based on the data published so far in the first quarter, we expect that the growth dynamics of Gross Domestic Product may have slowed down at the beginning of the year compared to the 4% y/y rate recorded in autumn 2025. In the last quarter of last year, the economic expansion was driven primarily by households' consumption and public consumption (current expenditure of the government sector), which increased in the October-December period by 4.2% y/y and 7.3% y/y, respectively. Capital expenditures also increased solidly (4.7% y/y), mainly due to expenditures incurred by large enterprises (increase in the last quarter of last year by over 10% y/y). Foreign trade also recovered in the autumn – exports +7.7% y/y and imports +8.7% y/y.

We maintain our forecast that GDP in Poland will increase by 3.7% this year. Before the start of the war in Iran and the increase in energy commodity prices, we saw chances that GDP growth could turn out to be faster than we predicted. Now we see downside risks to our forecast, but for now we feel comfortable with the initial estimate of the economic growth rate.

For this year, we anticipate an unprecedented inflow of investment funds from the EU in Polish history, the value of which may exceed even EUR 40 billion. The impetus for investments should mainly come from funds from the National Recovery Plan (KPO), including in particular grants. In the subsidy part of the KPO, Poland should receive a total of about PLN 108 billion, which means that this year transfers on this account may amount to nearly PLN 70 billion. Poland should also soon receive the first disbursements from the loan taken out under the SAFE program. The first tranche of funds in the amount of about 6.5 billion euros may reach Polish in the middle of the year.

WEAKNESS IN MANUFACTURING OFFSET BY GROWTH IN MINING

Industrial production (% y/y)	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Total	**-1.9%**	**2.4%**	**1.2%**	**4.0%**	**-0.4%**	**3.0%**	**0.7%**	**7.6%**	**3.3%**	**-1.1%**	**7.3%**	**-1.5%**	**1.5%**
Mining & Quarrying	-12.6%	-6.0%	-9.9%	-2.1%	-8.3%	-5.9%	-2.0%	-1.9%	4.0%	4.5%	7.0%	5.4%	19.5%
Manufacturing	-2.1%	3.0%	1.7%	4.3%	0.0%	3.6%	1.1%	8.4%	3.3%	-1.4%	7.9%	-3.2%	0.2%
Electricity, Gas, Steam & Air-Conditioning Supply	6.5%	-2.0%	-1.5%	1.6%	-6.8%	-3.1%	-6.6%	-2.4%	1.2%	-2.7%	-2.6%	18.2%	13.5%
Water Suppl & Remediation Activities	1.3%	2.0%	1.0%	3.7%	3.2%	3.0%	1.5%	6.5%	5.9%	3.3%	10.9%	3.2%	2.8%
Intermediate Goods	-0.7%	4.1%	-0.5%	4.6%	-2.0%	1.4%	-0.7%	5.2%	1.5%	-1.7%	6.7%	-7.7%	-1.7%
Capital Goods	-2.2%	10.5%	7.2%	10.4%	4.8%	12.3%	7.2%	16.4%	9.0%	3.3%	17.0%	5.9%	3.9%
Durable Consumer Goods	0.2%	2.7%	-3.2%	2.4%	-2.4%	-4.1%	-0.2%	5.2%	-0.4%	-8.2%	8.2%	-7.7%	-4.5%
Non-Durable Consumer Goods	-0.2%	2.5%	4.9%	3.6%	-0.3%	3.7%	1.4%	7.7%	4.5%	0.3%	8.2%	-3.0%	2.0%
Energy	-11.4%	-17.0%	-10.9%	-11.6%	-8.5%	-8.7%	-9.4%	-4.6%	-5.9%	-9.4%	-10.3%	3.3%	7.7%

XX% Negative value

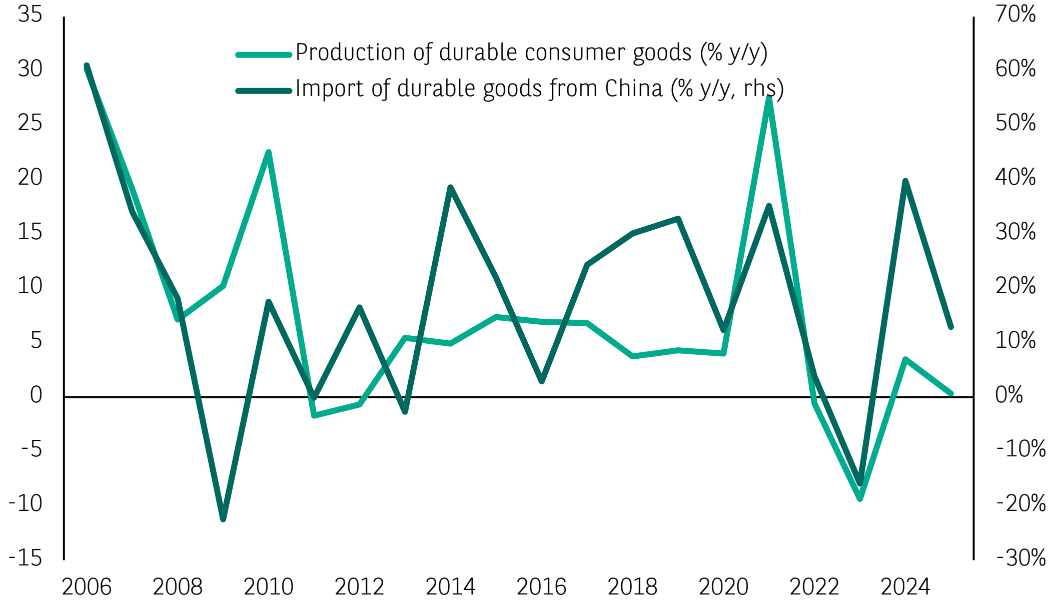
February data on industrial production indicate that Polish industry entered the new year with subdued activity. Production volume increased by 1.5% y/y vs. a 1.5% y/y decline in January. Seasonally adjusted, industrial production growth stood at 1.7% y/y and was up by 1.3pp compared to January.

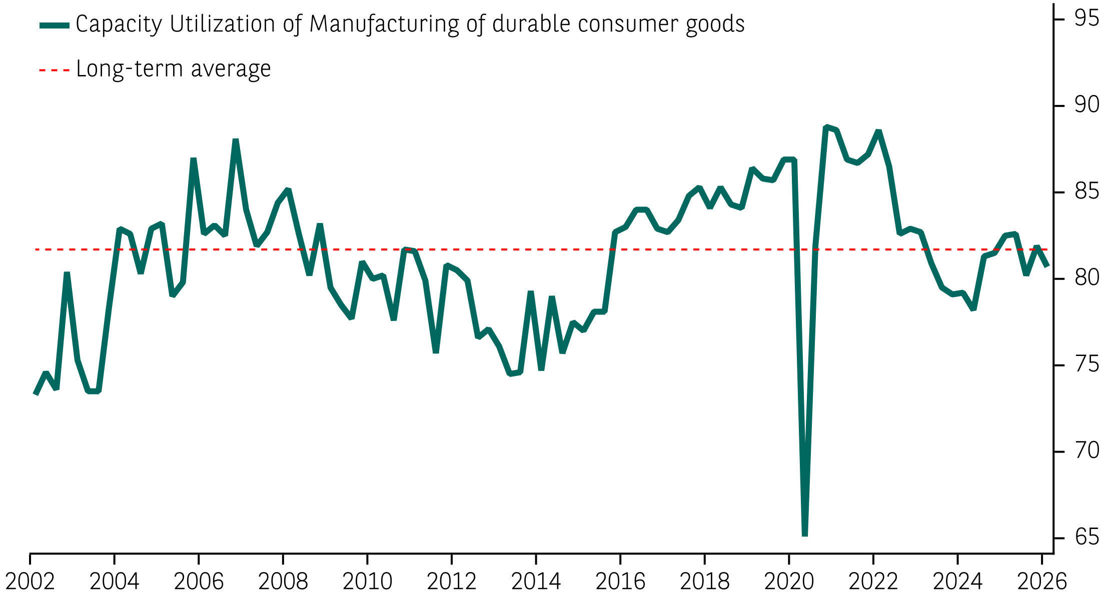
In terms of sectors, the highest growth dynamics was recorded by the mining and quarrying segment (+19.5% y/y), which can be associated, with increased activity of coal mines, potentially reflecting the increased demand for the raw material in the winter. Solid growth was also recorded in the electricity generation and supply sector (13.5% y/y), while water supply and waste management (2.8% y/y) were noticeably lower. Manufacturing, which is the bedrock of the domestic industry, recorded only a marginal increase in production (+0.2% y/y), translating into the average result of the entire industrial sector.

The structure of growth by category of goods is still investment-related, although the rate of production of capital goods is weakening (in February the growth was 3.9% y/y vs. 5.9% in January). Energy production grew the fastest (+7.7% y/y), which can be linked to a solid rebound in mining and power generation. The production of consumer goods, on the other hand, is heterogeneous. On the one hand, the decline in durable goods (-4.5% y/y) and the increase in non-durable goods (+2.0% y/y) suggest a more cautious stance of consumers. However, the decline in durable goods production while maintaining consumer demand may also result from increasing import competition, in particular by Asian producers. Under conditions of cost pressure and limited consumer propensity to incur high spending, cheaper imported goods may crowd out domestic production.

PRODUCTION OF CONSUMER GOODS UNDER PRESSURE BY...

... imports from China





The production of consumer durables in Poland operates in conditions of strong competition from imports from Asian countries (especially China), which can be seen especially at times when an increase in imports is accompanied by a weakening of domestic production. This means that part of the demand is taken over by cheaper foreign goods, thus limiting space for domestic producers.

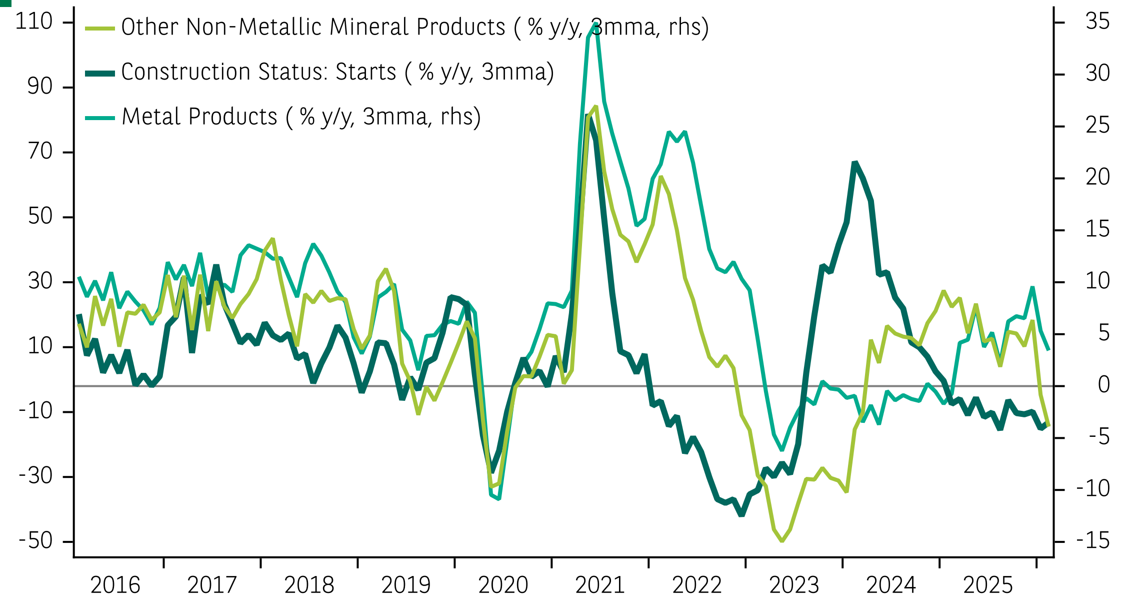
Recently, imports of goods from China have been growing very rapidly, which indicates increased competitive pressure on domestic producers At the same time, capacity utilization among manufacturers of durable goods remains close to the long-term average, which suggests that companies do not feel significant supply barriers and are able to increase the scale of production.

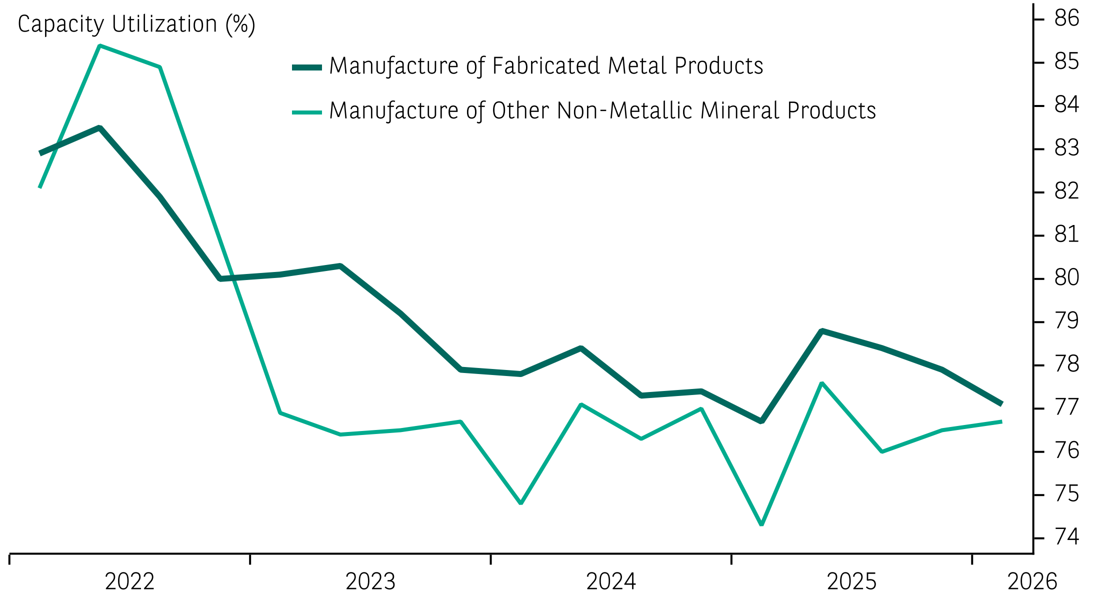
STRUCTURE AND PRODUCTION IN POLAND'S MANUFACTURING

Production (% y/y)	% Share	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sept-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Total		-2.1%	3.0%	1.7%	4.3%	0.0%	3.6%	1.1%	8.4%	3.3%	-1.4%	7.9%	-3.2%	0.2%
Food Products	17.6%	1.8%	3.5%	8.7%	5.1%	0.5%	7.9%	4.2%	9.2%	6.1%	2.4%	9.3%	-0.2%	4.2%
Beverages	1.0%	-4.0%	-2.0%	-2.7%	-14.3%	-0.5%	-6.4%	-10.5%	-2.4%	3.2%	4.8%	15.7%	-3.3%	3.8%
Tobacco Products	0.4%	2.2%	-10.8%	-7.6%	1.6%	3.7%	-2.0%	-4.4%	28.9%	-7.7%	-4.3%	-12.7%	-15.4%	-20.8%
Textiles	0.6%	-1.4%	7.7%	1.4%	6.1%	1.1%	-4.9%	-0.9%	3.8%	3.9%	8.3%	5.9%	-6.9%	-11.7%
Wearing Apparel	0.3%	-23.2%	-5.6%	-20.4%	-2.9%	-6.4%	-8.2%	1.3%	14.0%	-2.9%	-17.1%	28.1%	-7.8%	-1.9%
Products of Wood, Cork, Straw & Wicker	2.4%	2.9%	13.0%	1.8%	7.4%	-0.8%	-2.5%	4.7%	9.5%	6.1%	-0.3%	9.4%	-7.6%	2.5%
Paper & Paper Products	2.8%	-0.4%	4.6%	-1.4%	5.8%	-2.9%	1.6%	-2.5%	8.4%	-1.1%	-4.3%	4.4%	-2.3%	5.0%
Printing & Reproduction of Recorded Media	0.8%	2.7%	1.9%	1.0%	8.0%	-2.7%	0.4%	-3.5%	6.6%	12.0%	-5.6%	-0.5%	-5.3%	0.2%
Chemicals & Chemical Products	4.3%	-1.6%	-1.4%	-7.7%	-1.1%	-7.8%	-2.7%	-5.4%	-1.4%	-0.2%	-4.4%	5.3%	-10.5%	-1.3%
Pharmaceutical Products	0.8%	6.9%	11.4%	4.5%	9.0%	1.8%	-3.1%	-1.9%	-2.4%	0.9%	-6.7%	8.5%	-13.1%	-6.2%
Rubber & Plastic Products	5.5%	-1.7%	1.7%	-2.1%	4.2%	-1.8%	0.4%	-1.5%	5.7%	-0.2%	-2.2%	5.2%	-6.2%	-1.9%
Other Non-Metallic Mineral Products	3.0%	1.0%	10.0%	4.3%	9.5%	-0.9%	5.1%	1.4%	9.2%	4.6%	-2.3%	16.8%	-17.0%	-11.5%
Basic Metals	3.2%	15.7%	21.5%	2.5%	11.1%	2.8%	4.2%	3.2%	13.6%	4.0%	2.4%	6.4%	-14.4%	-10.5%
Metal Products	6.8%	1.9%	11.0%	0.5%	11.6%	-0.8%	4.7%	2.6%	11.4%	6.2%	2.0%	20.6%	-6.6%	-3.7%
Computer, Electronic & Optical Products	2.7%	7.5%	6.6%	1.3%	1.0%	4.0%	-3.0%	-1.7%	8.4%	1.6%	-6.7%	5.3%	5.2%	6.4%
Electrical Equipment	4.1%	-7.1%	-6.3%	2.0%	1.6%	-2.7%	-0.8%	-3.6%	3.2%	-0.9%	-7.4%	-2.3%	-2.5%	-3.0%
Machinery & Equipment n.e.c.	3.1%	-3.7%	6.1%	2.1%	14.8%	2.7%	6.0%	9.9%	16.9%	12.6%	11.3%	17.7%	12.6%	6.8%
Motor Vehicles, Trailers & Semi-Trailers	10.1%	-4.0%	9.2%	2.5%	5.2%	6.0%	12.2%	-4.3%	13.1%	0.6%	2.0%	8.0%	0.5%	-1.4%
Other Transport Equipment	1.7%	10.4%	1.9%	14.5%	12.6%	-7.9%	3.3%	34.3%	5.6%	15.0%	2.3%	16.8%	24.6%	-6.6%
Furniture	2.4%	-1.8%	5.0%	-1.9%	8.8%	1.5%	1.4%	1.2%	8.7%	-1.7%	-7.6%	7.0%	-6.6%	-2.7%

PRODUCTION IN THE SEGMENT OF METALS AND NON-METALLIC RAW MATERIALS WEAKENED...

... by halts in the construction works





Manufacturing of metal products and other non-metallic raw materials has been significantly weakening since the beginning of the year, which results from two factors of cost and demand nature. On the one hand, companies in these industries are facing rising energy costs, which significantly increase production costs and reduce the profitability of production. As a result, some companies may decide to reduce their current operations to a certain extent, which leads to a decrease in the utilization of production capacity.

On the other hand, the situation is exacerbated by the close links between these sectors and the construction industry, which has been in a weaker condition since the beginning of the year, mainly due to weather conditions. A limited number of construction investments translates into lower demand for materials and products used in construction, which directly affects manufacturers of metals and non-metallic products. In addition, the observed decline in the number of housing starts may have a negative effect on the production volume in the coming periods, although we believe that this effect will be offset by the forecasted rebound in infrastructure projects, mainly related to the spending of EU funds.

THE CONSTRUCTION SECTOR IS STAGNATING, AND THE CONSUMER IS STILL WILLING TO BUY

Construction Production (% y/y)	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sept-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Total	**-0.1%**	**-1.0%**	**-4.2%**	**-2.9%**	**2.1%**	**0.7%**	**-7.0%**	**0.2%**	**4.2%**	**0.1%**	**4.5%**	**-12.9%**	**-13.7%**
Construction of Buildings	-3.9%	-3.3%	-10.3%	-8.9%	7.9%	-1.2%	-4.1%	-3.7%	2.5%	8.0%	13.2%	-18.3%	-16.7%
Civil Engineering	1.7%	-4.8%	-8.2%	-1.4%	-11.1%	-3.3%	-12.8%	-2.9%	3.3%	-12.9%	-7.2%	-7.7%	-11.7%
Specialised Construction Activities	3.0%	6.0%	10.5%	2.6%	20.7%	9.6%	-0.3%	10.7%	7.6%	18.8%	23.1%	-11.8%	-12.2%

Retail trade, constant prices (% y/y)	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sept-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Total	**-0.5%**	**-0.3%**	**7.6%**	**4.4%**	**2.2%**	**4.8%**	**3.1%**	**6.4%**	**5.4%**	**3.1%**	**5.3%**	**4.4%**	**5.0%**
Motor Vehicles, Motorcycles & Parts	5.1%	18.4%	14.9%	15.7%	7.7%	10.7%	9.4%	15.0%	15.6%	12.9%	13.1%	-4.5%	2.7%
Solid, Fluid & Gaseous Fuels	-3.0%	-0.1%	1.6%	4.9%	5.7%	0.7%	6.1%	7.1%	4.7%	5.9%	8.3%	4.7%	10.2%
Food, Beverages & Tobacco Products	-2.2%	-9.4%	9.7%	1.5%	-1.0%	-0.4%	-3.4%	0.2%	0.6%	-2.9%	1.9%	4.3%	0.2%
Pharmaceuticals, Cosmetics & Orthopaedic Equipment	7.4%	5.0%	7.5%	6.0%	5.8%	4.9%	3.3%	4.4%	5.6%	2.1%	8.4%	9.5%	5.5%
Textiles, Clothing & Footwear	6.0%	6.7%	8.4%	4.7%	11.8%	14.7%	18.9%	20.5%	9.0%	12.2%	6.0%	17.7%	0.8%
Furniture s & Household Appliances	5.8%	12.9%	13.2%	18.9%	10.2%	15.3%	13.9%	16.1%	13.9%	16.6%	19.8%	10.5%	7.2%
Newspapers, Books & Other Sale in Specialized Stores	1.7%	1.0%	3.9%	3.5%	1.9%	3.0%	-2.0%	0.1%	-3.3%	-5.2%	1.4%	8.3%	-9.3%
Other	-8.7%	-12.2%	-6.0%	-10.8%	-4.0%	-5.5%	-3.7%	3.3%	2.4%	0.9%	8.6%	0.9%	9.4%

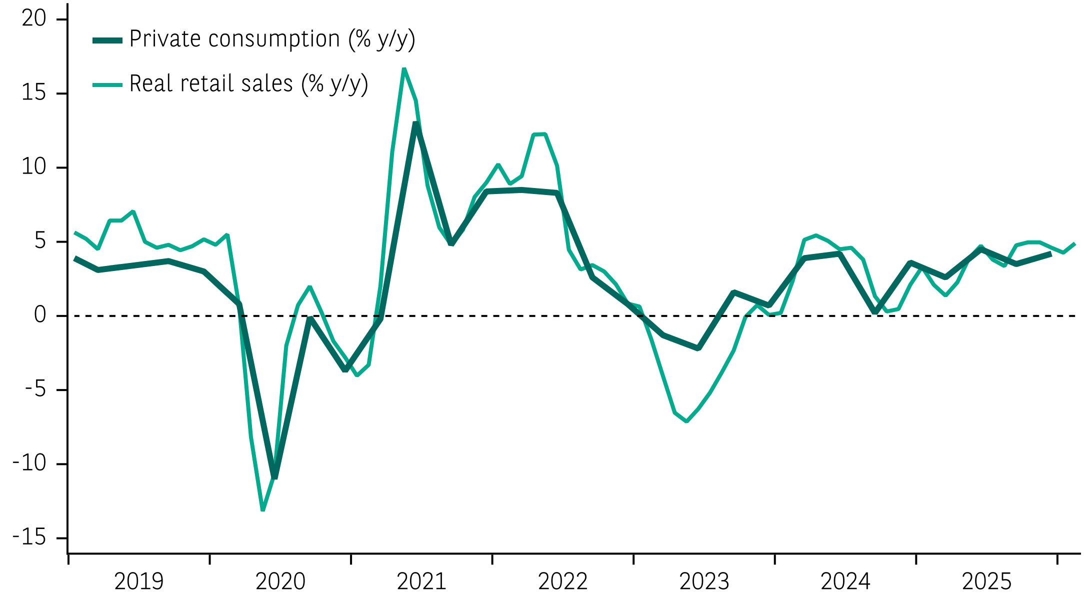
XX% Negative value

The winter weather at the beginning of 2026 exacerbated the weak performance of the construction sector, which recorded a decline in production by 13.7% y/y. Due to the limitations or even the inability to carry out some works due to low temperatures and snow cover, the segment related to the construction of buildings saw the deepest decline (-16.7% y/y). A clear decrease was also recorded in specialized construction works (-12.2% y/y). Another month in a row, the civil engineering projects recorded a decline (-11.7% y/y), which was due to both weather conditions and the still somewhat disappointing distribution of EU funds from the regular budget and the KPO (m.in. lengthening appeal procedures).

Retail sales were again solid, increasing by 5.0% y/y in February (constant prices), and by 4.9% y/y after eliminating seasonal factors. The data confirmed the good moods among consumers, as growth was recorded in virtually every category. Fuel sales led the growth, increasing by over 10% y/y, which on the one hand could result from greater mobility during the winter holidays, and on the other hand, may reflect low temperatures, which increase demand for gaseous and solid fuels.

A SHARP JUMP IN FUEL PRICES…

… will worsen the outlook for consumers?



The increase in tensions related to the conflict in the Middle East and the sharp increase in fuel prices in March translated into increased uncertainty and a marked increase in the current cost of living of households, which may affect the consumption outlook. In such an environment, purchasing decisions may be more cautious, suggesting that the March retail sales data may already show some weakening in demand.

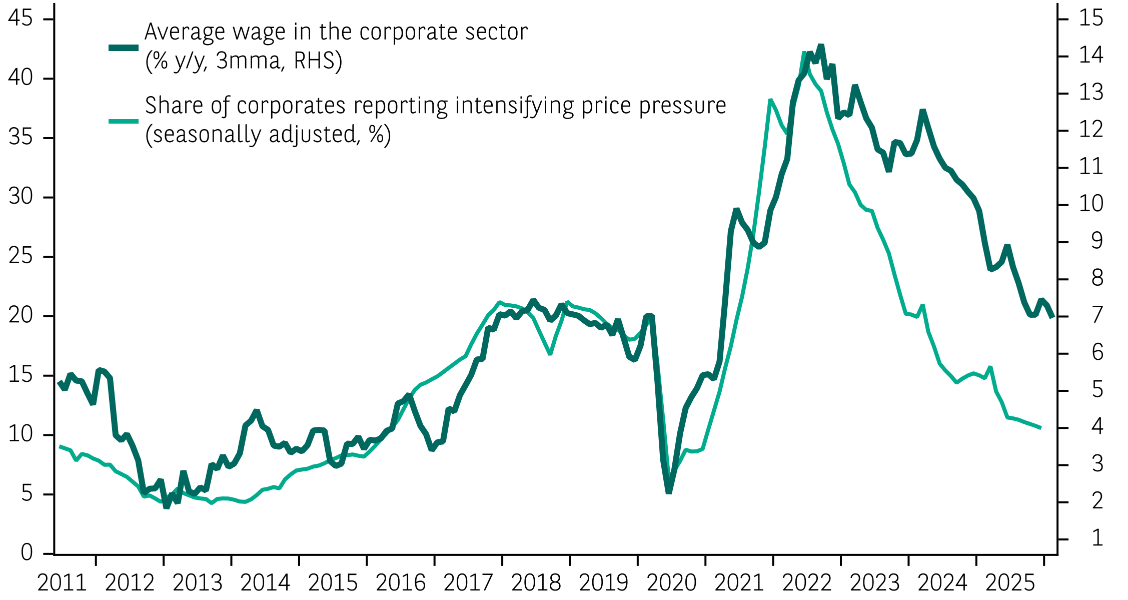
The increase in fuel prices acts as an additional burden on consumers' budgets. On the one hand, this may translate into an increased propensity to save in the face of growing uncertainty, and on the other hand, it may have a negative income effect, forcing households to allocate a larger share of their budget to fuels at the expense of other categories of goods. In both cases, this means a reduction in consumer demand beyond basic expenses.

Therefore, weaker retail sales may translate into lower consumption dynamics in the spring, potentially constituting a factor inhibiting the pace of economic growth.

STABLE WAGE DYNAMICS…

… in the corporate sector in February

Wage growth in the enterprise sector (February)	% y/y		PLN
Total		**6,1%**	**9 136**
Mining & Quarrying		-2,7%	14 142
Manufacturing		6,5%	8 538
Electricity, Gas, Steam & Air Conditioning Supply		8,6%	14 100
Water Supply & Remediation Activities		9,8%	8 204
Construction		6,3%	8 487
Trade & Repair of Motor Vehicles		5,2%	8 481
Transport & Storage		6,6%	8 670
Accommodation & Food Services		4,7%	6 611
Information & Communication		9,0%	15 460
Real Estate Activities		8,9%	9 204
Professional, Scientific & Technical Activities		6,9%	12 545
Administrative & Support Services		3,8%	7 428
Other Service Activities		2,0%	7 053



In February, the average salary (gross) in the enterprise sector amounted to PLN 9136 and - like in January - increased by 6.1% y/y. After the December jump, the market dynamics has clearly slowed down, and we expect that the pressure on wage growth will weaken in the coming months. This is in line with surveys conducted among entrepreneurs.

In February, the fastest growth in wages was recorded in the sectors of water supply and sewage management (+9.8% y/y), information and communication (+9% y/y) and real estate activities (+8.9% y/y). At the other end of the spectrum, there were mining companies, where the average wage decreased by nearly 3% y/y. Meanwhile, wages and salaries in other service activities (+2% y/y) and administrative services (3.8% y/y) grew slowly. The wage growth rate in manufacturing was slightly higher than the average for the entire enterprise sector (+6.5% y/y) – earnings increased the most among manufacturers of other transport equipment (11% y/y), metals (9.6% y/y) and motor vehicles (8.7% y/y).

WAGE GROWTH IN THE MANUFACTURING SECTOR HOVERS AROUND 6% IN EARLY 2026

Nominal wages in the manufacturing sector (% y/y)

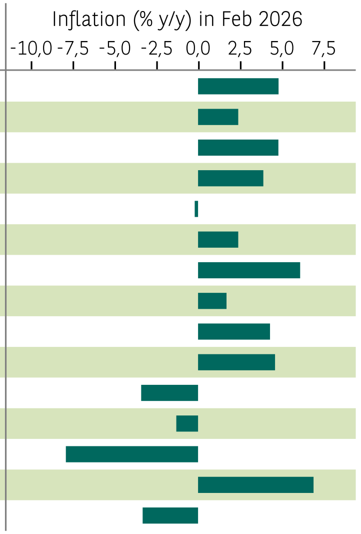
	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	February (PLN)
Manufacturing	7.5%	8.3%	9.0%	8.8%	8.7%	7.6%	7.7%	8.4%	8.0%	7.3%	8.8%	5.9%	6.5%	**8538**
Manufacture of Food Products	9.1%	9.7%	10.9%	10.0%	7.6%	10.2%	8.5%	9.1%	6.1%	6.5%	9.4%	4.2%	n/a%	**7471**
Manufacture of Beverages	10.9%	24.6%	24.7%	2.0%	6.2%	5.1%	8.7%	7.2%	3.8%	3.9%	4.7%	3.2%	n/a%	**10334**
Manufacture of Tobacco Products	7.4%	-0.7%	9.4%	6.9%	6.5%	8.9%	10.4%	8.2%	4.2%	9.9%	2.8%	7.4%	n/a%	**11421**
Manufacture of Textiles	8.6%	9.2%	9.1%	7.2%	9.3%	9.4%	7.2%	7.3%	8.9%	9.2%	9.8%	6.3%	n/a%	**6944**
Manufacture of Clothing	9.2%	9.5%	9.3%	10.1%	8.8%	8.3%	8.6%	11.7%	10.5%	11.2%	12.8%	4.9%	n/a%	**5958**
Manufacture of Products of Wood, Cork, Straw & Wicker	8.4%	8.3%	8.7%	8.8%	9.5%	8.3%	8.8%	7.5%	8.0%	6.8%	5.3%	7.1%	n/a%	**7330**
Manufacture of Paper & Paper Products	8.4%	6.8%	6.4%	8.6%	6.3%	6.6%	5.9%	7.4%	6.1%	6.3%	7.5%	5.7%	n/a%	**9106**
Printing & Reproduction of Recorded Media	2.5%	1.2%	1.6%	3.2%	1.8%	2.7%	-0.7%	3.4%	2.8%	2.3%	2.5%	6.5%	n/a%	**8800**
Manufacture of Chemicals & Chemical Products	9.1%	2.3%	11.2%	5.3%	9.2%	1.8%	5.7%	5.5%	5.5%	5.4%	3.5%	4.7%	n/a%	**9274**
Manufacture of Pharmaceutical Products	7.3%	8.0%	18.9%	4.7%	0.3%	5.2%	4.2%	4.0%	3.3%	2.5%	25.2%	3.9%	n/a%	**10257**
Manufacture of Rubber & Plastic Products	5.2%	5.4%	5.4%	6.0%	6.6%	8.0%	7.4%	8.8%	7.9%	6.9%	11.5%	7.2%	n/a%	**8492**
Manufacture of Other Non-Metallic Mineral Products	8.5%	6.8%	8.7%	6.3%	6.7%	6.2%	5.6%	7.4%	7.5%	6.2%	7.8%	4.0%	n/a%	**8876**
Manufacture of Basic Metals	6.7%	9.5%	7.0%	10.2%	8.2%	10.5%	8.8%	7.7%	9.8%	9.8%	7.8%	7.0%	n/a%	**9312**
Manufacture of Metal Products	5.0%	7.8%	6.6%	8.4%	7.8%	8.4%	8.4%	6.8%	9.2%	7.5%	7.4%	9.2%	n/a%	**7903**
Manufacture of Computer, Electronic & Optical Products	12.4%	13.6%	11.0%	11.2%	5.9%	10.1%	6.2%	13.5%	9.5%	7.5%	9.5%	3.5%	n/a%	**9355**
Manufacture of Electrical Equipment	6.0%	9.0%	6.8%	7.7%	6.4%	6.4%	9.4%	8.6%	8.8%	8.0%	6.0%	6.5%	n/a%	**9369**
Manufacture of Machinery & Equipment n.e.c.	9.7%	9.0%	8.7%	9.9%	11.0%	11.2%	8.0%	9.0%	9.0%	8.0%	7.8%	5.2%	n/a%	**9059**
Manufacture of Motor Vehicles, Trailers & Semi-Trailers	6.6%	10.7%	8.7%	9.1%	9.0%	8.2%	7.6%	8.9%	8.8%	8.8%	9.3%	5.0%	n/a%	**9709**
Manufacture of Other Transport Equipment	6.6%	9.3%	7.8%	9.7%	9.7%	10.7%	9.2%	9.5%	9.0%	7.4%	10.7%	7.0%	n/a%	**10118**
Manufacture of Furniture	6.8%	8.5%	9.7%	9.7%	10.3%	8.1%	8.3%	8.9%	8.1%	6.1%	6.3%	4.1%	n/a%	**6853**

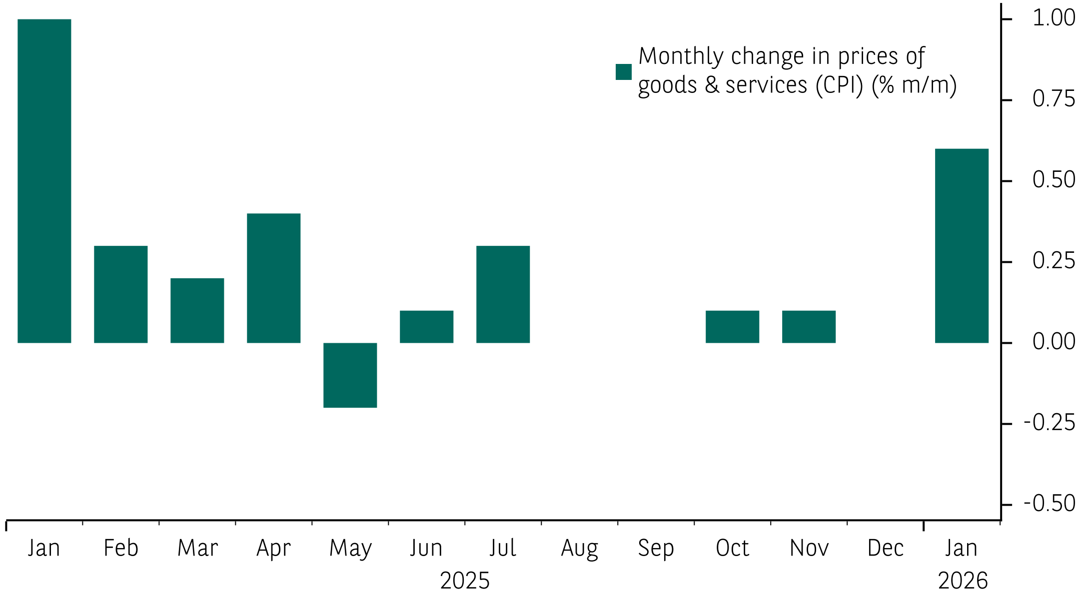
INFLATION IN POLAND: THE CPI BASKET…

… has not affected the rate of price growth much

CPI basket

Category	Weight 2025	Weight 2026	Δ Weight 2026 vs 2025
Housing	8,45	8,95	0,50
Recreation, Sport & Culture	5,89	6,37	0,48
Health	5,81	6,20	0,39
Energy	11,08	11,40	0,32
Insurance & Financial Services	1,09	1,24	0,15
Food & Non-Alcoholic Beverages	25,85	25,91	0,06
Education	1,07	1,03	-0,04
Personal Care & Other Goods	4,48	4,41	-0,07
Information & Communication	5,13	5,02	-0,11
Restaurants & Accommodation	5,66	5,55	-0,11
Clothing & Footwear	3,90	3,75	-0,15
Furnishings	5,33	5,18	-0,15
Fuels	5,55	5,30	-0,25
Alcoholic Beverages, Tobacco	5,19	4,81	-0,38
Transport	5,52	4,88	-0,64





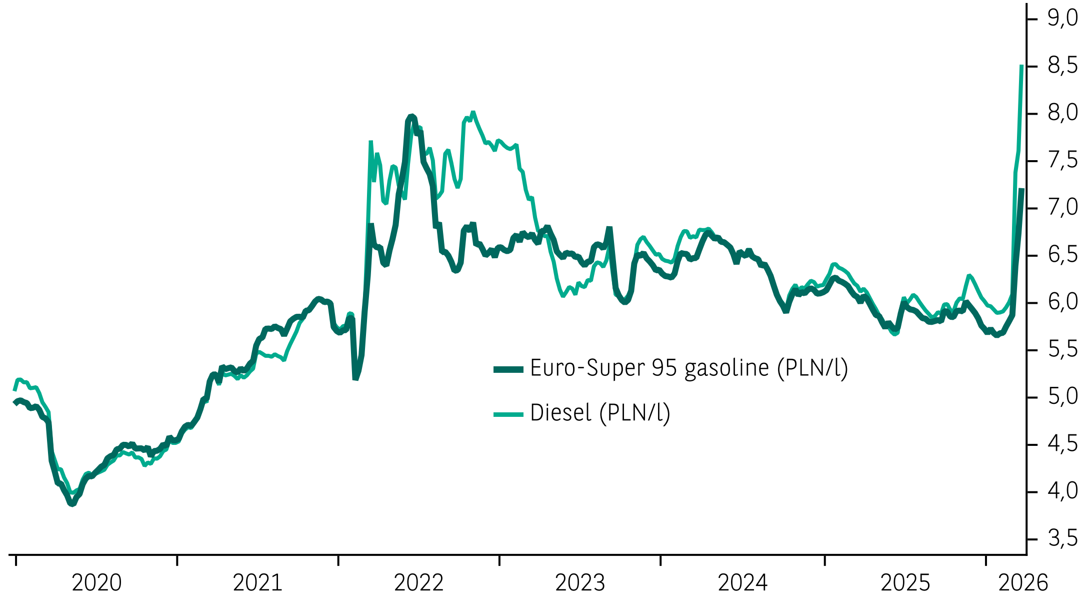
In March, the Central Statistical Office (GUS) updated the weights used to calculate CPI inflation. Currently, the structure of the basket corresponds to the shares of individual categories of goods and services in household expenditures last year. In 2025, the share of funds allocated to the use of housing, recreation, sports and culture, and health increased the most. On the other hand, the importance of expenditure on transport, alcohol and tobacco products, and fuels decreased.

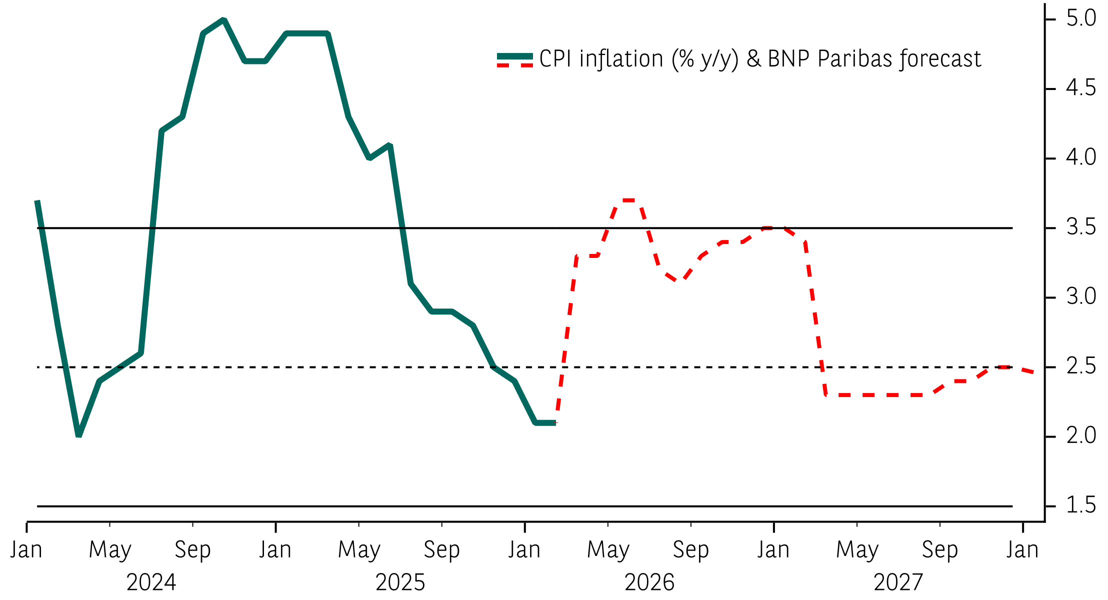
According to the weights from the revised basket, consumer prices increased by 0.3% m/m in February. As a result, CPI inflation stayed put at 2.1% y/y. In February, prices rose the most in categories such as other vegetables (+26.5% m/m), maritime passenger transport (+16.9% m/m), wood fuels (+13.3% m/m), and other large household appliances (+9.3% m/m). On the other hand, air transport, game consoles, butter and other animal fats were significantly cheaper than a month ago.

Core inflation (excluding energy, fuels and food) slowed to 2.5% y/y in February.

INFLATION IN POLAND: BNP PARIBAS FORECAST

Consumer price dynamics will top 3% in March and may stay above this handle throughout the year





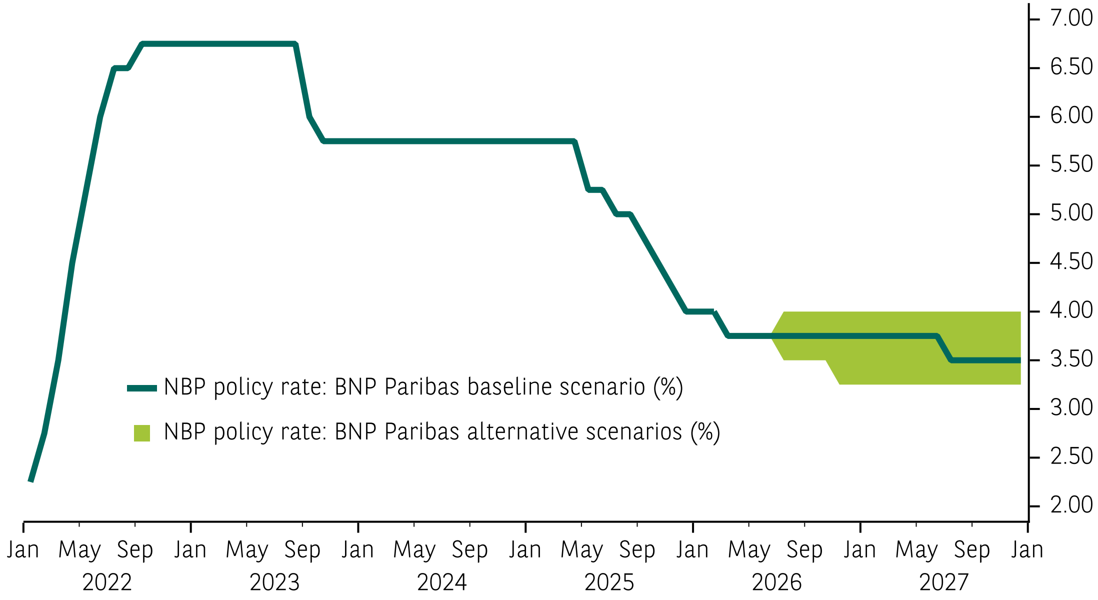
We expect that as a result of the jump in fuel prices in March, CPI inflation will accelerate significantly and may exceed 3% y/y. Based on current prices from petrol stations, we estimate that in the ending month fuel prices may have risen by an average of more than 20%, which, with the share of fuels in household expenditure at the level of 5.3%, may add more than 1pp to price dynamics.

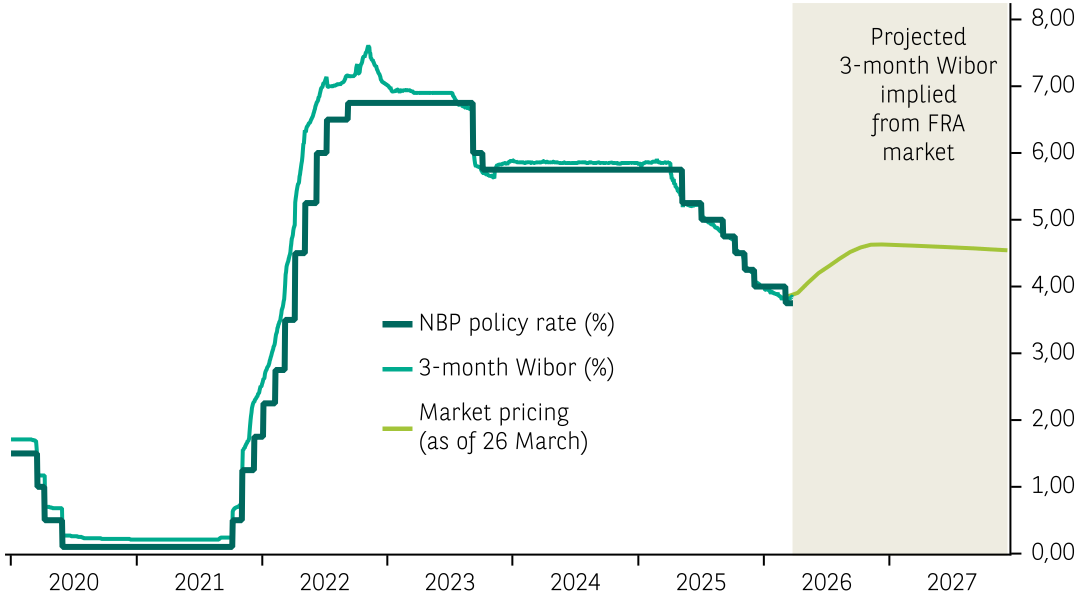
In the coming months, the expected inflation path is fraught with high uncertainty due to energy commodity prices. In the event of an escalation of the situation in the Persian Gulf and a prolonged closure of the Strait of Hormuz, fuel prices on global markets may continue to rise, pushing up inflation strongly. On the other hand, an agreement between the United States, Israel and Iran could quickly calm the situation and be a factor in cooling the pace of price increases. Currently, in the baseline scenario, we assume – like futures contracts – that oil prices may remain high through the second quarter, but later in the year the cost will gradually decline and at the end of the year a barrel of oil will cost around USD 80.

As a result, we believe that throughout the year, CPI inflation will oscillate in the 3-3.5% range but will not persistently exceed the upper end (+/-1pp) of the deviations range around the NBP's inflation target of 2.5%. However, we believe that in 2027 the price shock will largely fade and price dynamics will return to the level desired by the central bank.

MPC: ONE…

… and done





In March, the Monetary Policy Council (MPC) decided to cut the interest rates of the National Bank of Poland by 25bp, bringing the reference rate down to 3.75%. While such a move seemed a foregone conclusion until the end of February, events in the Middle East have put the interest rate cut in question. However, the members of the Council concluded that although the scale of the impact of the situation in the Gulf region on the domestic economy (including inflation in particular) is unknown, the outlook for price processes is favourable enough to adjust interest rates downwards again.

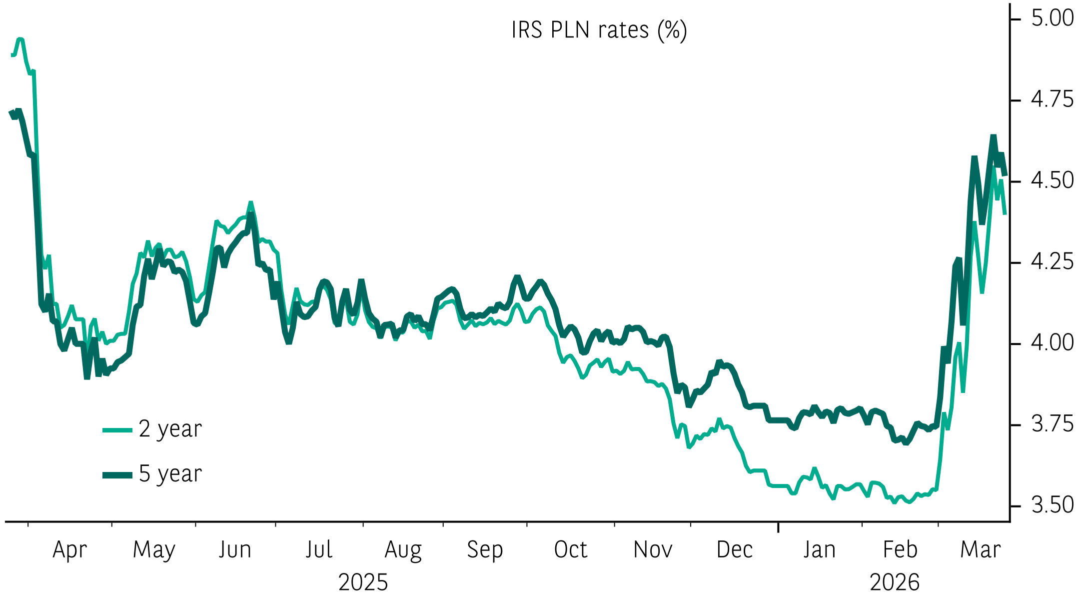
In the light of the situation on the energy commodity market, we believe that this was the first and last interest rate cut in Poland this year. In the face of accelerating inflation and an uncertain international environment, we believe that MPC members will be more cautious in the coming months and will not change the monetary policy parameters. However, we maintain our previous forecast that the NBP reference rate will ultimately fall to 3.50%, but we currently believe that this may happen only in the middle of next year, when price dynamics will stabilize at a low level again.

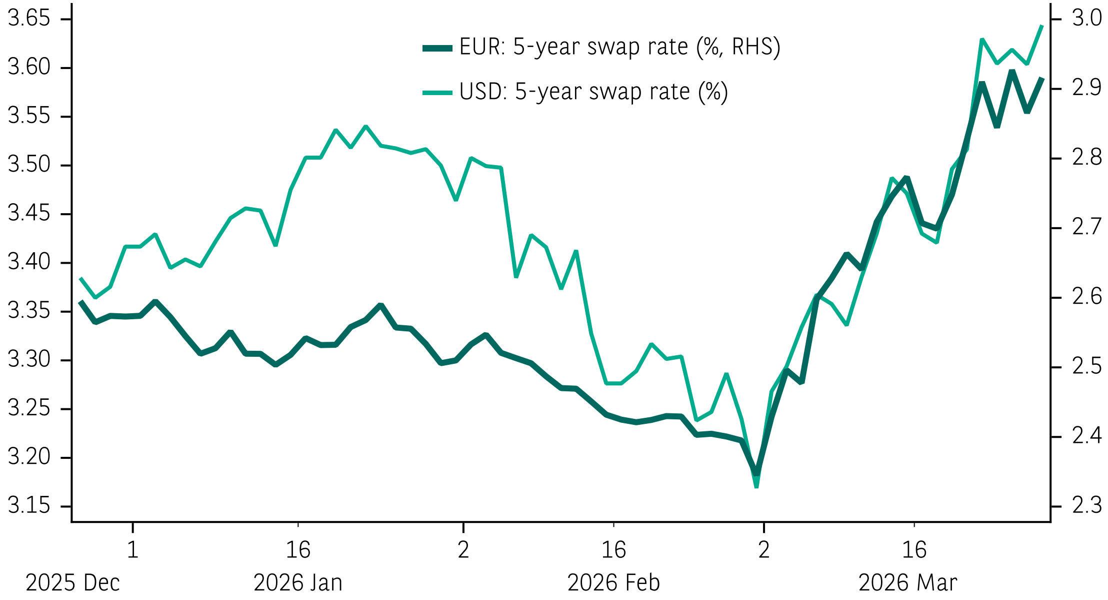
The market is pricing in as many as three interest rate hikes in Poland by the end of the year Such expectations are primarily a derivative of predictions regarding the actions of the European Central Bank. However, we believe that the bar for tightening monetary policy in Poland is set relatively high. In our opinion, such a scenario would become possible in the event of a protracted conflict in the Middle East. A possible significant weakening of the zloty exchange rate could also potentially "force" the MPC to increase the cost of money.

PLN: IRS rates, bonds and FX market

PLN IRS RATES: ABRUPT…

… elevation



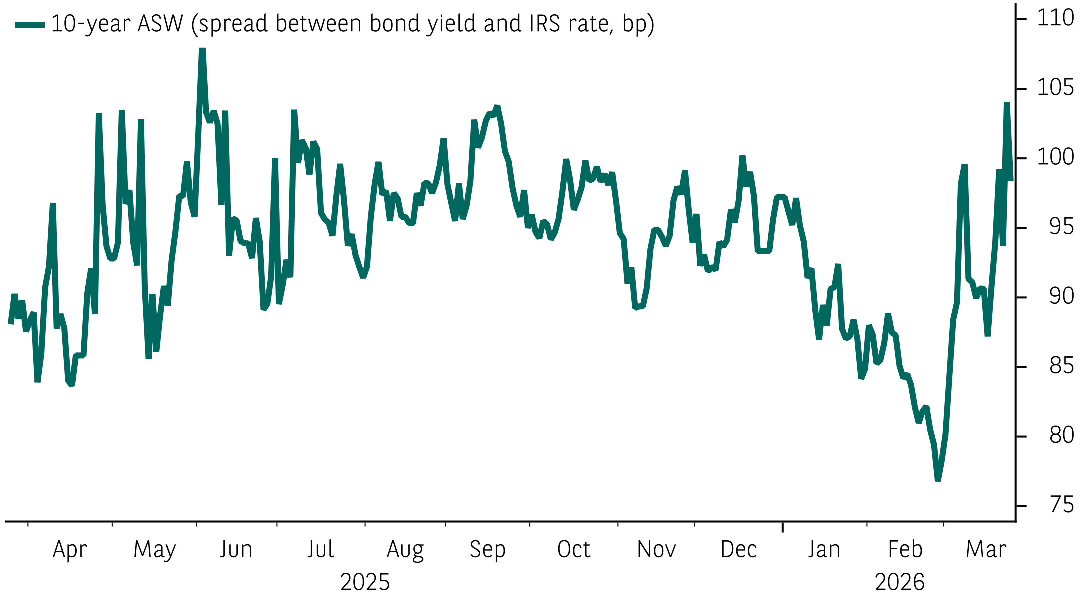


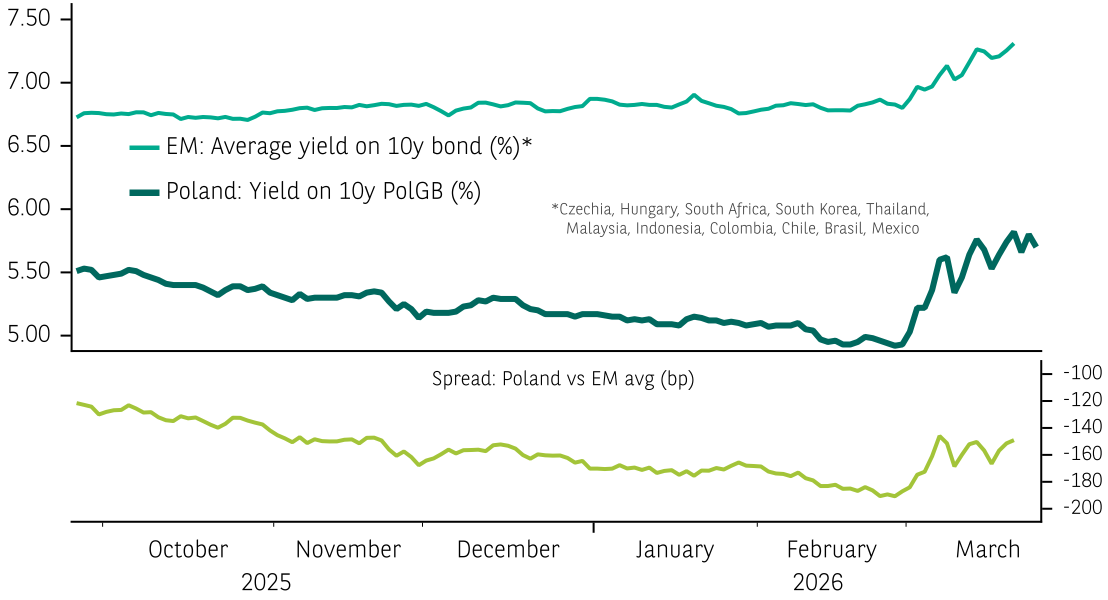
In March, IRS zloty rates rose sharply. Currently, the 2-year swap rate trade around 4.40%, while the 5-year swap rate is close to 4.50%. This means increases of 80-90bp compared to the levels recorded at the end of February. We believe that the market is currently pricing interest rate hikes in Poland too aggressively and, assuming that the situation in the Middle East does not escalate, quotes will fall in the coming months.

The shift in quotes in Poland imitated moves on the core markets. In the United States, the 5-year IRS rose by about 40bp during the month. In the Eurozone, the market spike was more visible and in the case of the 5-year rate was around 50bp compared to the levels at the end of February this year.

BONDS: THE PREMIUM IN YIELDS…

… has gone visibly up





In March, the spread between the yield on a 10-year Treasury bond and the 10-year PLN swap rate (ASW - a measure of the fiscal premium) widened clearly and oscillated around 100bp at the end of the month.

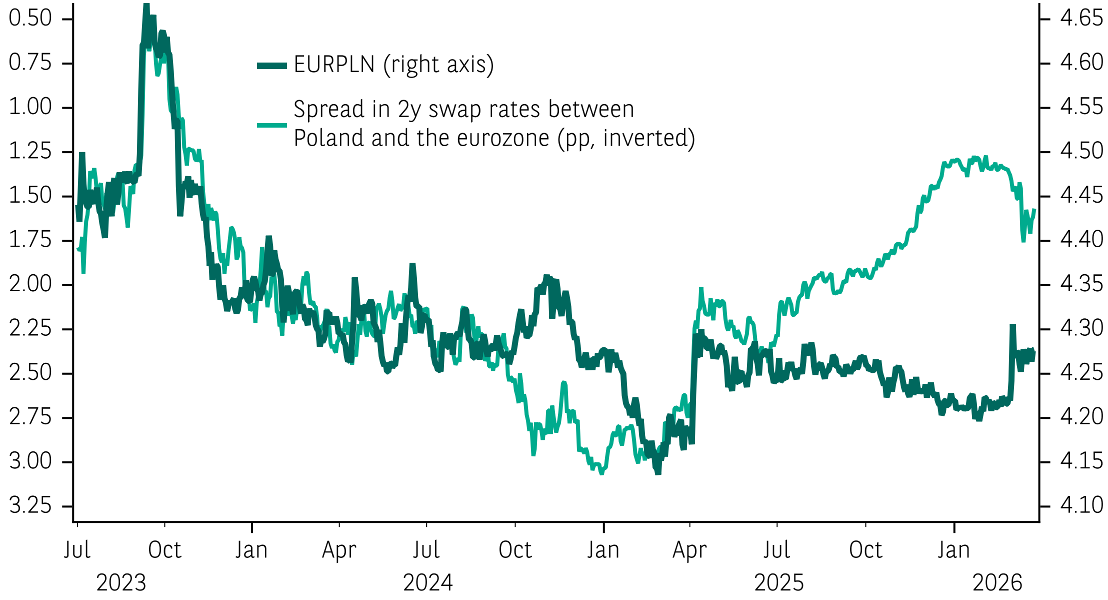
By the end of February, ASW was falling, dropping below the 80bp level. The domestic debt was supported by better execution of the state budget and very strong foreign demand for State Treasury securities. In January alone, non-residents increased their exposure to government bonds by PLN 15 billion to PLN 188 billion, which was the highest level since 2018.

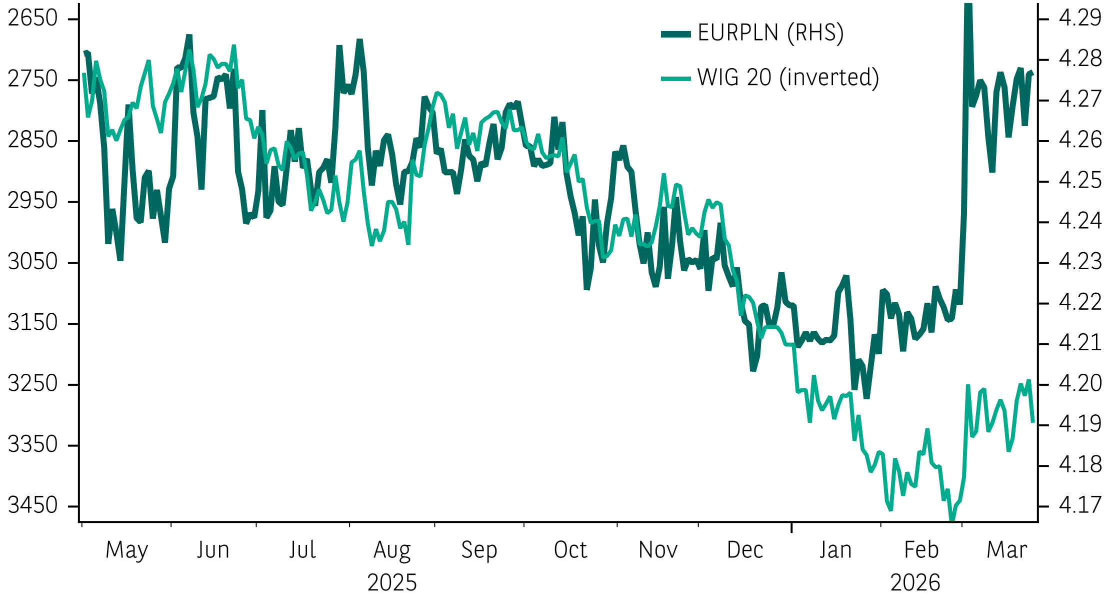
We believe that the outbreak of the Gulf War has significantly changed the direction of capital flows in the global financial market, and domestic debt has ceased to be as bid as it was at the beginning of the year, resulting in an increase in yields.

The negative difference in the yield of 10-year Polish government bonds against other Emerging Markets narrowed somewhat in February and currently the domestic debt is trading about 150bp below the average from other EM countries.

PLN: ZLOTY LOSES...

... on the geopolitical chaos





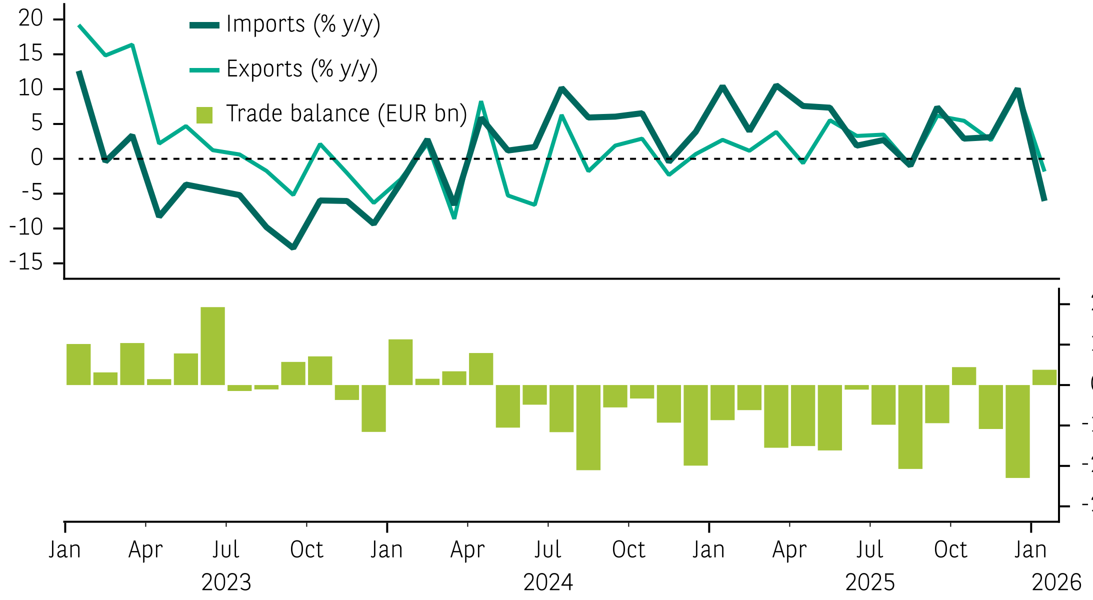
In March, the zloty exchange rate against the euro moved in the 4.22-4.30 range, and at the end of the month the EURPLN cross traded around 4.27. The weakening of the domestic currency was caused by geopolitical factors, which we perceive as the main element influencing the behaviour of the zloty. Greater uncertainty has caused a reversal away from emerging markets and an outflow of capital to safe havens (mainly dollar assets). Among the EM countries, Poland is in the group most strongly affected by the negative impact of the conflict in the Middle East on the exchange rate, which is probably related to the high dependence of the country on the import of energy resources.

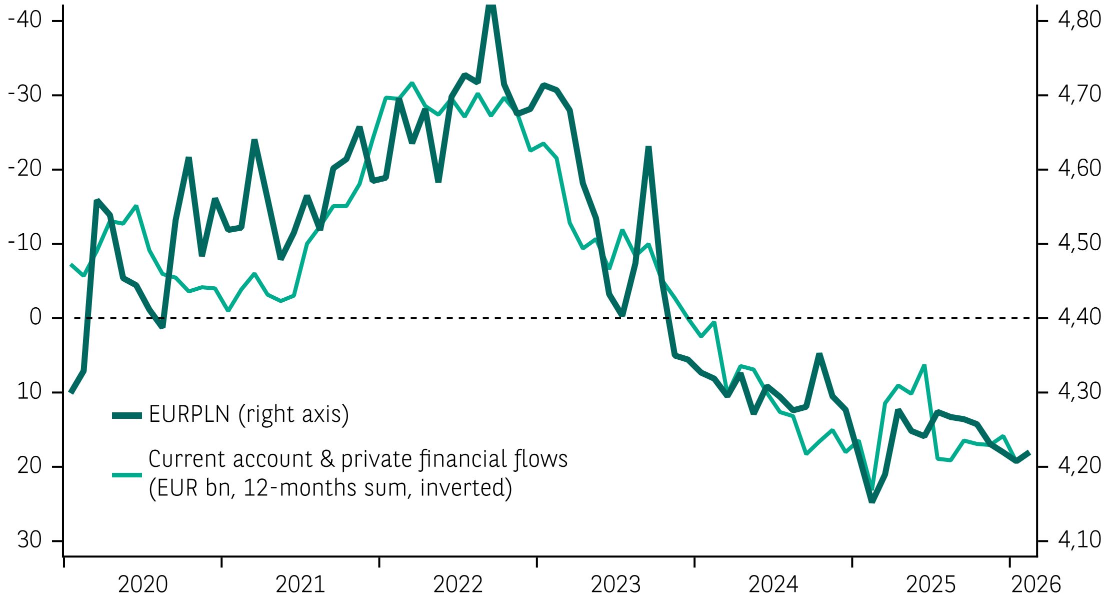
However, the condition of the economy remains solid, which, in our opinion, limits the space for a more significant depreciation of the PLN exchange rate. Still, the difference in the level of interest rates between Poland and the euro area would be consistent with an increase in the EURPLN to the level of 4.40 or slightly higher.

The safety buffer for the zloty comes from a significant inflow of the European funds to Poland this year. The Ministry of Finance has a certain freedom in terms of exchanging funds received from the EU into zlotys. In general, this conversion takes place mainly in the NBP without affecting the quotations of the domestic currency. However, some of the funds are exchanged "on the market" and an increase in the volume of such transactions would support the PLN exchange rate, in the event of intensifying pressure on the weakening of the zloty.

BALANCE OF PAYMENTS: HUGE SURPLUS IN FOREIGN TRADE…

… at the start of 2026





In January, a significant surplus of more than EUR 1 billion appeared on the current account. This was mainly due to a clear decrease in imports by 6.1% y/y, with a significantly smaller decrease in exports (-1.8% y/y). As a result, the balance of trade in goods was positive at the beginning of the year and amounted to 378 million euros. In addition, Poland recorded a surplus of over EUR 3 billion on the balance of services, while the deficit on the income account approached EUR 2.5 billion.

NBP analysts comment: *„The decline in exports was largely due to the lower number of working days compared to January 2025. Drops in value were seen across all major categories of exported goods. The largest declines were recorded in exports of investment goods, supply goods and means of transport. Meanwhile, the decline in the value of agricultural exports was due to falling international market prices. The significant drop in imports was due to the calendar effect, the further decline in oil prices and the base effect. Apart from fuels, the value of imports of supply and investment goods decreased the most. During this period, the increase in the value of imports was limited to individual items. At the beginning of 2026, imports of passenger cars, computer parts, and iron and steel structures increased."*

Taking into account financial flows, the latest data on the balance of payments indicate that the EURPLN exchange rate should trade around 4.20.

This report was prepared by: Marcin Kujawski, Michał Dybuła, Aleksandra Prus, Tomasz Tyc

Sources: EIA, ICE, OECD, Markit, Eurostat, GUS, Bloomberg, NBP, BEA, US Census Bureau, Fed, European Commission, Macrobond, BNP Paribas Bank Polska.

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