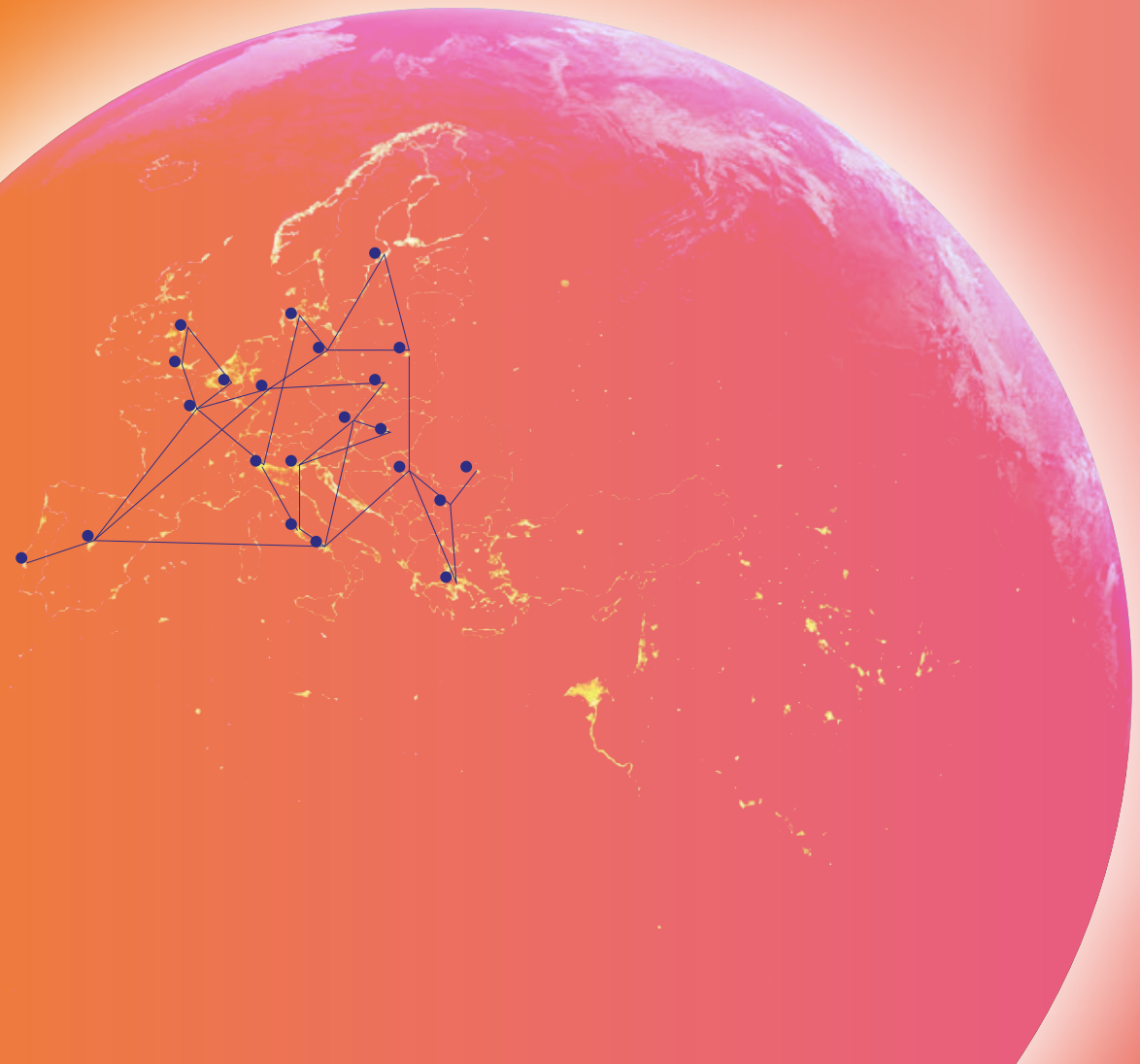

Polish Bank Association

POLAND AND EUROPE

investment, security, future

SEPTEMBER **2025**

EDITION XII

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INTRODUCTORY REMARKS

2025 is a special year for Poland and all of Europe. We find ourselves at a moment of profound economic, technological and geopolitical changes that exert a significant impact on the stability and development of our countries. On the one hand, we are witnessing the reappearance of growth potential after periods of slowdown and uncertainty. On the other hand, however, we are facing numerous challenges related to energy transition, digitization and ongoing international tensions. In this dynamic environment, stability of the financial system that constitutes the cornerstone of economic and social growth, turns out to be of utmost importance. Poland remains one of the fastest growing economies in the European Union. In 2024, our GDP increased by 2.9%, and the European Commission's forecasts indicate that in 2025 the growth rate will reach 3.3%, ranking us among the top Member States. This proves the resilience of our economy, but also the effectiveness of the measures taken by businesses, public institutions and the financial sector. At the same time, however, we face the real challenge of maintaining this momentum in the face of global trade tensions, growing competition from outside Europe, and the high cost of energy transition processes. We stand a real chance of becoming the world's 18th largest economy over the next decade. This requires, however, precise, long-term, strategic actions oriented toward increasing investments and improving the competitiveness of the Polish economy.

Against this backdrop, the banking sector has a special role to play. It is the banks, not the capital market, that predominantly finance business investment and foster the development of innovative solutions. Unfortunately, in Poland (compared to other EU countries) the level of investment in relation to GDP is far from the EU average and is even at a record low. When asked if they plan to make any investments in the near future, 30% of entrepreneurs offered a negative answer. The level of investment in R&D activities – an area that could realistically boost the competitiveness of the Polish economy – is particularly low. A similar share of entrepreneurs stated they might, given certain conditions, consider investing in the coming years. To maintain our position as an EU growth leader, we need a significant acceleration of investment – both in energy and innovation industries.

It is worth noting that the banking sector has the potential to increase the level of funding available to the Polish economy by approximately PLN 380 billion. Access to this funding is better than the EU27 average. Banks – like no other industry – support the state budget to a significant extent. The cumulative value of fiscal and para-fiscal burdens in 2015-2025 exceeded PLN 185 billion, of which more than PLN 83 billion was paid as CIT. The tax and employee benefit-related burdens, plus the cost of the legal risk borne in 2015-2025 reached PLN 280.51 billion. The banks are currently facing a new challenge – a draft law planning to increase the CIT rate from 19% to 30%. The proposal to permanently increase the CIT rate for banks – and banks only – is a sector-specific injustice. Since the additional budget revenues are expected to feed defense spending, it should be borne in mind that the responsibility for the welfare of the homeland and its security should be funded by all sectors of the economy acting jointly. Such solutions have been

introduced in many European countries, including Italy, Spain, Greece and Romania. The solution proposed by the Ministry of Finance is not a one-time boost to the state budget that will be available over a limited period of time. Instead, it is a permanent burden imposed on the banking sector - regardless of the condition of the economy and the standing of banks. This solution generates the highest cost (estimated at more than PLN 7 billion) in 2026 – a time when interest rate drops will translate into lower financial results generated by banks. Therefore, in light of the current economic situation, the proposal put forward by the Ministry of Finance negatively affects the pro-cyclical nature of the solutions introduced. When designing the fiscal policy, a balance must be struck between the needs of the budget and the stability of banks and their ability to finance Polish families, businesses and growth-oriented investments. The banking sector cannot accept a situation in which the cost of defense funding is placed on the shoulders of saving Poles - mainly future retirees. The Polish Bank Association estimates that their dividends will be decreased by approximately 19% (as early as in 2026), and then may be expected to lose approximately 8.5% over the decade to come. The proposed tax rate amendments will cause future Polish pensioners to lose more than PLN 4.8 billion over the next ten years!

The goal of the banking sector operating in Poland is to promote the growth of the Polish economy and ensure that funding adequate to its needs is available. Additional fiscal burdens must be a temporary tool, not a permanent component of the system. Additional strains imposed on the banking sector will only reduce lending and innovation-promoting investments. Further dynamic development of our country will not be possible without greater use of credit instruments. However, to make this possible, care must be taken to remove the barriers that currently discourage entrepreneurs from investing and relying on credit. According to the business sector, the most important barriers preventing it from investing include difficulties in accessing funding. High cost of credit ranks only as reason number five or six. This means that it does not constitute the most important investment barrier for companies. Legal and regulatory uncertainty, unpredictability of administrative decisions, fiscal unpredictability, investment approvals taking years to obtain, as well as unpredictable economic and geopolitical conditions are frequently named as much more important factors. Therefore, the first step is to ensure that these issues are properly addressed.

The 12th edition of the "Poland and Europe: investment, security, future" report is an attempt to showcase our economy against the background of the European economy, with forecasts for the coming years presented as well. The reviews, forecasts and comparisons contained herein are intended both to foster the understanding of processes taking place in Poland and Europe and inspire a broader discussion on the condition of the banking sector and its impact on the financing of the economy. I am convinced that by joining our efforts and combining our knowledge, experience and responsibilities, we are able to build a strong, innovative and secure economy, with a modern and reliable banking sector serving as its stable foundation.

Enjoy the read!
dr Tadeusz Białek
President of the Polish Bank Association

Chapter I

ECONOMIES OF **POLAND AND EUROPE**

The EU economy is slowly recovering from a slowdown phase. Recent years have brought an accumulation of various crises: the pandemic, the energy- and inflation-related turmoil and the geopolitical shakeup related to the war in Ukraine. The impact of these events continues to shape the macroeconomic environment, but forecasts for the coming years show that a gradual strengthening of growth-defining fundamentals may be expected. Despite its difficulties, Poland remains one of the fastest growing economies in the EU, with its investment potential, growing innovation and the stability of its banking sector being conducive to maintaining a competitive edge.

From a European perspective, the Union's economy achieved GDP growth of 1.0% in 2024, which, while modest, represented a breakthrough after a period of stagnation. Forecasts for 2025 assume a further acceleration to 1.6%, and to 1.4% in the eurozone. Poland comes out much more favorably against this backdrop, with its GDP expected to grow by 3.3% in 2025, placing it among the top EU economies. The key growth drivers include a high share of investment, supported by inflows of EU funds, combined with rising private consumption. At the same time, such challenges as the negative impact of net exports or the slowdown observed in the countries of major trading partners, cannot be overlooked.

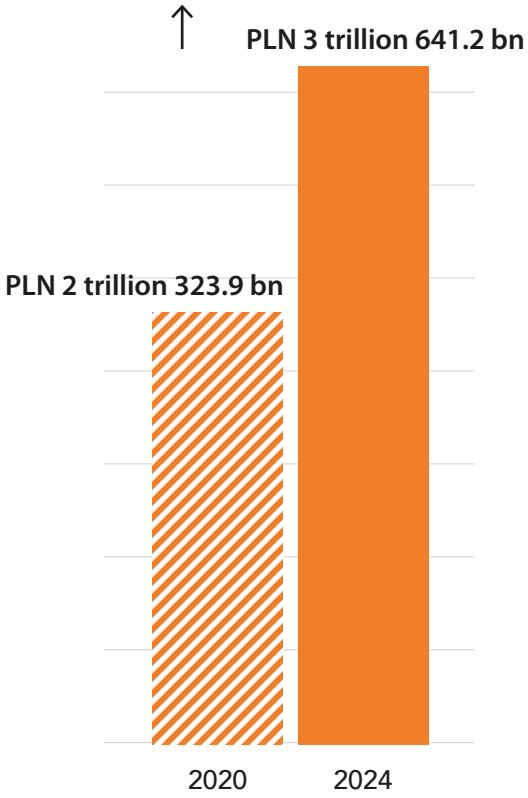
Inflation remains an important part of the economic picture. While there are signs that price pressures are dying down across the EU, Poland continues to record above-average rates. According to forecasts, HICP inflation in 2025 will amount to 3.6%, while in the eurozone it will fall to 2.1%. The process of disinflation in Poland is slower, and its pace depends on the dynamics of wages and prices in the service sector. This, in turn, directly affects the state's monetary and fiscal policies, including the burden of servicing public debt.

Budget debt and deficit are becoming the key economic problems faced by Europe. Poland - along with seven other EU countries - has found itself to be covered by the excessive deficit procedure, and the projected level of public debt for 2025 is 58% of GDP, coming dangerously close to the constitutional limit of 60%. The increase stems from both high defense spending and the inclusion of off-budget funds in debt-related statistics.

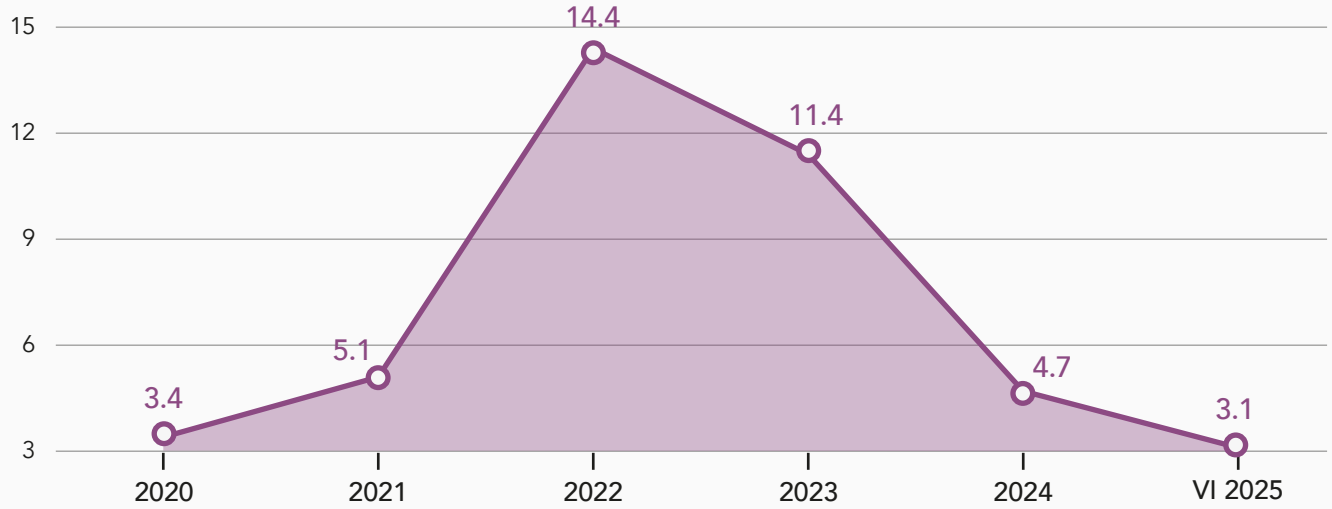
Geopolitical challenges have a direct bearing on the economic condition. The Russian–Ukrainian conflict, tensions in trans-Atlantic relations and growing competition from non-European economies are significant risk factors. In the survey, representatives of the banking sector in Poland points precisely to the conflict in Ukraine, the escalation of geopolitical tensions and disintegration processes within the EU as the most serious threats to the stability of the European economy. Despite this, most experts believe that Poland will return to a path of stable growth faster than many other EU countries.

KEY DATA

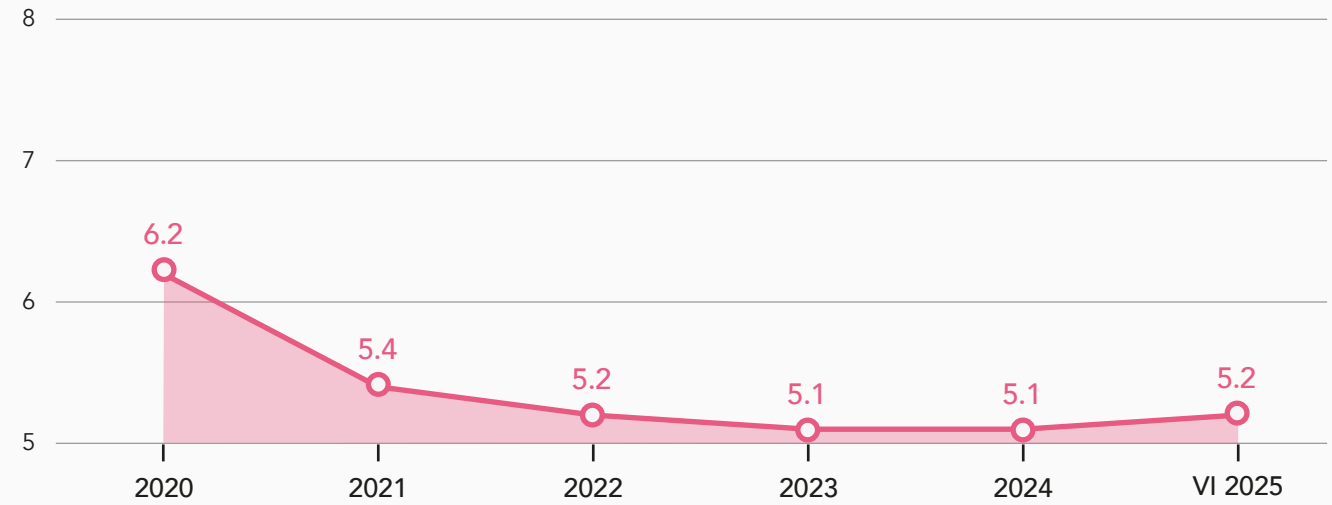
Poland's GDP in nominal terms



Inflation (in percent)



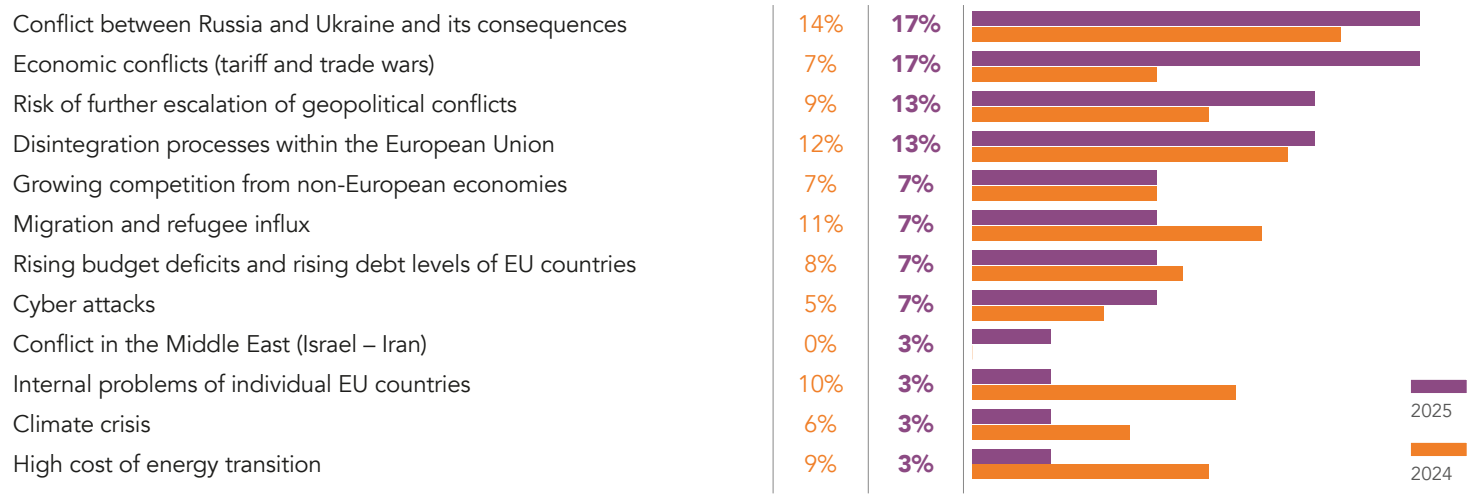
Unemployment (in percent)



Traditionally, as it is the case each year, we asked representatives of the banking sector for their opinion on several important issues. When inquired about the biggest threats to the stability of the European economy, bankers pointed to the following: conflict between Russia and Ukraine and its consequences (17%), economic conflicts (17%), risk of further escalation of geopolitical conflicts (13%) and disintegration processes within the European Union (13%).

Which factor do you think threatens the stability of the European economy the most?

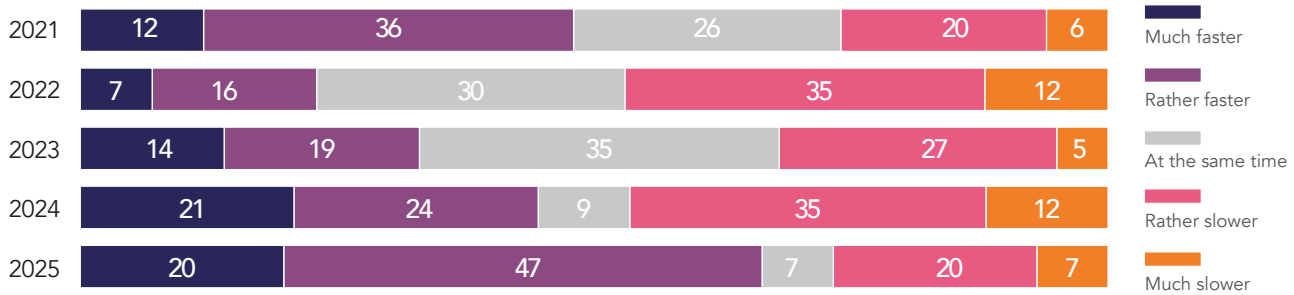
Source: Survey conducted by Minds&Roses on behalf of the Polish Bank Association. July 2025.



More than a quarter of respondents (27%) estimate that Poland's economy will return to the growth path more slowly than other EU countries. The opposite view is held by 67% of respondents, who believe that Poland will get on the growth path faster than other EU countries.

In your opinion, the Polish economy will return to a growth path, compared to other EU countries

Source: Survey conducted by Minds&Roses on behalf of the Polish Bank Association. July 2025.



GDP

The latest European Economic Forecast – Spring 2025 by the European Commission shows a further improvement in economic conditions in the European Union after a slowdown phase. The EU economy grew by 0.4% in Q4 2024, slightly exceeding earlier forecasts, and GDP growth for the whole of 2024 equaled 1.0%. EU's real GDP growth is projected at 1.6% in 2025 and 1.7% in 2026. This growth is in line with previous winter forecasts (1.0% in 2024 and 1.6% in 2025), while the eurozone was expected to see GDP growth of 0.8% in 2024 and 1.4% in 2025. Poland remains one of the fastest-growing large economies in the EU. According to EC forecasts, after GDP growth of 2.9% in 2024, the Polish economy will grow 3.3% in 2025 and 3.0% in 2026. **The growth rate generated in 2025 will rank Poland in fourth place among the fastest-growing economies in the Union,** behind Malta (4.1%), Denmark (3.6%), and Ireland (3.4%). The main drivers of growth will include the following: continued increase in private consumption (3.4% in 2025 and 2.8% in 2026) and strong investment growth (6.9% in 2025 and 5.3% in 2026, after a 2.2% decline in 2024), supported by inflows of EU funds. GDP dynamics will continue to be negatively affected by net exports (-0.6 percentage points in 2025 and -0.2 percentage points in 2026) and the economic slowdown in countries being Poland's key trading partners. **Poland's GDP growth projections for 2025–2026 are lower than the EC's November 2024 forecast** (by 0.3 and 0.1 percentage points, respectively) and the Ministry of Finance's forecast presented in the "Multi-annual Macroeconomic Assumptions for 2025-2029," assuming growth of 3.7% in 2025 and 3.5% in 2026. The adjustment is due, among other things, to the EC's consideration of the effects of US tariff policy.

Real GDP growth (in percent)

Source: European Commission, European Economic Forecast, Spring 2025; European Commission, European Economic Forecast, Autumn 2024; European Commission, European Economic Forecast, Spring 2024

	Data from previous reports				EC forecasts, spring 2024			EC forecasts, autumn 2024			EC forecasts, spring 2025		
	2020	2021	2022	2023	2023	2024	2025	2024	2025	2026	2024	2025	2026
EU	-5.9	5	3.5	0.5	0.4	1	1.6	0.9	1.5	1.8	1	1.1	1.5
Eurozone*	-6.8	5.3	3.5	0.4	0.4	0.8	1.4	0.8	1.3	1.6	0.9	0.9	1.4

According to European Commission forecasts, no EU country will experience negative GDP growth in 2025. Poland is among the countries with one of the higher projected growth rates (3.3% of GDP), placing it above the EU average. The highest GDP growth in 2025 is projected for Ireland (3.4%), Malta (4.1%) and Croatia (3.2%). At the opposite end of the spectrum are Germany, Belgium and France, with projected growth of 0.0%, 0.8% and 0.6%, respectively. Forecasts for the European Union as a whole show growth of 1.1%, while the eurozone will be at 0.9%.

Real GDP growth in 2020-2026 (in percent)

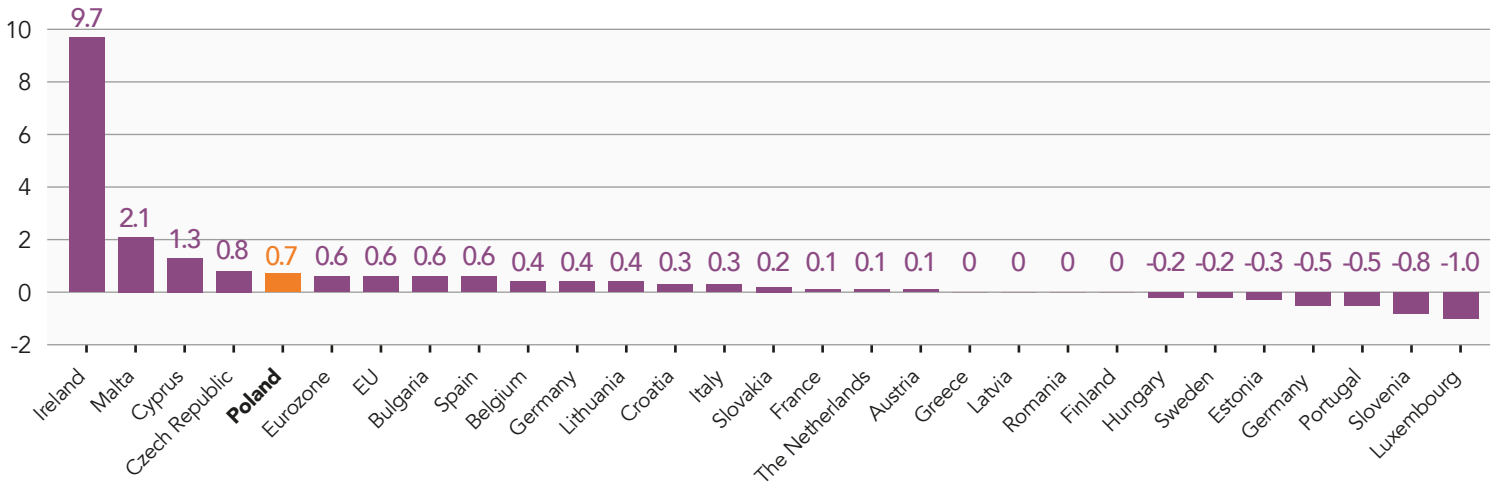
Source: economy-finance.ec.europa.eu, European Economic Forecast, Spring 2025: Moderate growth amid global economic uncertainty – European Commission

	Data from previous reports				EC spring forecast		
	2020	2021	2022	2023	2024	2025	2026
Belgium	-5.7	6.2	3.2	1.4	1.0	0.8	0.9
Germany	-4.6	2.9	1.8	-0.3	-0.2	0.0	1.1
Estonia	-3.0	8.3	-1.3	-3.0	-0.3	1.1	2.3
Ireland	5.9	13.5	12.0	-3.2	1.2	3.4	2.5
Greece	-9.0	8.3	5.9	2.0	2.3	2.3	2.2
Spain	-10.8	5.1	5.5	2.5	3.2	2.6	2.0
France	-7.8	6.8	2.6	0.7	1.2	0.6	1.3
Croatia	-8.1	10.2	6.2	3.1	3.9	3.2	2.9
Italy	-9.0	6.6	3.7	0.9	0.7	0.7	0.9
Cyprus	-5.0	5.5	5.6	2.5	3.4	3.0	2.5
Latvia	-3.8	4.5	2.8	-0.3	-0.4	0.5	2.0
Lithuania	-0.1	5.0	1.9	-0.3	2.8	2.8	3.1
Luxembourg	-1.8	6.9	1.5	-1.1	1.0	1.7	2.0
Malta	-8.2	10.4	6.9	5.6	6.0	4.1	4.0
The Netherlands	-3.9	4.9	4.5	0.1	1.0	1.3	1.2
Austria	-6.7	4.8	5.0	-0.8	-1.2	-0.3	1.0
Portugal	-8.4	4.9	6.7	2.3	1.9	1.8	2.2
Slovenia	-4.2	8.1	5.4	1.6	1.6	2.0	2.4
Slovakia	-4.4	3.0	1.7	1.6	2.1	1.5	1.4
Finland	-2.2	3.0	2.1	-1.0	-0.1	1.0	1.3
Eurozone	-6.4	5.3	3.5	0.4	0.9	0.9	1.4
Bulgaria	-4.4	4.2	3.4	1.8	2.8	2.0	2.1
Czech Republic	-5.5	3.5	2.5	-0.3	1.1	1.9	2.1
Denmark	-2.0	4.9	3.8	1.9	3.7	3.6	2.0
Hungary	-4.7	7.1	4.6	-0.9	0.5	0.8	2.5
Poland	-2.2	5.9	5.1	0.2	2.9	3.3	3.0
Romania	-3.7	5.9	4.7	2.1	0.8	1.4	2.2
Sweden	-2.9	5.1	2.6	-0.2	1.0	1.1	1.9
EU	-5.9	5.4	3.5	0.4	1.0	1.1	1.5

The most up-to-date Eurostat data on the GDP growth of European Union countries covers the first quarter of 2025. On a year-on-year basis, i.e. compared to Q1 2024, Poland achieved impressive growth of 3.7%, placing it second among EU countries. It was surpassed only by Ireland, whose economy grew by as much as 21.1%. Meanwhile, the Central Statistical Office (GUS) reported that Poland's GDP in Q1 2025 grew by 3.2% year-on-year. In nominal terms, the domestic product amounted, in Q1 2025, to PLN 892.9 billion and was 6.9% higher than the year before.

Real GDP growth in Q1 2025 (in percent)

Source: commission.europa.eu, Q1. 2025

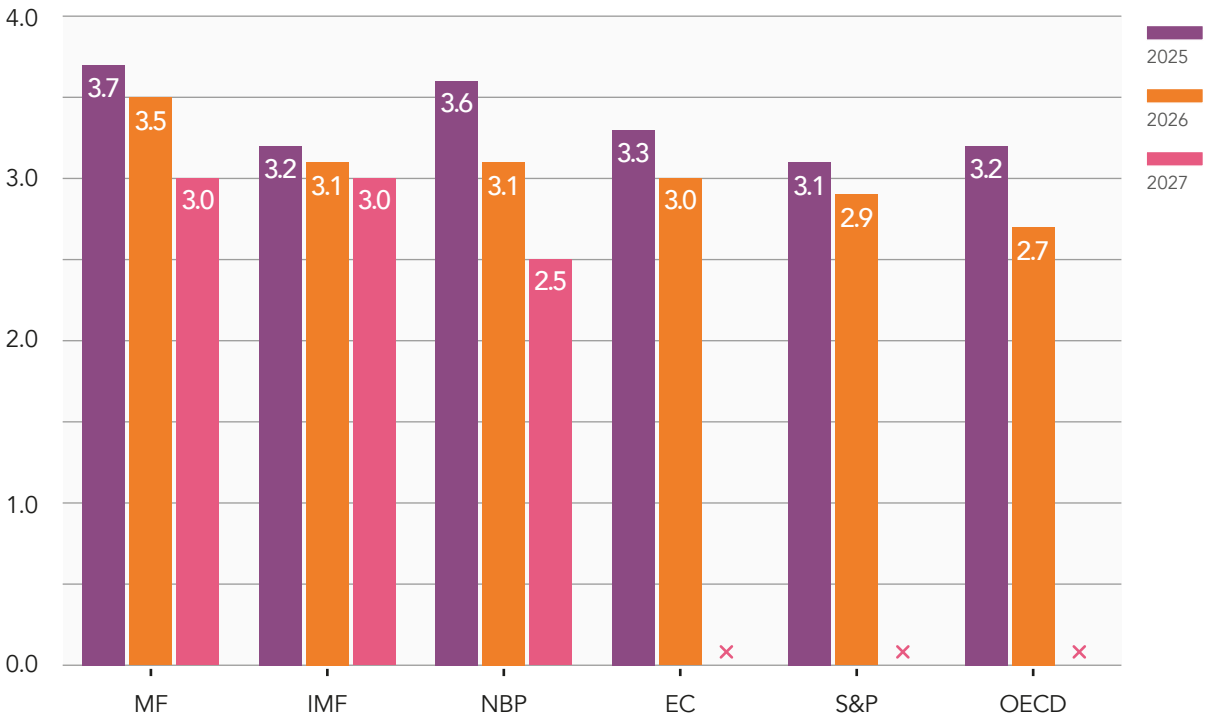


If, on the other hand, we look at data for all of 2024, Poland was ranked sixth with 2.9% overtaken by Spain (3.2%), Cyprus (3.4%), Denmark (3.7%), Croatia (3.9%) and the ranking's leader – Malta, whose GDP grew by 5.9%. On the other hand, on a quarterly basis, according to Eurostat data for Q1 2025, Ireland (9.7%), Malta (2.1%) and Cyprus (1.3%) recorded the highest GDP growth. Just behind them was the Czech Republic (0.7%), and Poland ranked fifth.

Poland's real GDP growth rate is projected to decline in the coming years at a level that exceeds that of most EU economies. Still, the cumulative growth over the next few years could be close to 10%.

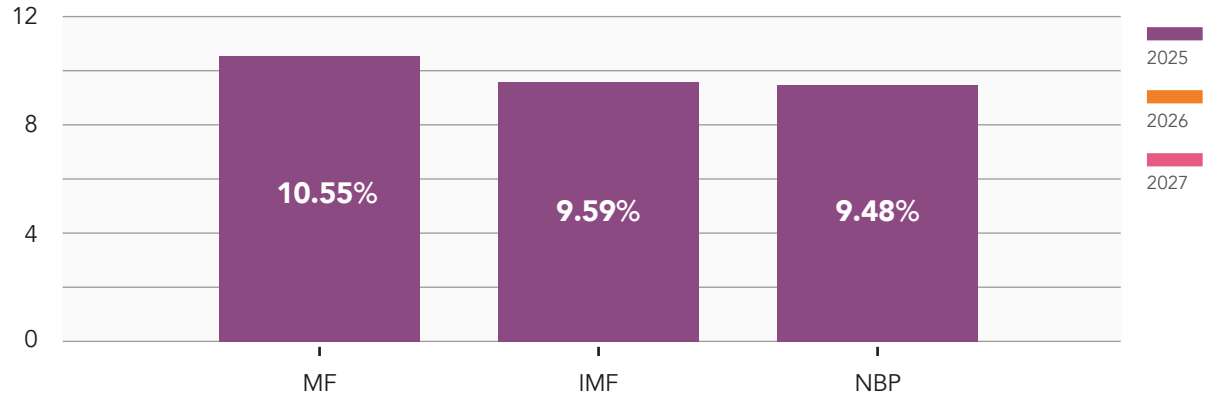
Forecast of Poland's real GDP growth in 2025-2027 (in percent)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on MF, IMF, National Bank of Poland, EC, S&P, OECD data



Cumulative projected real GDP in 2025-2027 (in percent)

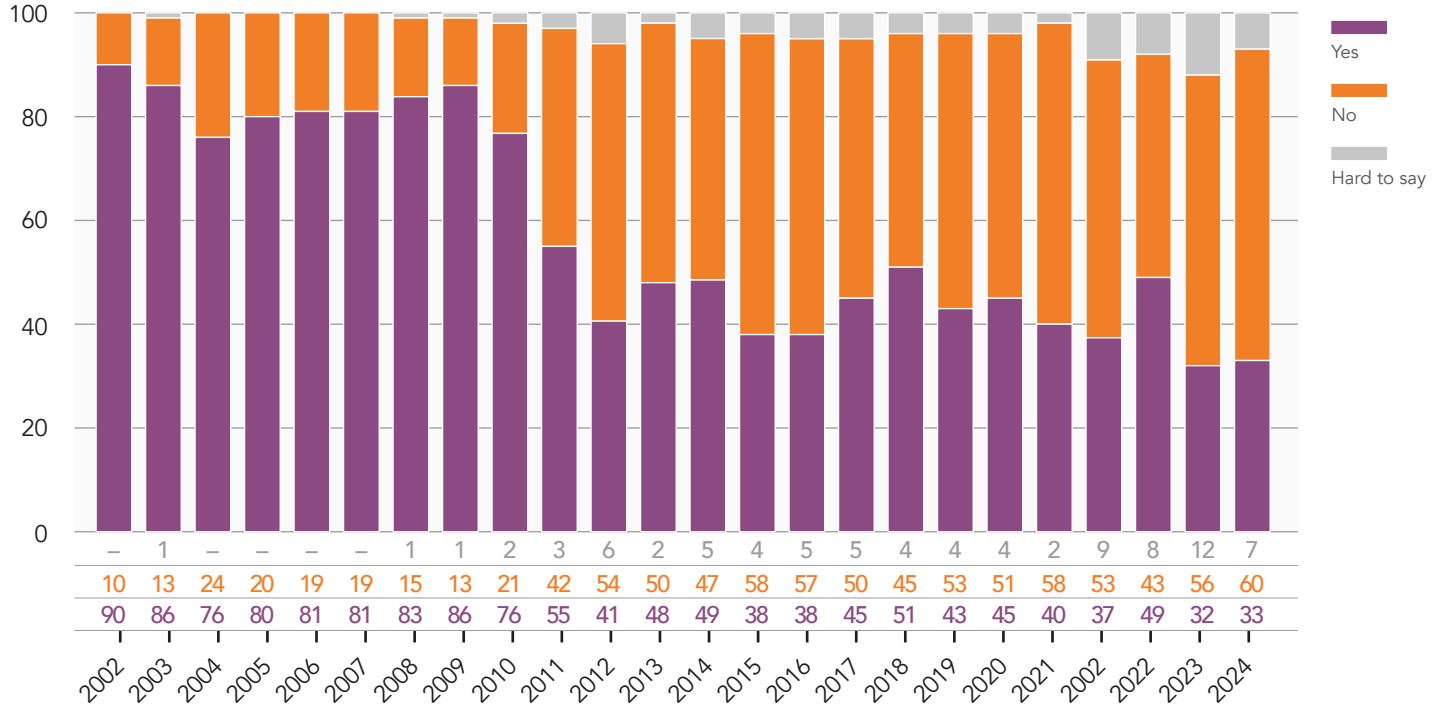
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on MF, IMF, National Bank of Poland, EC, S&P, OECD data



In 2025, the banking community's support for the introduction of the euro declined slightly compared to the measurement conducted a year ago. Currently, the percentage of those in favor of adopting the common currency is 33%, up 1 p.p. compared to last year. At the same time, the percentage of those surveyed who oppose replacing the Polish zloty with the common currency has increased by 4 p.p., while the percentage of those who cannot decide has fallen by 5 p.p. The balance between the potential advantages and disadvantages of switching to the euro is positive for banks operating in the country as well as for large companies and corporations. For households, on the other hand, the balance will be negative. The largest group of respondents (50%) believes that Poland's accession to the Monetary Union would benefit large companies and corporations, with 23% of respondents holding the opposite view. 34% of those surveyed believe that the adoption of the euro would benefit banks operating in Poland. At the same time, 30% of respondents see benefits in adopting the euro for the SME sector. Fifty-seven percent of respondents hold the opposite view. In assessing the advantages and disadvantages for households, 53% of respondents believe that the adoption of the single currency will bring more harm than benefit to consumers, while 23% take the opposite view, assessing that the adoption of the euro will bring more benefits than harm to this group.

Do you think Poland should join the European Monetary Union and replace the Polish zloty with the euro as the common currency?

Source: Survey conducted by Minds&Roses on behalf of the Polish Bank Association. July 2025

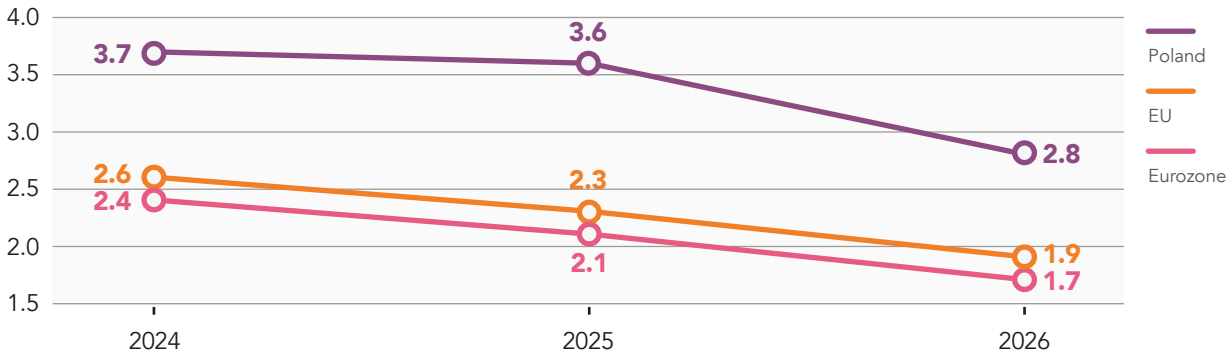


INFLATION

In recent months, there have been clear signs of easing inflationary pressures in the European Union, creating more favorable conditions for economic stabilization and a further recovery in activity. The decline in inflation is mainly due to lower energy commodity prices and forecasts of further drops, the strengthening of the euro and increasing competition in international trade. The impact of these factors is offset to some extent by price dynamics in the food and services sector that remain at elevated levels.

Inflation forecast for 2024-2026 (in percent)

Source: economy-finance.ec.europa.eu, European Economic Forecast, Spring 2025



According to current forecasts, average HICP inflation (an indicator that measures changes in the prices of consumer goods and services in a country, calculated according to the European Union's uniform methodology) in the eurozone will drop from 2.4% in 2024 to 2.1% in 2025, and will reach 1.7% in 2026. In the EU as a whole, the dynamics will be similar – from a slightly higher level in 2024, inflation will fall to 1.9% in 2026. Underlying price pressures remain moderate, but are broadly in line with the ECB's inflation target. Increasingly strong disinflationary factors are prompting markets to anticipate monetary policy easing in the coming years. Current estimates indicate that interest rates will reach the lower end of the ECB's neutral range, i.e. 1.75-2.25%. After a period of tighter fiscal policy in 2024, fiscal policy in the EU and the eurozone is expected to become broadly neutral in 2025, which should promote macroeconomic stability.

In Poland, the rate of disinflation is slower than the EU average. HICP inflation fell to 3.7% in 2024, with a further, albeit minimal, decline to 3.6% in 2025 and a projected drop to 2.8% in 2026, mainly due to falling energy prices and limited price dynamics of imported goods. However, price pressures in the service sector remain elevated due to strong wage growth.

Inflation rate in 2021-2026 (in percent)

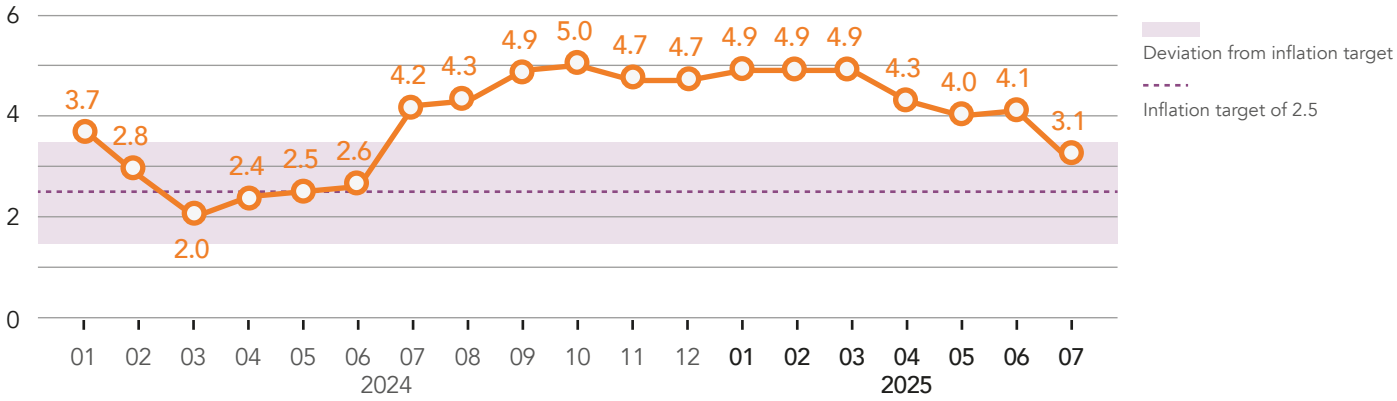
Source: economy-finance.ec.europa.eu, European Economic Forecast, Spring 2025

	Data from previous reports				EC spring forecast		
	2020	2021	2022	2023	2024	2025	2026
Belgium	0.4	3.2	10.3	2.3	4.3	2.8	1.8
Germany	0.4	3.2	8.7	6.0	2.5	2.4	1.9
Estonia	-0.6	4.5	19.4	9.1	3.7	3.8	2.3
Ireland	-0.5	2.4	8.1	5.2	1.3	1.6	1.4
Greece	-1.3	0.6	9.3	4.2	3.0	2.8	2.3
Spain	-0.3	3.0	8.3	3.4	2.9	2.3	1.9
France	0.5	2.1	5.9	5.7	2.3	0.9	1.2
Croatia	0.0	2.7	10.7	8.4	4.0	3.4	2.0
Italy	-0.1	1.9	8.7	5.9	1.1	1.8	1.5
Cyprus	-1.1	2.3	8.1	3.9	2.3	2.0	2.0
Latvia	0.1	3.2	17.2	9.1	1.3	3.0	1.7
Lithuania	1.2	4.6	18.9	8.7	0.9	2.6	1.2
Luxembourg	0.0	3.5	8.2	2.9	2.3	2.1	1.8
Malta	0.8	0.7	6.1	5.6	2.4	2.2	2.1
The Netherlands	1.1	2.8	11.6	4.1	3.2	3.0	2.0
Austria	1.4	2.8	8.6	7.7	2.9	2.9	2.1
Portugal	-0.1	0.9	8.1	5.3	2.7	2.1	2.0
Slovenia	-0.3	2.0	9.3	7.2	2.0	2.1	1.9
Slovakia	2.0	2.8	12.1	11.0	3.2	4.0	2.9
Finland	0.4	2.1	7.2	4.3	1.0	1.7	1.5
Eurozone	0.3	2.6	8.4	5.4	2.4	2.1	1.7
Bulgaria	1.2	2.8	13.0	8.6	2.6	3.6	1.8
Czech Republic	3.3	3.3	14.8	12.0	2.7	2.2	2.0
Denmark	0.3	1.9	8.5	3.4	1.3	1.6	1.5
Hungary	3.4	17.0	15.3	17.0	3.7	4.1	3.3
Poland	3.7	5.2	13.2	10.9	3.7	3.6	2.8
Romania	2.3	4.1	12.0	9.7	5.8	5.1	3.9
Sweden	0.7	2.7	8.1	5.9	2.0	2.2	1.6
EU	0.7	2.9	9.2	6.4	2.6	2.3	1.9

A flash estimate by the Central Statistical Office (GUS) shows that consumer prices in Poland were 3.1% higher in July 2025 compared to July 2024.

Changes in prices of consumer goods and services* compared to the same period of the previous year (in percent)

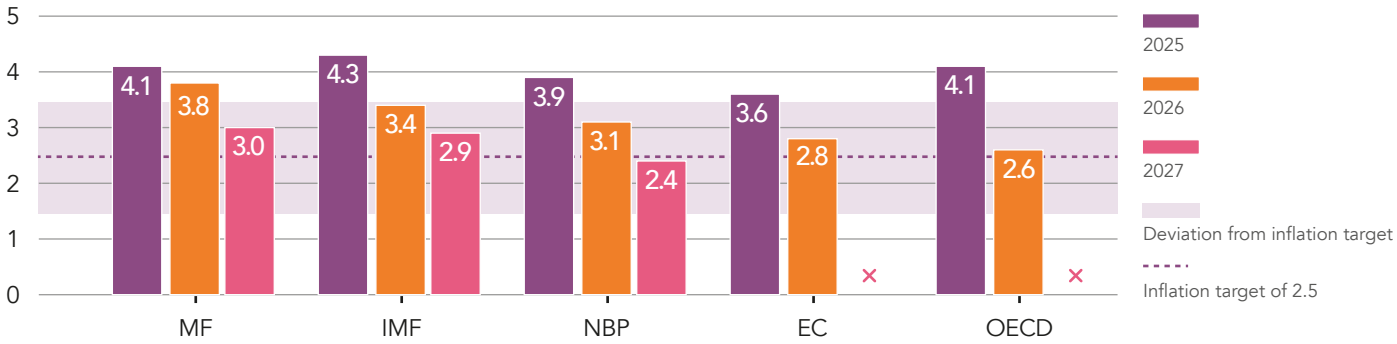
Source: GUS



▲ 3.1% price increase compared to July 2024. Source: GUS; Quick estimate of the consumer price index for July 2025.

Inflation forecast for 2025-2027 (in percent)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on MF, IMF, National Bank of Poland, EC, S&P, OECD data



Most projections point out that the inflation target will be reached as early as in 2026.

Nominal interest rates in selected countries (in percent)

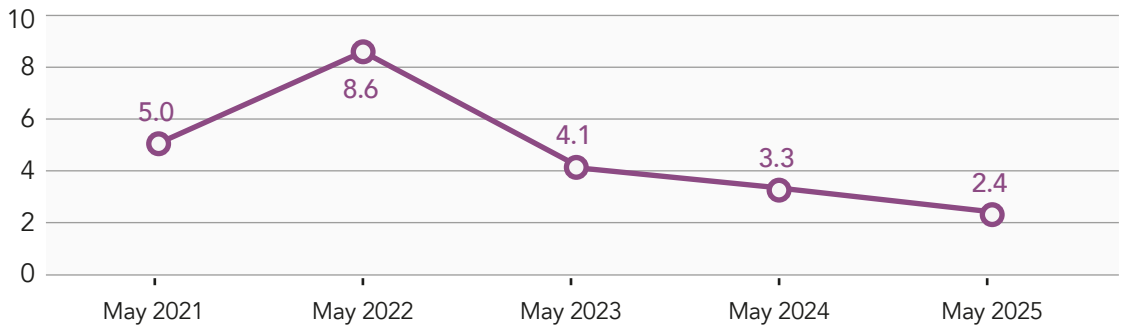
Source: global-rates.com, July 2025

	July 2022	July 2023	July 2024	July 2025
Switzerland	-0.25	1.75	1.25	0.00
Denmark	-0.10	3.50	3.50	1.75
Europe	1.25	4.25	4.25	2.15
Sweden	0.75	3.75	3.75	2.00
Norway	1.25	3.75	4.50	4.25
Great Britain	1.75	5.00	5.25	4.25
USA	2.50	5.50	5.50	4.50
Poland	**6.50**	**6.75**	**5.75**	**5.00**
Czech Republic	7.00	7.00	4.75	3.50
Hungary	10.75	13.00	7.00	6.50

Compared to Europe, interest rates in the U.S. remain in the 4.25-4.50% range, marking the fourth consecutive year of no change in Fed policy. May CPI inflation was 2.4%, slightly above April's 2.3%, marking the 51st consecutive month above the 2% target. The Federal Reserve, despite the gradual extinction of price pressures, is taking a cautious approach to easing policy and is forecasting two rate cuts in 2025 and another in 2026-2027.

PCE index* in the US (in percent)

Source: pl.tradingeconomics.com https://pl.tradingeconomics.com/united-states/inflation-cpi



* PCE core consumer spending index, is an all-American indicator of average price growth for all domestic personal consumption

EXPORTS AND IMPORTS

Data from the Central Statistical Office (GUS) for January-May 2025 show deteriorating trends in Poland's trade. Exports, imports and the trade balance expressed in the three currencies (PLN, USD, EUR) remain negative, which may signal growing tensions in the international economic environment and a slowdown in global trade.

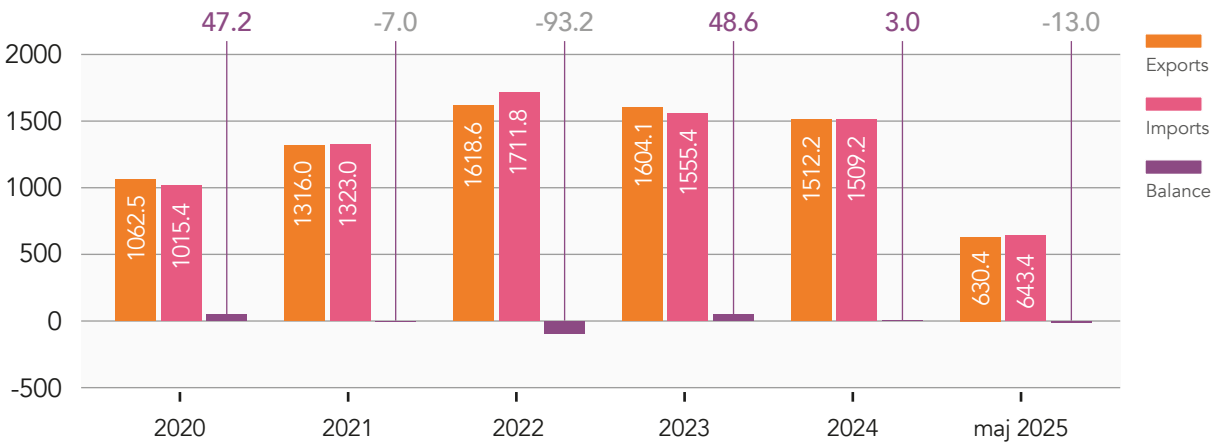
Exports expressed in PLN amounted to PLN 630.4 million, and imports amounted to PLN 643.4 million. The negative balance stood at PLN 13.0 billion. The figures for 2024 are slightly more optimistic, with exports amounting to PLN 1,512.2 billion, while imports totaled PLN 1,509.2 billion, resulted in a surplus of PLN 3.0 billion.

Exports expressed in U.S. dollars in January-May 2025 totaled $160.0 billion, while imports totaled $163.3 billion. The difference between exports and imports resulted in a negative balance of $3.3 billion, in line with the trend of a weakening of Poland's export position, which has been observed since the beginning of the year. This compares with exports of $380.3 billion and imports of $379.5 billion in 2024, which resulting in a positive balance of $0.8 billion.

Similar trends can be seen in euro-denominated numbers, with exports in January-June 2024 amounting to €149.1 billion, while imports amounted to €152.2 billion, resulting in a trade deficit of €3.1 billion. In 2024, the situation looked more favorable, with exports closing at €350.4 billion and imports at €349.7 billion, resulting in a trade surplus of €0.7 billion.

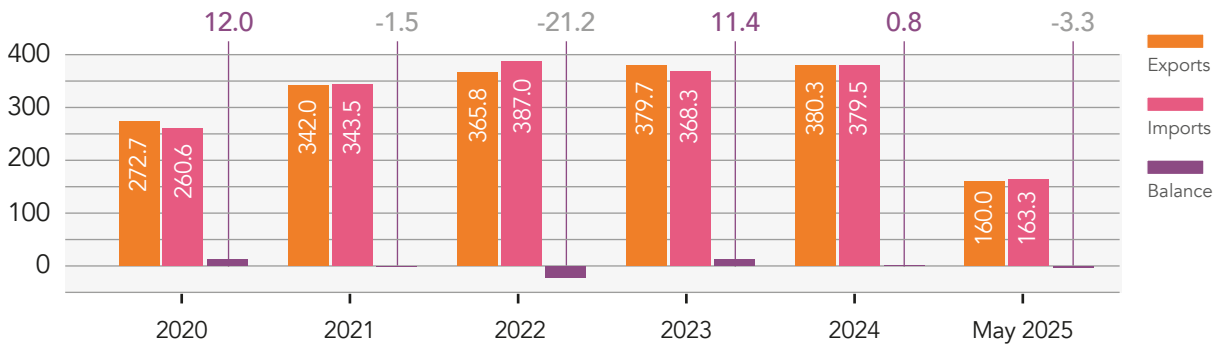
Value of Polish exports and imports (in billions of PLN)

Source: GUS



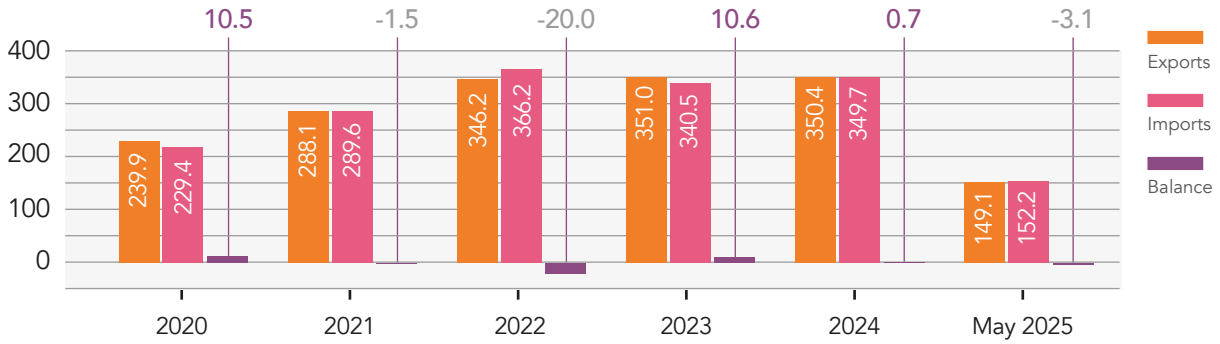
Value of Polish exports and imports (in billions of USD)

Source: GUS



Value of Polish exports and imports (in billions of EUR)

Source: GUS



The EC's estimates show that Polish exports increased by 2.0% year-on-year. The upward trend is also expected to continue in 2025 and 2026. Exports have also increased throughout the European Union, and forecasts point to further increases over the next two years.

Exports will continue to be less driven by foreign demand due to the economic slowdown in Poland's major trading partners. These prospects may be further supported by the July 2025 trade agreement between the EU and the Donald Trump administration, which includes the removal of some tariff barriers. Earlier tariffs imposed by the U.S. limited the dynamics of EU exports, also indirectly affecting Polish companies, especially those participating in EU supply chains. Although global trade still remains sluggish, the EC forecasts an acceleration in EU export growth in 2026, which could also translate positively into the standing of the Polish export sector.

Percentage change in export levels, volume-wise (in percent)

Source: compiled based on Eurostat data

	Data from previous reports				EC spring forecast		
	2016-2020	2021	2022	2023	2024	2025	2026
Belgium	1.9	14.7	5.8	-7.1	-3.4	-1.8	1.9
Germany	0.1	10.0	3.1	-0.3	-1.1	-1.9	1.1
Estonia	2.6	22.1	5.0	-9.0	-1.1	2.2	2.4
Ireland	9.2	14.1	13.5	-5.8	11.7	1.3	2.8
Greece	-0.6	24.4	6.6	1.9	1.0	3.1	3.2
Spain	-1.6	13.4	14.3	2.8	3.1	2.4	2.3
France	-1.2	11.3	8.2	2.1	1.3	1.1	2.3
Croatia	-0.5	32.7	27.0	-2.9	0.9	2.3	2.6
Italy	-0.8	14.1	9.9	0.2	0.4	0.9	1.7
Cyprus	7.1	27.2	27.1	-2.8	5.3	3.7	3.5
Latvia	2.7	9.1	11.4	-4.7	-1.6	1.8	2.0
Lithuania	7.0	16.6	12.4	-3.4	2.1	3.0	3.3
Luxembourg	3.3	11.3	1.5	-0.3	0.3	3.1	3.2
Malta	10.0	-0.4	13.7	5.6	5.3	3.5	2.9
The Netherlands	2.5	6.9	4.4	-0.5	0.4	0.7	1.9
Austria	1.1	9.5	10.0	-0.4	-4.3	-1.0	1.9
Portugal	0.1	12.0	17.2	3.8	3.4	1.7	2.8
Slovakia	1.7	10.7	2.8	-0.7	0.3	1.9	1.8
Slovenia	3.7	14.5	6.8	-2.0	3.2	2.2	3.0
Finland	2.5	6.0	4.4	0.2	0.1	2.5	2.4
Bulgaria	1.9	11.6	12.1	0.0	-0.8	1.6	2.1
Czech Republic	1.4	8.2	5.1	2.7	1.8	1.1	2.4
Denmark	1.9	8.8	7.2	10.4	7.5	5.4	2.5
Hungary	2.8	8.3	10.7	1.7	-3.0	0.2	2.8
Poland	5.7	12.3	7.4	3.7	2.0	1.6	2.3
Romania	4.7	12.6	9.3	-0.8	-3.1	1.8	2.8
Sweden	2.4	11.9	6.2	3.7	2.3	2.0	1.9
EU	1.5	11.3	7.4	0.1	1.2	0.7	2.1
Eurozone	1.2	11.5	7.4	-0.8	1.1	0.3	2.0

Percentage change in imports, volume-wise (in percent)

Source: compiled based on Eurostat data

	Data from previous reports				EC spring forecast		
	2016-2020	2021	2022	2023	2024	2025	2026
Belgium	1.9	12.8	5.8	-6.8	-3.5	-1.0	2.1
Germany	1.5	9.0	7.0	-0.6	0.2	0.9	1.5
Estonia	4.1	22.7	5.0	-6.7	0.0	2.6	2.9
Ireland	11.2	-8.7	16.0	1.2	6.5	3.2	2.7
Greece	2.5	17.4	11.0	0.9	5.5	4.2	3.5
Spain	-0.4	15.0	7.7	0.3	2.4	3.2	2.8
France	0.0	8.3	8.8	0.3	-1.2	1.3	2.1
Croatia	3.0	17.3	26.5	-5.3	5.3	3.8	3.3
Italy	-0.4	16.0	12.9	-1.6	-0.7	1.7	2.4
Cyprus	8.2	19.6	29.7	-0.7	2.4	3.6	3.5
Latvia	3.9	15.1	9.9	-2.0	-2.3	2.1	2.1
Lithuania	4.5	19.2	12.7	-5.3	2.4	3.9	3.7
Luxembourg	3.3	13.4	2.4	0.4	-0.3	3.8	3.8
Malta	10.1	-2.8	18.4	2.0	4.7	3.1	2.4
The Netherlands	2.0	6.5	4.4	-1.8	0.3	1.2	2.2
Austria	1.2	14.1	7.1	-4.6	-5.0	-0.6	1.9
Portugal	2.1	12.3	11.3	1.8	4.9	4.3	4.1
Slovakia	1.5	11.7	4.2	-7.6	2.3	2.1	2.4
Slovenia	3.7	17.8	9.2	-4.5	3.9	2.2	3.4
Finland	2.3	7.0	9.3	-6.7	-2.4	2.6	2.9
Bulgaria	3.7	10.7	15.3	-5.5	1.3	2.4	2.8
Czech Republic	1.3	13.7	5.9	-0.9	0.9	2.5	3.6
Denmark	2.6	9.5	4.4	3.7	3.0	4.0	2.6
Hungary	4.5	7.4	10.7	-3.4	-4.0	1.1	3.5
Poland	5.1	16.3	6.8	-1.5	4.2	3.0	3.1
Romania	7.9	14.6	9.3	-1.1	3.8	2.9	3.2
Sweden	1.9	12.8	9.7	-0.8	1.7	1.8	1.3
EU	2.2	9.6	8.3	-1.3	-0.6	1.7	2.3
Eurozone	1.9	9.0	8.4	-1.4	0.3	1.6	2.2

There was an increase in imports to Poland in 2024, and forecasts indicate a continuation of this trend in 2025 and 2026. At the same time, imports in the European Union fell by 0.6%, but projections for 2025 and 2026 suggest a gradual increase.

Germany remains Poland's largest trading partner, accounting for 27% of Polish exports and 19.3% of imports in January-May 2025, although its share has declined slightly. The Czech Republic, France, the United Kingdom, as well as Ukraine and the United States are also gaining in importance, with increasing shares of trade in goods. Turnover with Poland's ten largest trading partners accounted for 66.4% of exports and 61.5% of total imports.

Among major trading partners, exports to Slovakia (+4.7%), Ukraine (+4.3%), the United States (+3.3%), and Spain (+1.4%) increased between January and May 2025. The increase in trade with Ukraine, remains a direct result of the ongoing war and increased demand for strategic goods. On the import side, the most pronounced increases were observed in South Korea (+27.7%) and China (+15.7%), as well as the United States (+10.6%), the Netherlands (+1.8%), and Germany (+0.4%).

The export structure is dominated by machinery, equipment and transportation equipment, manufactured goods, industrial goods classified mainly by raw materials, as well as food and live animals. Imports, on the other hand, include mainly machinery, equipment and transportation equipment, manufactured goods, industrial goods by raw material, chemicals and related products.

PUBLIC DEBT

Public debt refers to the financial obligations of the state, or more precisely the entire public finance sector, resulting from, among other things, borrowing or issuing bonds and other securities. Most often, its growth is associated with a growing budget deficit – a situation in which the state's spending exceeds its revenues, forcing it to raise additional funds, e.g. through loans, bonds. It should be noted that public debt is a widespread phenomenon that exists in most countries around the world.

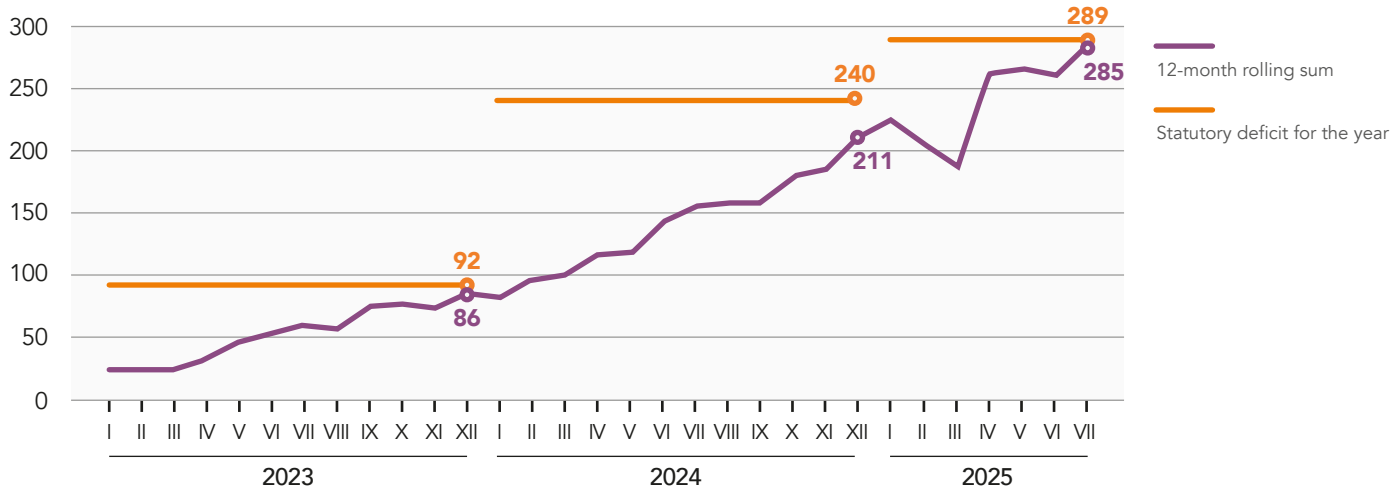
The European Commission's spring forecast shows that the average level of public debt in the European Union in 2024 is 82.2% of GDP, and 88.9% in the eurozone. Greece (153.6%), Italy (135.3%), France (113.0%) and Spain (101.8%) continue to have the highest debt levels.

According to European Commission forecasts, Poland's public debt at the end of 2024 was 55.3% of GDP. This is higher than in Romania (54.8%) and significantly higher than in the Netherlands (43.3%). Estonia (23.6%), Bulgaria (24.1%) and Luxembourg (26.3%) maintain the lowest debt ratios. For 2025, public debt for the EU as a whole is projected to rise to 83.2% of GDP, and for the eurozone to 89.9%.

In Poland, the amount of public debt is regulated by the Public Finance Act of 27 August 2009 and the Polish Constitution, which stipulates the maximum permissible debt level at 60% of GDP. Exceeding the 55% threshold requires additional measures to reduce the budget deficit. Poland's public debt is currently experiencing a significant increase – from 49.6% of GDP in 2023 to a projected 55.3% in 2024 and 58.0% in 2025.

Rolling sum of 12-month central budget deficit in PL (in billions of PLN)

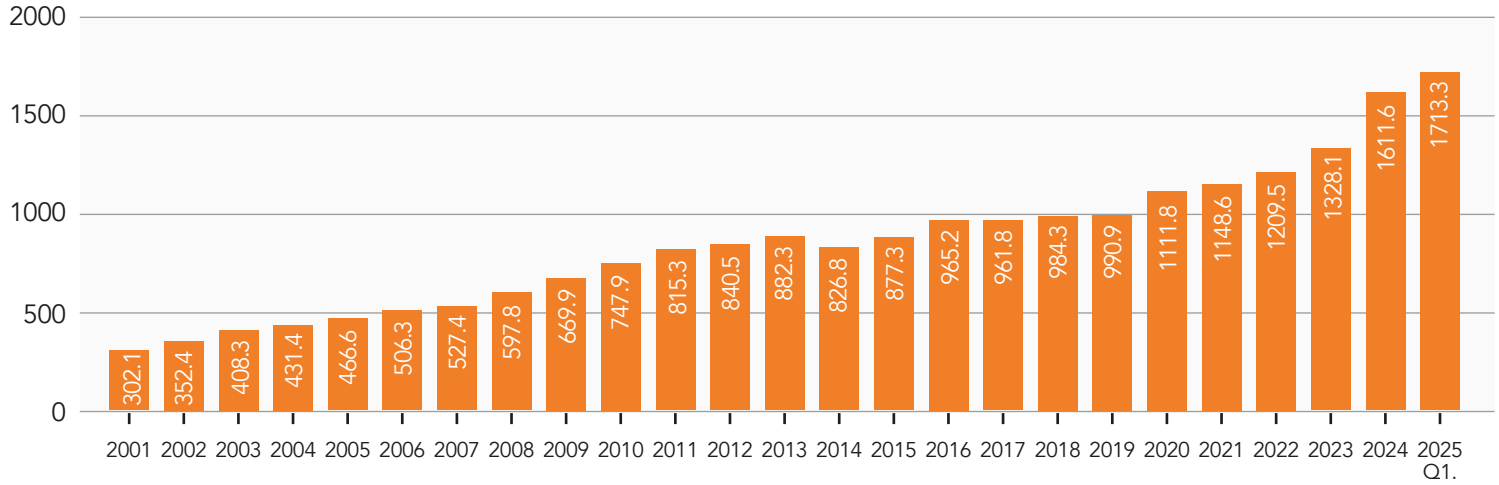
Source: Compiled by the Research and Analysis Team of the Polish Bank Association, based on MF data



In July 2025, the budget deficit increased by PLN 37 billion, virtually exhausting MF's space to increase the deficit this year. The MF can only increase the debt by PLN 132 billion (and therefore no more than in the same period of 2024). In July this year, the deficit was PLN 156.7 billion. Y/y (July 2025 to July 2024), the budget deficit increased by nearly 90%. If, in the following months of 2025, the budget deficit grows at the rate it did during the first 7 months of 2025, the budget deficit at the end of 2025 could approach PLN 400 billion (exceeding the statutory deficit for 2025 by more than PLN 110 billion). Consequently, the budget deficit expressed as a percentage of GDP would rise from a high level of 7.37% of GDP to a sky-high figure of 10.2% of GDP.

Debt of the public finance sector in Poland in 2001-2025 (in billions of PLN)

Source: gov.pl/Ministry of Finance



Poland, along with seven other European Union countries, is currently subject to an excessive deficit procedure. The mechanism is triggered by the European Commission when the public finance sector deficit exceeds 3% of GDP or when public debt exceeds 60% of GDP. The purpose of the procedure is to restore fiscal balance and prevent the risk of insolvency for Member States.

Currently, the procedure covers the following countries: Poland, Romania, Belgium, France, Malta, Slovakia, Hungary and Italy. The European Commission also announced it would initiate a procedure against Austria, which had a budget deficit of 4.7% of GDP in 2024. EC forecasts indicate that Austria's deficit will equal 4.4% of GDP in 2026 and 4.2% of GDP in 2027, necessitating the implementation of a deficit reduction plan that includes spending cuts of €6.3 billion in 2025. Romania has the highest deficit in the EU, at 9.3% of GDP in 2024, and the EC predicts that without radical cuts, the country will not reach the allowable level of 3% of GDP before 2030. Poland, now subject to the excessive deficit procedure for the third time, is projected, according to the EC, to reach a public debt of 58.0% of GDP in 2025, approaching the constitutional limit of 60%.

The higher public debt and budget deficit are the result of several factors: intensive spending on armaments and defense, as well as the inclusion of off-budget BGK and PFR funds maintained by the previous government in the structure of public liabilities.

Public debt in 2021-2026 (in percent)

Source: economy-finance.ec.europa.eu

	Data from previous reports			EC spring forecast		
	2021	2022	2023	2024	2025	2026
Belgium	108.2	105.1	105.2	104.7	107.1	109.8
Germany	69.3	66.3	63.6	62.5	63.8	64.7
Estonia	18.1	18.4	19.6	23.6	23.8	25.4
Ireland	56.0	44.7	43.7	40.9	38.6	38.2
Greece	193.3	171.3	161.9	153.6	146.6	140.6
Spain	118.4	113.2	107.7	101.8	100.9	100.8
France	112.9	111.6	110.6	113.0	116.0	118.4
Croatia	79.8	68.4	63.0	57.6	56.3	56.4
Italy	150.8	144.4	137.3	135.3	136.7	138.2
Cyprus	103.6	86.5	77.3	65.0	58.0	51.9
Latvia	44.8	40.8	43.6	46.8	48.6	49.3
Lithuania	44.3	38.4	38.3	38.2	41.2	43.9
Luxembourg	24.4	24.6	25.7	26.3	25.7	26.2
Malta	57.0	53.4	50.4	47.4	47.6	47.3
The Netherlands	52.1	51.0	46.5	43.3	45.0	47.8
Austria	82.8	78.4	77.8	81.8	84.0	85.8
Portugal	127.4	113.9	99.1	94.9	91.7	89.7
Slovakia	74.7	69.9	69.2	67.0	65.5	63.8
Slovenia	63.1	57.8	56.0	59.3	60.9	63.0
Finland	65.8	73.0	75.8	82.1	85.6	87.5
Eurozone	97.4	93.2	90.0	88.9	89.9	91.0
Bulgaria	25.1	22.9	23.1	24.1	25.1	27.1
Czech Republic	41.9	44.1	44.0	43.6	44.5	45.4
Denmark	36.7	30.1	29.3	29.4	31.0	29.3
Hungary	76.8	73.3	73.5	73.5	74.5	74.3
Poland	53.8	49.1	49.6	55.3	58.0	65.3
Romania	48.8	47.3	48.8	54.8	59.4	63.3
Sweden	36.7	33.0	31.2	33.5	33.8	33.3
EU	89.7	85.3	82.9	82.2	83.2	84.5

UNEMPLOY-MENT

Eurostat data published at the end of July 2025 show that the seasonally adjusted unemployment rate in the Eurozone was 6.2% in June 2025, the same as a month earlier and lower than a year ago (6.4%). Poland recorded the lowest unemployment rate after Malta (2.5%). According to Eurostat figures, the number of unemployed in Poland was 611,000 in June, up from 589,000 a month earlier.

Source: Eurostat

Eurostat measures the harmonized unemployment rate as the percentage of people aged 15-74 who are unemployed, capable of taking up employment in the next two weeks, and who have actively sought work in the past weeks in relation to the country's total labor force.

Poland's registered unemployment rate was 5.2% in June 2025, according to the Central Statistical Office. Compared to May, when the rate was 5.0%, there was an increase of 0.2 percentage points. At the same time, the number of unemployed persons who registered at labor offices in June 2025 was 797,000, up 1.8% from May and 4.6% from June last year.

The European Commission's Economic Forecast (Spring 2025) shows that employment in the EU is expected to increase by approximately 1% between 2025 and 2026, resulting in about 2 million new full-time jobs. Despite this, the Union's unemployment rate should continue to fall, reaching a record low of 5.7% in 2026 (compared to 6.1% in 2023).

Poland maintains one of the lowest unemployment rates in the entire European Union. After reaching a record low unemployment rate in 2024, the labor market will remain stable in 2025, and employment is projected to increase slightly in 2026. According to the European Commission's forecasts, Poland's unemployment rate will be 2.8% in 2025-2026, putting us at the top of the EU alongside the Czech Republic and Hungary. The decline in the number of people of working age due to the aging of the population remains a limiting factor in labor supply growth, although the labor force participation rate continues to rise.

Unemployment rate in 2021-2026 (in percent)

Source: economy-finance.ec.europa.eu, European Economic Forecast, Spring 2025

	Data from previous reports				EC spring forecast		
	2020	2021	2022	2023	2024	2025	2026
Belgium	5.6	6.3	5.6	5.5	5.7	6.1	5.8
Germany	3.8	3.7	3.1	3.1	3.4	3.6	3.3
Estonia	6.8	6.2	5.6	6.4	7.6	7.6	7.3
Ireland	5.7	6.2	4.5	4.3	4.3	4.3	4.4
Greece	16.3	14.7	12.5	11.1	10.1	9.3	8.7
Spain	15.5	14.8	13.0	12.2	11.4	10.4	9.9
France	8.0	7.9	7.3	7.3	7.4	7.9	7.8
Croatia	7.5	7.6	7.0	6.1	5.0	4.6	4.5
Italy	9.2	9.5	8.1	7.7	6.5	5.9	5.9
Cyprus	7.6	7.5	6.8	6.1	4.9	4.7	4.6
Latvia	8.1	7.6	6.9	6.5	6.9	6.8	6.6
Lithuania	8.5	7.1	6.0	6.9	7.1	6.8	6.6
Luxembourg	6.8	5.3	4.6	5.2	6.4	6.6	6.4
Malta	4.3	3.4	3.5	3.1	3.1	3.1	3.1
The Netherlands	3.8	4.2	3.5	3.6	3.7	3.9	4.0
Austria	5.4	6.2	4.8	5.1	5.2	5.3	5.2
Portugal	6.9	6.6	6.2	6.5	6.5	6.4	6.3
Slovakia	5.0	4.8	4.0	3.7	3.7	3.7	3.8
Slovenia	6.7	6.8	6.1	5.8	5.3	5.3	5.3
Finland	7.8	7.7	6.8	7.2	8.4	8.6	8.3
Eurozone	7.8	7.7	6.8	6.6	6.4	6.3	6.1
Bulgaria	5.1	5.3	4.2	4.3	4.2	4.0	3.8
Czech Republic	2.6	2.8	2.2	2.6	2.6	2.6	2.6
Denmark	5.6	5.1	4.5	5.1	6.2	6.2	6.3
Hungary	4.3	4.1	3.6	4.1	4.5	4.4	4.3
Poland	3.2	3.4	2.9	2.8	2.9	2.8	2.8
Romania	5.0	5.6	5.6	5.6	5.4	5.3	5.2
Sweden	8.3	8.4	7.5	7.7	8.4	8.7	8.4
EU	7.1	7.1	6.2	6.1	5.9	5.9	5.7

INVESTMENTS

Investment is one of the primary factors that affect the economic growth and development of countries. Figures provided by the European Commission show that at the end of 2024, the Czech Republic was an investment leader, with its investment to GDP ratio equaling 26.5%. Estonia ranked second, with its investment amounting to 26.1% of GDP and Romania was third, with a score of 25.7%.

The value of investment as a percentage of GDP in the European Union as a whole at the end of 2024 was 21.2%, and the same was true for the eurozone, which reached 21.1%. These values are lower than in previous years. Poland, with a result lower than last year, at 16.9% of GDP, ranked towards the end of the pack (28th out of 30 countries listed). We are about PLN 160 billion short of achieving a level of investment similar to the average in the EU-27 countries (which is by 25% higher), while we are approximately PLN 330 billion short of the level of investment recorded in the countries of our region (such as the Czech Republic, Romania and Hungary) (therefore, we should invest nearly 55% more than the actual level of investment expenses incurred).

Romania recorded the highest percentage increase in investment levels in 2023, at 14.5%, followed closely by Poland (12.7%) and Cyprus (10.7%). The decline in investment levels in 2023 affected as many as 8 countries. Malta recorded the largest drop (-17%), followed by Hungary (-7.7%) and Finland (-7.4%).

EC estimates for 2024 show a decline in investment levels in as many as 17 countries, including Poland, by 2.2%. In the eurozone and the European Union, the said rate will equal -1.8 percent. Investment is expected to deteriorate the most in Ireland (-25.4%) and Hungary (-11.1%). Instead, the highest increases are forecast for Croatia (9.9%) and Greece (4.5%).

For the next year, the forecast is already much more optimistic – in 2025, only four countries are expected to see declines, and the EU average is projected to be 1.5%. The worst outcome is forecast for Hungary (-1.5%), Latvia (-1.2%) and France (-1%), and the best for Ireland (22.4%), Poland (6.9%) and Greece (7.8%).

In 2026, economists predict an increase in investment in all European countries. On average, in the European Union, the increase in investment levels is expected to be 2.4%. The best result is forecast for Greece with investment growth of 7.3% and Poland with 5.3%. Belgium (1.2%), Ireland (1.4%) and France (1.4%), on the other hand, are expected to see the smallest growth.

Value of investments in relation to GDP (in percent)

Source: Eurostat

	2021	2022	2023	2024
Czech Republic	26.2	27.7	27.9	**26.5**
Estonia	28.7	25.8	27.9	**26.1**
Romania	24.4	25.0	27.0	**25.7**
Sweden	25.1	25.6	25.4	**25.1**
Austria	25.9	25.5	24.9	**24.5**
Belgium	23.9	23.9	24.4	**24.4**
Croatia	20.9	21.6	22.5	**23.6**
Hungary	27.3	27.8	25.6	**23.4**
Denmark	23.2	23.1	23.5	**23.3**
Latvia	22.9	23.0	24.7	**23.1**
Lithuania	22.5	22.5	23.7	**22.5**
France	23.5	23.5	22.8	**22.1**
Italy	20.8	21.8	22.5	**22.0**
Finland	24.4	24.7	23.3	**22.0**
Norway	22.9	18.4	21.7	**22.0**
EU	21.8	22.1	22.1	**21.3**
Eurozone	21.7	22.0	21.9	**21.1**
Germany	21.2	21.7	21.5	**20.9**
Cyprus	19.2	20.3	21.4	**20.5**
Slovakia	19.6	20.9	21.1	**20.3**
Slovenia	20.3	21.9	21.3	**20.1**
Portugal	20.5	20.6	20.1	**19.9**
The Netherlands	20.7	20.5	20.3	**19.8**
Spain	20.2	20.4	19.7	**19.5**
Malta	22.9	24.2	19.0	**18.4**
Bulgaria	16.3	17.0	18.7	**17.9**
Ireland	22.1	21.1	24.9	**17.3**
Poland	16.9	16.4	17.9	**16.9**
Greece	13.8	14.9	15.2	**15.3**
Luxembourg	18.1	16.6	16.1	**14.3**

Percentage change in investment levels between 2021 and 2025 (in percent)

Source: Economic Forecast, Spring 2025

	Data from previous reports				EC spring forecast		
	2016-2020	2021	2022	2023	2024	2025	2026
Belgium	1.5	4.3	1.7	3.5	1.4	0.5	1.2
Germany	1.8	0.6	-0.2	-1.2	-2.7	0.2	2.6
Estonia	10.6	0.3	-8.1	7.5	-6.9	1.6	3.1
Ireland	17.1	-39.4	3.7	2.8	-25.4	22.4	1.4
Greece	1.2	21.7	16.4	6.6	4.5	7.8	7.3
Spain	2.1	2.6	3.3	2.1	3.0	3.4	3.1
France	1.6	9.7	0.0	0.4	-1.3	-1.0	1.4
Croatia	3.2	4.8	10.4	10.1	9.9	4.3	3.2
Italy	0.9	21.5	7.4	9.0	0.5	0.8	1.5
Cyprus	14.2	1.9	10.8	10.7	0.1	3.5	3.0
Latvia	2.8	6.8	-1.6	9.9	-6.7	-1.2	2.6
Lithuania	5.9	12.6	5.2	9.3	-1.3	3.5	4.0
Luxembourg	1.8	14.6	-13.9	-6.4	-7.3	2.5	3.9
Malta	2.0	22.2	9.8	-17.0	2.4	2.5	2.1
The Netherlands	0.8	2.4	3.4	1.3	-0.5	0.8	1.5
Austria	2.3	6.0	0.4	-3.2	-3.4	-0.7	1.9
Portugal	4.6	7.8	3.3	3.6	3.0	3.5	4.3
Slovakia	-2.3	5.1	4.3	4.0	1.8	3.6	3.8
Slovenia	2.7	12.3	4.2	3.9	-3.7	0.7	2.8
Finland	3.2	1.8	1.5	-7.4	-7.1	3.5	3.0
Bulgaria	1.3	-8.3	6.5	10.2	-1.1	2.0	3.5
Czech Republic	2.4	6.7	6.3	2.5	-1.2	0.6	3.2
Denmark	3.9	9.8	2.8	-6.6	2.7	2.4	2.5
Hungary	5.5	5.7	0.7	-7.7	-11.1	-1.5	4.0
Poland	2.3	1.5	1.7	12.7	-2.2	6.9	5.3
Romania	3.0	4.0	5.4	14.5	-3.3	2.3	3.6
Sweden	2.4	7.3	0.3	-1.5	-1.1	1.0	2.0
EU	2.4	4.0	2.1	1.8	-1.8	1.5	2.4
Eurozone	2.4	3.7	2.0	1.6	-1.8	1.3	2.2

At a time of rapid geopolitical change and a new security situation, the Union and its Member States are increasing their defense spending and investment. Based on the Versailles Declaration and the policy priorities set by the European Council on 19 March 2025, the European Commission has drawn up the ReArm Europe / Preparedness 2030 plan. The plan paves the way for a huge increase in defense investment in Europe. It will provide up to an additional 800 billion euros for defense in the coming years.

As of 2023, defense investment was growing at an exceptional rate. Compared to 2022, spending increased by 17%, reaching a record high of €72 billion and accounting for 26% of the total defense spending of Member States. Member States are therefore well above the agreed common benchmark of 20%.

The data shows that in 2024 defense investments totaled €102 billion, accounting for more than 30% of total defense spending. If we consider the 23 EU member states that are also NATO members, defense spending amounted to 1.99% of their total GDP in 2024 and is expected to reach 2.04% in 2025. In 2024, defense investments totaled €102 billion, accounting for more than 30% of total defense spending. Together with the military support provided by EU Member States, the value of total EU support to the Ukrainian army is estimated at 59.6 billion euros.

EUR 326 billion
Member States' defense spending in 2024, equaling approximately 1.9% of EU GDP.

Ministry of Defense (MoD) spending on armaments in 2025 is expected to hit a record high of PLN 186.6 billion or 4.7% of GDP, including PLN 123.5 billion from the state budget and PLN 65.4 billion from the Armed Forces Support Fund (FWSZ). In turn, defense spending in 2024 was planned at a total of more than PLN 153 billion, which was to account for 4.2% of Poland's GDP, including PLN 117.6 billion from the state budget and PLN 41.8 billion from the IMF.

▲ 30% an increase in defense spending by Member States between 2021 and 2024.

INNOVATIVENESS

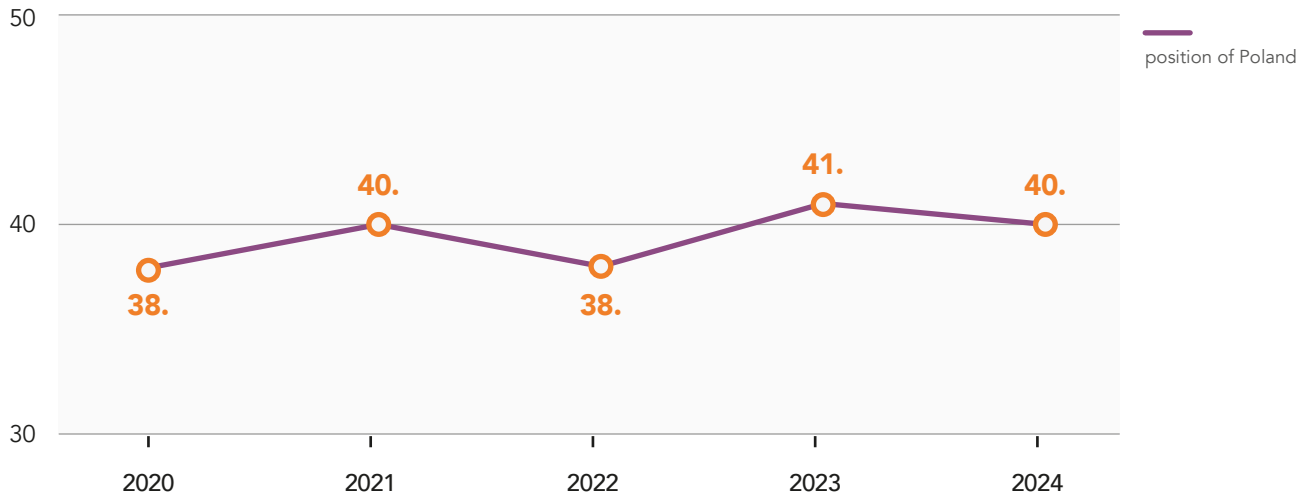
The Global Innovation Index, published annually by the World Intellectual Property Organization (WIPO) allows to measure how innovation-oriented individual countries are. The GII includes 80 indicators related to various areas, including patent applications and issues related to education, the business environment, infrastructure and the sophistication of the economy in terms of innovation.

This year's list included 133 countries. Poland ranked 40th in the world ranking and 25th in Europe (in both cases - up one position from 2023). Among Poland's strengths cited are market sophistication - diversification of domestic industry (6th in the world), creative effects - exports of creative goods (11th in the world), and human capital - performance in PISA tests focusing on reading, as well as math and science skills (14th in the world). Poland's definite weaknesses were identified as regulatory stability for business (123rd), use of low-carbon energy (89th), as well as joint ventures and strategic partnership deals (82nd), among others.

The innovation leaders in Europe, according to last year's list, include Switzerland, Sweden and the United Kingdom. Thus, for the 14th consecutive year, Switzerland ranks first as the most innovative economy, both in Europe and worldwide.

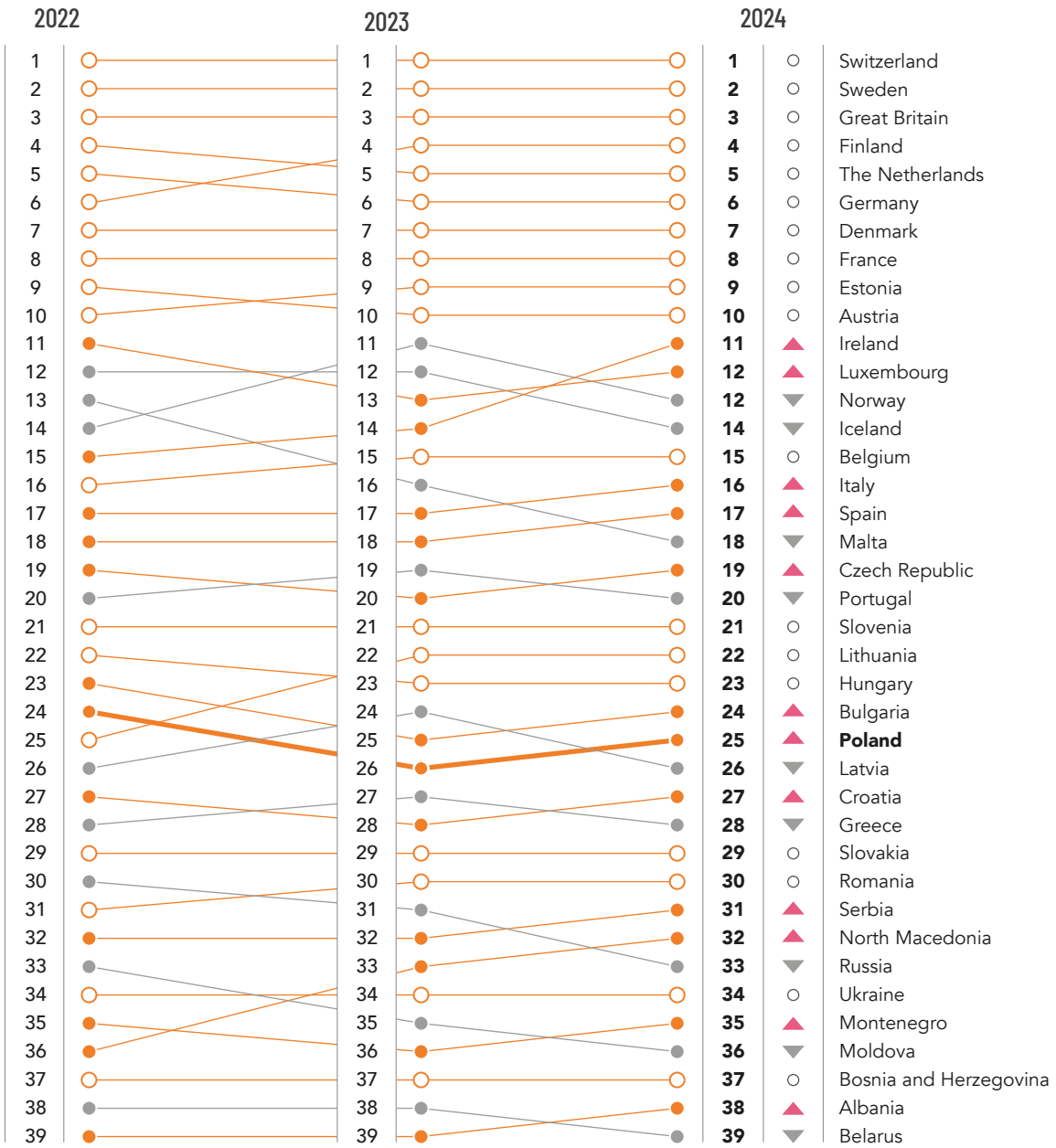
Poland's position
in the GII rankings in 2020-2024

Source: Global Innovation Index Database, WIPO, 2024



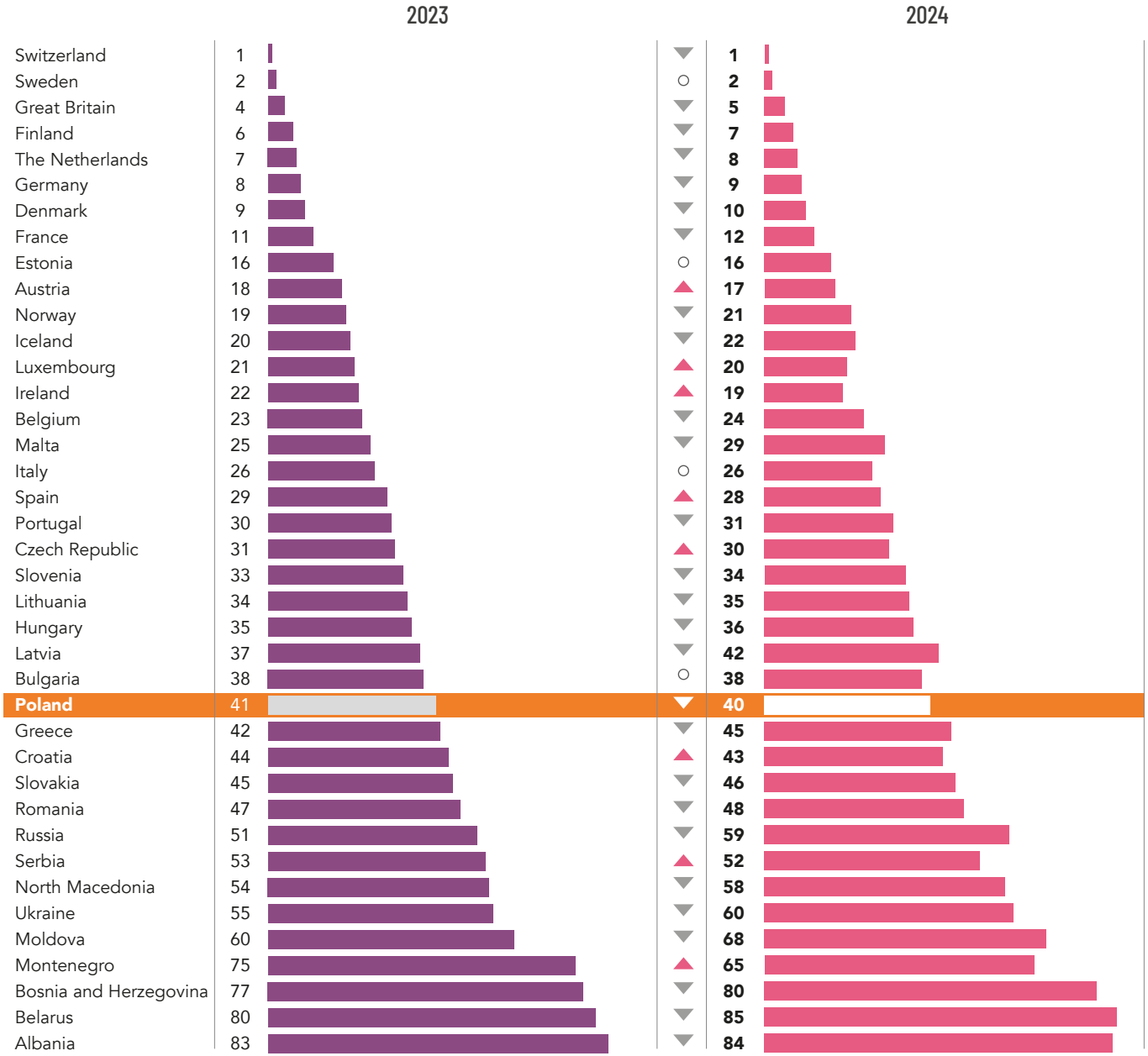
Value of investments in relation to GDP (in percent)

Source: Eurostat



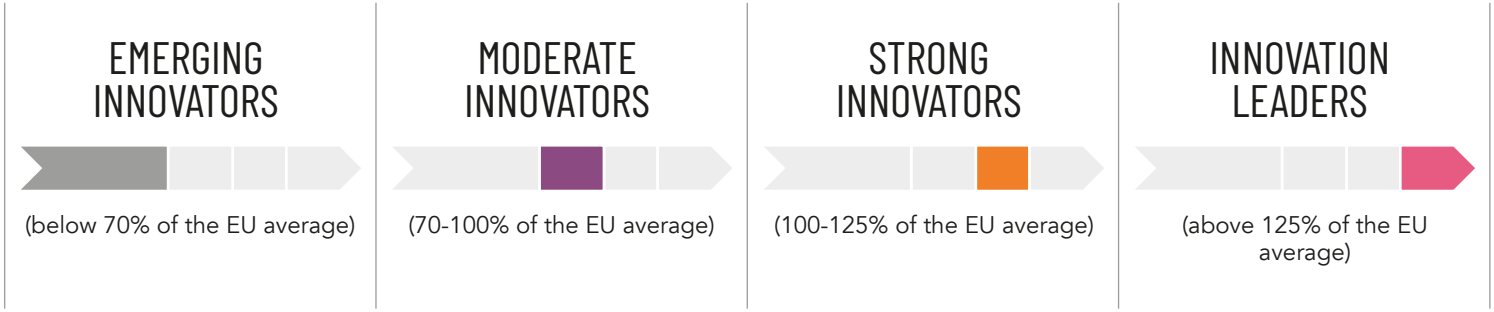
GII ranking (globally, for Europe)

Source: Global Innovation Index Database, WIPO, 2024, 2023



The European Innovation Ranking is a different document assessing the degree of innovation. European Innovation Scoreboard (EIS) is developed by the European Commission. In the latest edition of the EIS, the ranking was based on the results of 32 indicators divided into four pillars. They covered, inter alia, human resources and the attractiveness of the research system. The ranking helps assess the relative strengths and weaknesses of national innovation systems and identify the challenges they face.

The 2025 EIS divides the Member States into four innovation groups:



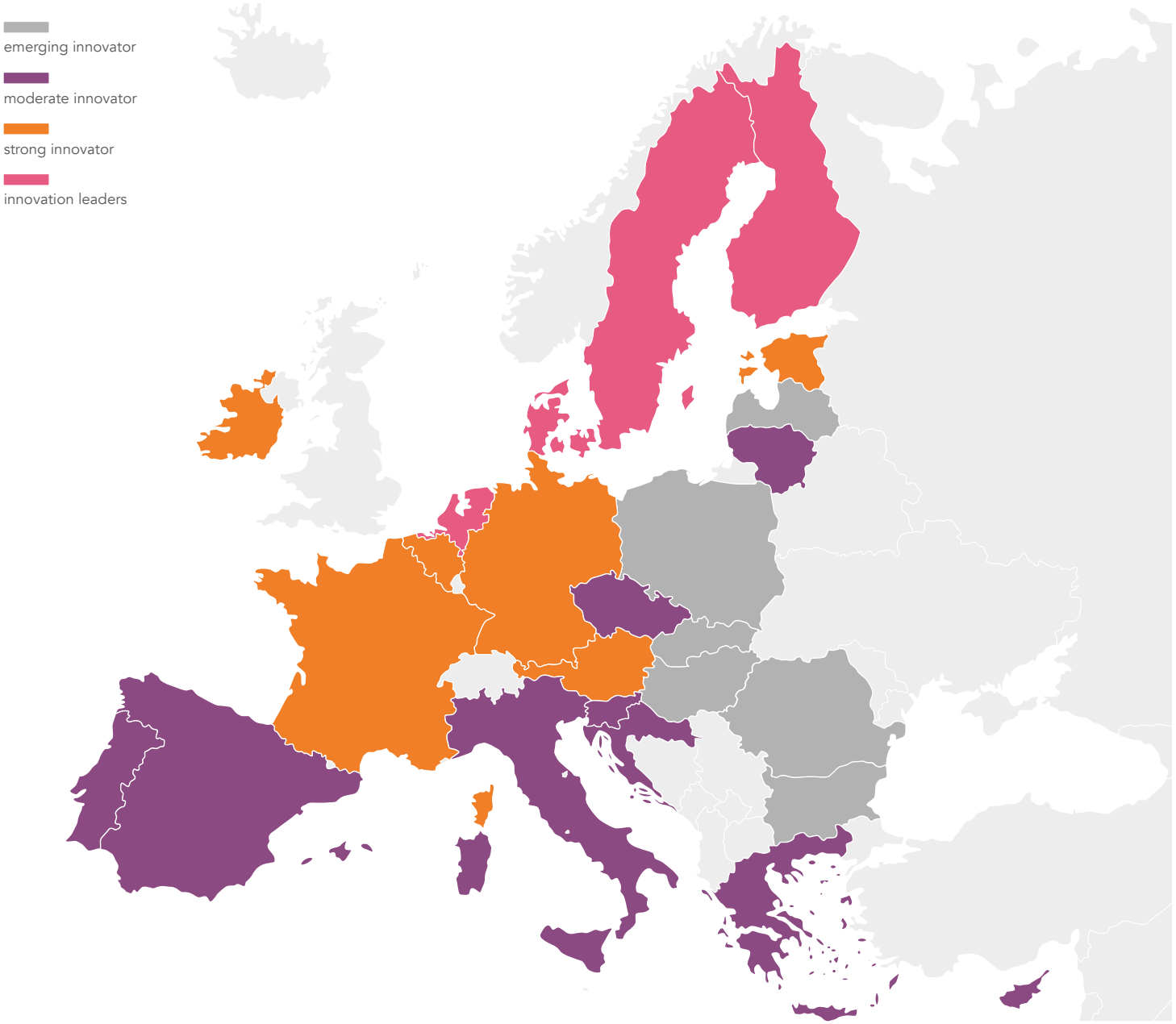
Comparing the value of the innovation index for 2025 and 2018, the EU experienced a 12.6% increase in innovation levels. However, looking at 2024-2025, there is no significant change in terms of this index, as its value decreased by 0.4%. Innovation performance rose in 13 and fell in 14 Member States during the period in question. The group of innovation leaders in the EU, i.e. countries whose score exceeds 125% of the average of all EU Member States, included Denmark, Sweden, Finland and the Netherlands.

Poland, as it was the case in previous years, was classified as one of the "emerging innovators", i.e. the six least innovative countries in the EU (along with Hungary, Slovakia, Latvia, Bulgaria and Romania). Compared to last year, Poland recorded strong declines in sales of innovative products that were new to the market or new to the offerings of a given company (-27.5 points), as well as in the mobility of the professional HRST group (-26.5 points). By comparison, South Korea, Canada, China and the US were among the world's most innovative economies in 2025. The ranking leader, South Korea, had a score 35.2 percentage points higher than the European Union.

The European Union is increasingly lagging behind the level of innovation of global leaders such as South Korea, Canada and China. This is due, among other things, to a significantly lower level of business investment in research and development compared to other key world economies.

Innovation level of the EU countries (European Innovation Scoreboard 2025)

Source: European Commission – European Innovation Scoreboard 2025

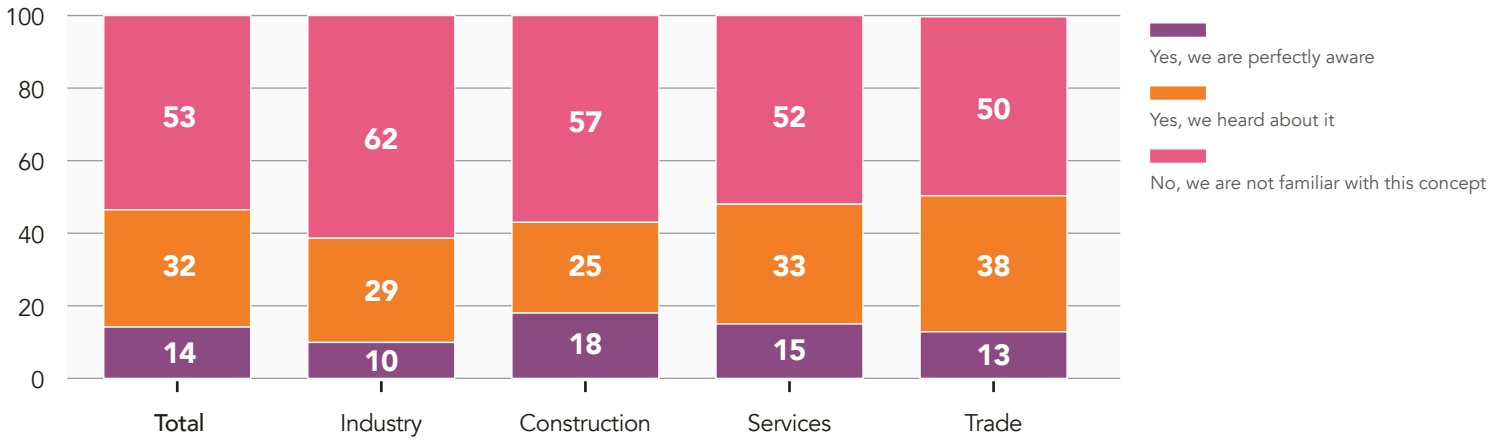


ESG

ESG still remains an enigmatic buzzword for most Polish companies. According to the survey entitled "ESG Costs and Challenges 2025" prepared by the Polish ESG Association, among the 150 medium and large companies surveyed, as many as 53% are not familiar with the concept of ESG, only 14% know the subject well, and 32% have ever heard of non-financial reporting. Even among the group of companies that have heard of ESG, a total of 46% of those surveyed, only 28% draw up their own reports.

Overall level of familiarity with the ESG concept at surveyed companies (in percent)

Source: "ESG Costs and Challenges 2025" report, Polish ESG Association



53% As many as 53% of the surveyed entities had no exposure whatsoever to the concept of ESG!

Companies that have decided to implement ESG principles most often cite reputation-related motivations and the belief that more environmentally friendly companies are more likely to grow.

Reasons for implementing ESG principles in surveyed companies (in percent)

Source: "ESG Costs and Challenges 2025" report, Polish ESG Association

ESG is not an optional path, but a necessity dictated by policy statements (inter alia Paris Agreement, Green Deal) and their regulatory and economic implications. When discussing ESG in banks, one should not forget their role in financing the "green transition", as well as the growing pressure from consumers for whom environmental, social and corporate governance issues are beginning to play an increasingly important role in the perception of financial institutions.

Banks are undertaking numerous implementation activities, despite unclear and often changing guidelines, while supporting customers in their transformation processes. Some regulations (e.g., the Green Asset Ratio - GAR) are insufficiently authoritative and generate high implementation costs. The banking sector welcomed the announcement of legislative simplification as part of the so-called "Omnibus" campaign. It points out, however, that the proposals presented to date are insufficient, especially when it comes to taking into account the specifics of sectoral regulations.

Banks expect ESG obligations to be aligned with reality. Various inconsistencies between the different obligations have come to light in the course of implementation efforts conducted by banks – for instance, the definitions of risks and opportunities provided in the ESRS are not consistent with other risk management guidelines, such as the ECB's guidelines on climate and environmental risks.

The European Union has nearly doubled its annual investment in the energy transition over the past five years, breaking through the $400 billion per year mark, according to the "Green Finance 2025" report. China, in the meantime, is investing almost twice as much in RES. The EU has also saved €59 billion on fossil fuel imports by investing in wind and solar energy between 2019 and 2024.

DEI (DIVERSITY, EQUALITY, INCLUSION)

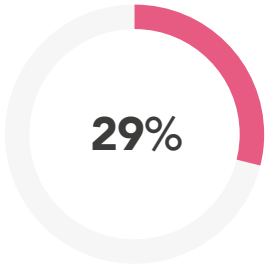
Equal opportunities, inclusion and social responsibility are values that are becoming an integral part of the modern approach to organizational management and development. For public trust institutions such as banks, their importance has not only an ethical dimension, but also a strategic one - influencing culture, innovation and the ability to build lasting relationships with the public. Activities related to equal opportunities and inclusion are crucial to the sector's competitiveness today. They are the ones that make better use of the potential of all talents, strengthen the organization's innovation and creativity, and create a work culture that generates additional value in the long term.

Among the key challenges faced in the DEI area are activities aiming to create and promote good business practices regarding diversity and gender equality, implementation of European regulations and standards in this area, supporting the development of financial sector organizations as friendly and interesting workplaces for future generations, but also increasing the transparency of the financial sector in the area related to the implementation of social and environmental sustainability policies. The topic is the responsibility, inter alia, of the DEI Committee operating within the Polish Bank Association – a unit in charge of the first sectoral DEI report and the recently published joint sectoral paper entitled "Good Practice Guide for Equal Opportunities, Inclusion and Social Responsibility in the Banking Sector".

By June 2026, at least 40% of non-executive director positions or 33% of all management positions in listed companies should be held by members of the underrepresented gender. This obligation stems from the adopted EU "Women on Boards" directive, which applies to all listed companies in the European Union, and thus also to banks listed on the Warsaw Stock Exchange. The latest data on gender equality in the banking sector show a certain degree of improvement, with women's representation on bank boards at 29%, up 4 p.p. from last year. At the same time, only 9 of the 20 banks surveyed meet the goal of gender representation on governing bodies from the Women on Boards directive (33%).

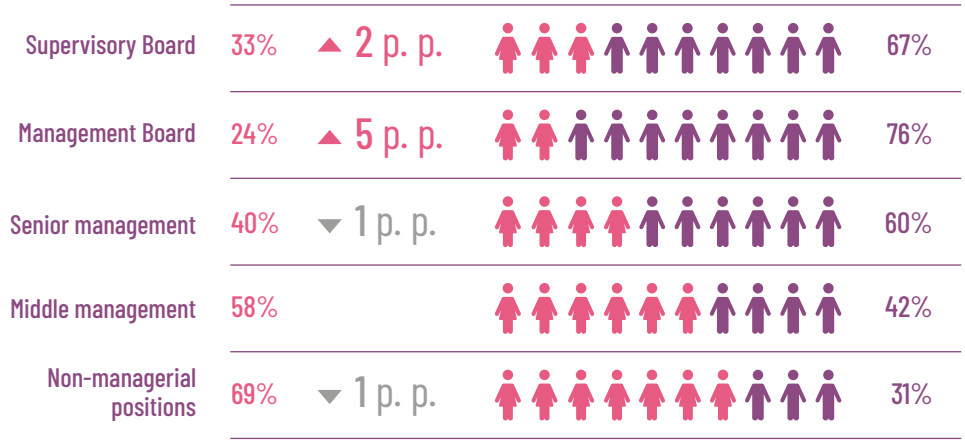
Gender equality in the banking sector – improvement in banks' governing bodies

Source: Update of the "Diversity Management in Commercial Banks" report, Polish Bank Association



Representation of women in banks' governing bodies

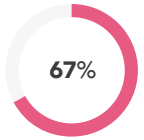
▲ 4 p. p.



Although women make up the majority of bank employees (67%), their representation is declining at higher levels – they occupy 58% of middle management and only 40% of senior management positions. In our domestic banking sector, women make up 33% of banks' supervisory boards and 24% of their management boards, up as much as 5 p.p. from last year's figure.

Gender equality in the banking sector – employment structure, promotions

Source: Update of the "Diversity Management in Commercial Banks" report, Polish Bank Association



Share of all women among the headcount

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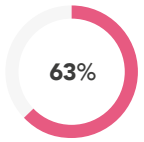

Vertical promotions were awarded to women

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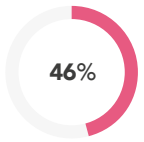
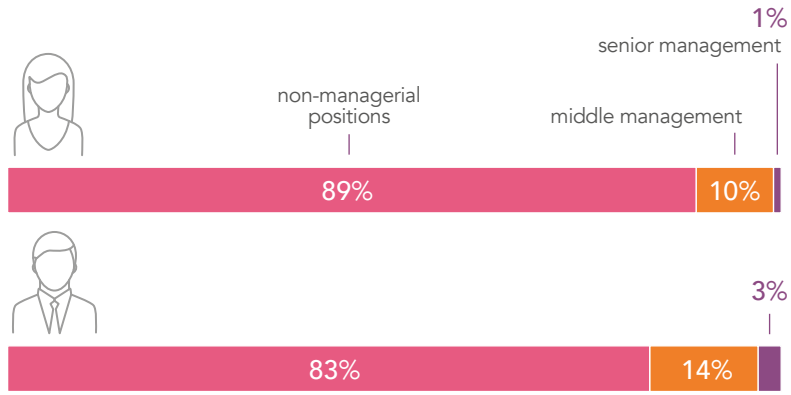


Employment of women in managerial positions: senior management – 35%, middle management – 49%



Key DEI-related recommendations:

Preventing discrimination
(e.g., effective procedures, anti-discrimination policies)

Intergenerational dialogue
(including development programs)

Gender equality in the banking sector
(including bridging the wage gap)

Developing a culture of diversity
(including cooperation with non-profit organizations and scientific research institutions and participation in public campaigns)

Activities for customers and society
(taking care of customers with different needs, incorporating the needs of people with disabilities, the elderly, non-native speakers of Polish into the user experience)

Chapter II

BANKING SECTOR IN POLAND AND EUROPE

The banking sector remains one of the pillars of economic stability both in Poland and across Europe. Its condition determines the ability of economies to finance investment, absorb macroeconomic shocks and maintain liquidity in the economic cycle. The real ratio of the financial result to GDP places the Polish banking sector in the group of European laggards. And a large economy requires a strong banking sector.

Meanwhile, compared to the European banking sectors, the Polish banking sector is one of the smallest. In 2024, European banks managed more than €95 trillion in total assets, with more than 70% of these assets held by institutions operating in the eurozone. Poland, despite its smaller market size, plays an important role in the CEE region. From the perspective of the numerous needs and challenges facing the Polish economy, it is essential to promote the growth of the Polish banking sector. It is necessary to ensure that banks operating in Poland grow at a rate that exceeds our country's GDP. Only the dynamic development of the banking sector will guarantee that it retains the ability to finance the growing Polish economy.

Comparative data for Q2 2025, compiled by the Research and Analysis Team of the Polish Bank Association, shows that the Polish banking sector's assets to GDP ratio equals 95 percent. We are trailed only by Slovenia (85 percent), Latvia (72 percent) and Romania (50 percent). The small size of the Polish banking sector is also evidenced by the equity-to-GDP ratio, which ranks us penultimate among the banking sectors analyzed. The loan-to-deposit ratio in the Polish banking sector also remains one of the lowest among the banking sectors analyzed. Banks operating in Poland also have one of the lowest ratios of loans extended to the non-financial sector to GDP and a low level of lending to businesses in relation to Gross Domestic Product. However, the banking sector has the potential to increase financing for the Polish economy by some PLN 380 billion. Availability of this funding is better than the EU-27 average.

The share of debt instruments in the assets of the Polish banking sector reached 35 percent at the end of Q2 2025. This is the highest level among all European Union countries. Also, the portfolio of loans extended to the non-financial sector relative to deposits is, in Poland at one of the lowest levels in the entire EU. Loans to the non-financial sector as a percentage of GDP accounted for only 31.1%. Lower real values were recorded only in Latvia, Hungary, Ireland and Romania. The purpose of this chapter is to analyze the condition of the banking sector in Poland against the backdrop of European trends, with a particular emphasis on the dynamics of assets, loans, deposits and the capital standing. We show the burdens on the banking sector and their impact on financing the economy.

KEY DATA

29

commercial banks

489

cooperative banks

34

branches of credit institutions and foreign banks

Balance sheet total

PLN 3 TRILLION 576.7 BN

Total operating income exceeded **PLN 70 billion** at the end of H1 2025

Total deposits

PLN 2 TRILLION 510.1 BN

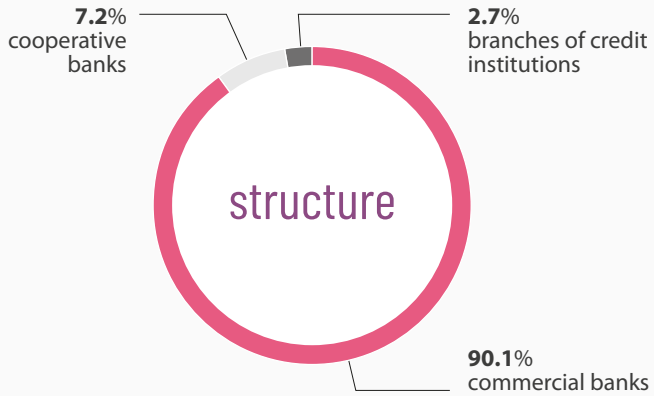
Non-financial sector deposits

PLN 1 TRILLION 994.27 BN

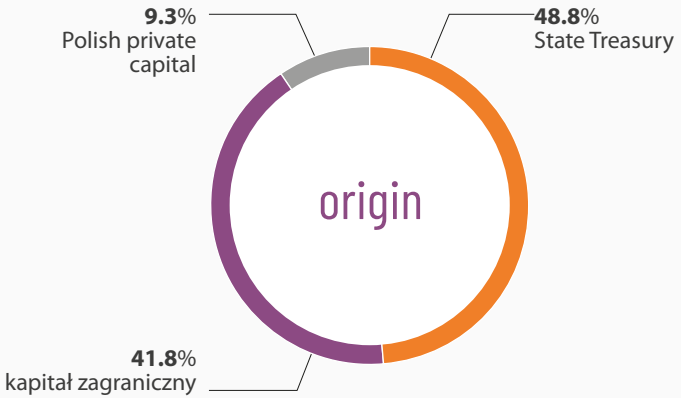
Assets of the Polish sector in relation to GDP

95%

Entity structure (share of assets)
June 2024



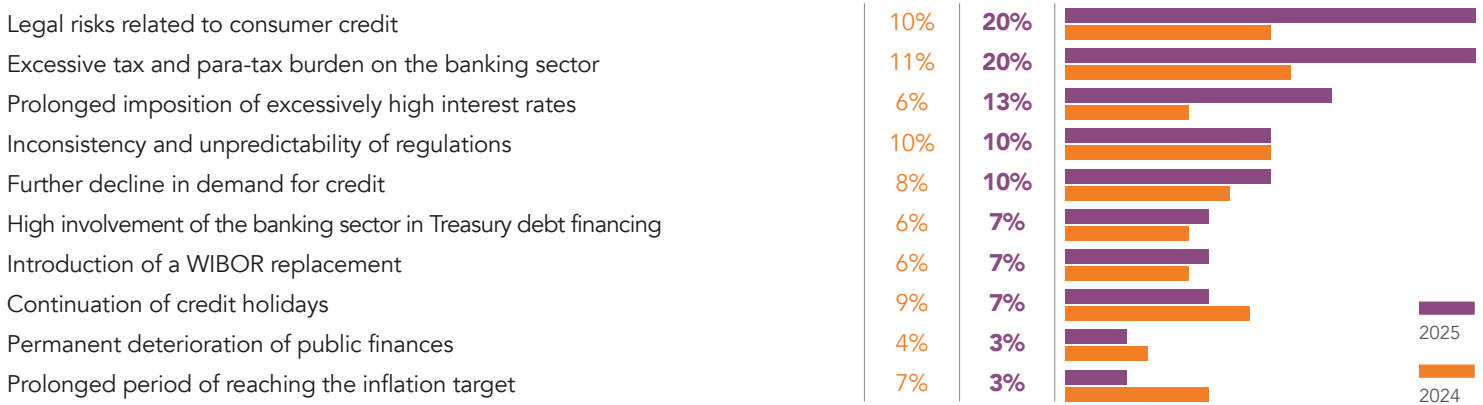
Origin of capital (share of assets)
June 2024



When asked about the biggest current threat to the banking sector, bankers identified the following: legal risk associated with consumer loans (20%), burden of taxes and para-taxes on the banking sector (20%), prolonged imposition of excessively high interest rates (13%), inconsistency and unpredictability of regulations (10%). Last year, the legal risk associated with consumer credit was identified by only 10% of respondents. In 2023, for bankers surveyed by the Polish Bank Association, the biggest threats included the CJEU ruling on Swiss franc-denominated loans (38%) and the increased share of bad loans (19%).

In your opinion, what is currently the biggest threat to the banking sector in Poland?

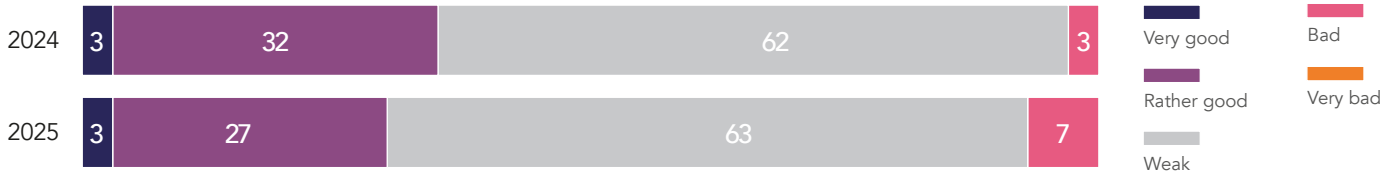
Source: Survey conducted by Minds&Roses on behalf of the Polish Bank Association. July 2025 vs. July 2024.



Against the backdrop of the technological leap the Polish banking sector has made over the past two decades, we asked bankers how customers rate their knowledge of cybersecurity. According to one in three respondents (30 percent), bank customers rate their knowledge of cybersecurity well. The result is 5 percentage points lower than the year before. In contrast, 63 percent of respondents say customers rate their knowledge in this area poorly, and 7 percent say they rate it very poorly.

How do you think bank customers rate their knowledge of cybersecurity?

Source: Survey conducted by Minds&Roses on behalf of the Polish Bank Association. July 2025.

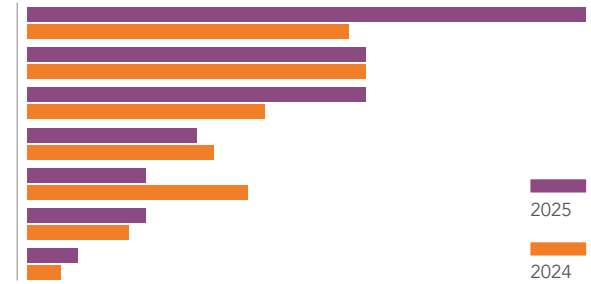


The most common cybersecurity threats that customers report to banks are: bank impersonation (spoofing/vishing, smishing, phishing), disclosure of authentication codes, fraud on e-commerce platforms, and fraudsters pretending to be a grandchild of an elderly customer.

Which cybersecurity risks do bank customers report most frequently?

Source: Survey conducted by Minds&Roses on behalf of the Polish Bank Association. July 2025 vs. July 2024.

	2024	2025
Bank impersonation (spoofing/vishing, smishing, phishing)	19%	**33%**
Disclosure of authentication or authorization codes	20%	**20%**
Fraud on e-commerce platforms	14%	**20%**
Fraudsters pretending to be a grandson, a police officer	11%	**10%**
Fake forex investments	13%	**7%**
Malware attacks on customers	6%	**7%**
Use of artificial intelligence by criminals	2%	**3%**



Europe's 50 largest banks (April 2025 data)

Source: Europe's 50 largest banks by assets, 2025, S&P Global Market Intelligence

Figures released in early April 2025 by S&P Global Market Intelligence and pertaining to 2024 show that the British HSBC Holdings PLC bank has maintained its position as the largest bank in Europe. Its assets totaled $2.989 trillion.

The list of Europe's 50 largest banks by assets includes 6 French and 6 British banks. Germany and Italy each have 5 banks in the ranking, while Spain has 4. French banks had the largest total value of assets, at €10.770 trillion.

The list again included a Polish bank, PKO Bank Polski, which moved one spot up from last year's position 50 to place number 49. The Polish bank's assets totaled $127.08 billion.

Current ranking	Previous ranking	Current vs. previous ranking	Bank name	Headquarters	Total assets (Billions of $)
1	1	○	HSBC Holdings PLC	Great Britain	2,989.81
2	2	○	BNP Paribas SA	France	2,809.83
3	3	○	Credit Agricole Group	France	2,693.58
4	4	○	Banco Santander SA	Spain	1,901.94
5	5	○	Barclays PLC	Great Britain	1,900.67
6	8	▲	Groupe BPCE	France	1,646.53
7	6	▼	Societe Generale SA	France	1,601.74
8	7	▼	UBS Group AG	Switzerland	1,563.32
9	9	○	Deutsche Bank AG	Germany	1,436.15
10	10	○	Credit Mutuel Group	France	1,252.10
11	11	○	Lloyds Banking Group PLC	Great Britain	1,135.12
12	12	○	ING Group NV	The Netherlands	1,056.57
13	13	○	Intensa Sanpaolo SpA	Italy	966.23
14	14	○	NatWest Group PLC	Great Britain	886.34
15	17	▲	Standard Chartered PLC	Great Britain	849.69
16	15	▼	UniCredit SpA	Italy	811.68
17	16	▼	Banco Bilbao Vizcaya Argerntaria SA	Spain	799.67
18	18	○	La Banque Postale SA	France	766.91
19	19	○	DZ Bank AG	Germany	682.93
20	21	▲	CaixaBank SA	Spain	653.28
21	20	▼	Rabobank	The Netherlands	651.47
22	22	○	Nordea Bank Abp	Finland	645.36
23	24	▲	Commerzbank AG	Germany	574.23
24	23	▼	Sberbank of Russia	Russia	557.48
25	25	○	Danske Bank A/S	Denmark	515.87

Current ranking	Previous ranking	Current vs. previous ranking	Bank name	Headquarters	Total assets (Billions of $)
26	26	○	Nationwide Building Society	Great Britain	498.77
27	27	○	ABN AMRO Bank NV	The Netherlands	411.66
28	28	○	KBC Group NV	Belgium	386.22
29	30	▲	Landesbank Baden- Württemberg	Germany	368.98
30	29	▼	Erste Group Bank AG	Austria	366.22
31	31	○	Skandinaviska Enskilda Banken AB	Sweden	339.65
32	32	○	Raiffeisen Gruppe Switzerland	Switzerland	337.25
33	35	▲	VTB Bank PJSC	Russia	330.43
34	34	○	DNB Bank ASA	Norway	319.85
35	33	▼	Svenska Handelsbanken AB	Sweden	319.79
36	36	○	Bayerische Landesbank	Germany	277.46
37	37	○	Swedbank AB	Sweden	271.94
38	39	▲	Nykredit A/S	Denmark	266.10
39	38	▼	Banco de Sabadell SA	Spain	248.06
40	40	○	Zürcher Kantonalbank	Switzerland	223.57
41	42	▲	Raiffeisen Bank International AG	Austria	206.91
42	41	▼	Banco BPM SpA	Italy	205.21
43	43	○	Belfius Bank SA	Belgium	194.07
44	48	▲	Turkiye Cumhuriyeti Ziraat Bankasi AS	Turkey	168.26
45	45	○	Bank of Ireland Group PLC	Ireland	167.53
46	44	▼	OP Financial Group	Finland	166.86
47	47	○	AIB Group PLC	Ireland	146.25
48	46	▼	BPER Banca SpA	Italy	145.55
49	50	▲	**PKO Bank Polski SA**	**Poland**	127.08
50	49	▼	Banca Monte dei Paschi di Siena SpA	Italy	126.93

The condition of the European banking sector is worth noting. The European Banking Authority (EBA) has published the results of an EU-wide stress test conducted in 2025, covering 64 banks from 17 EU and EEA countries, representing approximately 75% assets of the entire EU banking sector. In its tests, the EBA took into account, among other factors, the deterioration of the macroeconomic environment, tariff wars, rising inflation, recession, unemployment, falling asset growth and geopolitical tensions. **Two banks from Poland directly participated in the EBA study: PKO Bank Polski SA and Pekao SA.**

PKO Bank Polski ranked among the most stable institutions in Europe, confirming its high capital resilience to adverse changes in the macroeconomic environment. Capital ratios throughout the forecast period are above regulatory minima. In an adverse scenario, the Bank's CET1 ratio increases from a baseline of 15.58% at the end of 2024 to 16.32% in 2027, representing an increase of 74 basis points. The bank records a positive financial result throughout the projection period, which strengthens its capital base. The result shows that the Bank has sufficient capital to cover losses and also support the economy in the face of the shock.

According to this year's stress test results, Pekao Bank's consolidated CET1 ratio without transitional provisions would be 20.03% in 2027 in the baseline scenario with a 3-year profit of €3.78 billion, and 17.03% in the stress scenario with a 3-year profit of €2.02 billion. Both capital ratios are significantly above the regulator's required levels and target capital ratios.

EU banks, despite suffering losses of €547 billion, maintain a strong capital position and the ability to continue supporting the economy. The results of the tests confirmed that the shock scenario poses no threat to the stability of Polish banks and they are among the most stable institutions in Europe.

The EBA Stress Tests are cyclical examinations of the health of European banks, serving as an important source of information for the supervisory review and evaluation process. Their purpose is to help competent authorities assess the ability of banks to meet prudential requirements under stress scenarios.

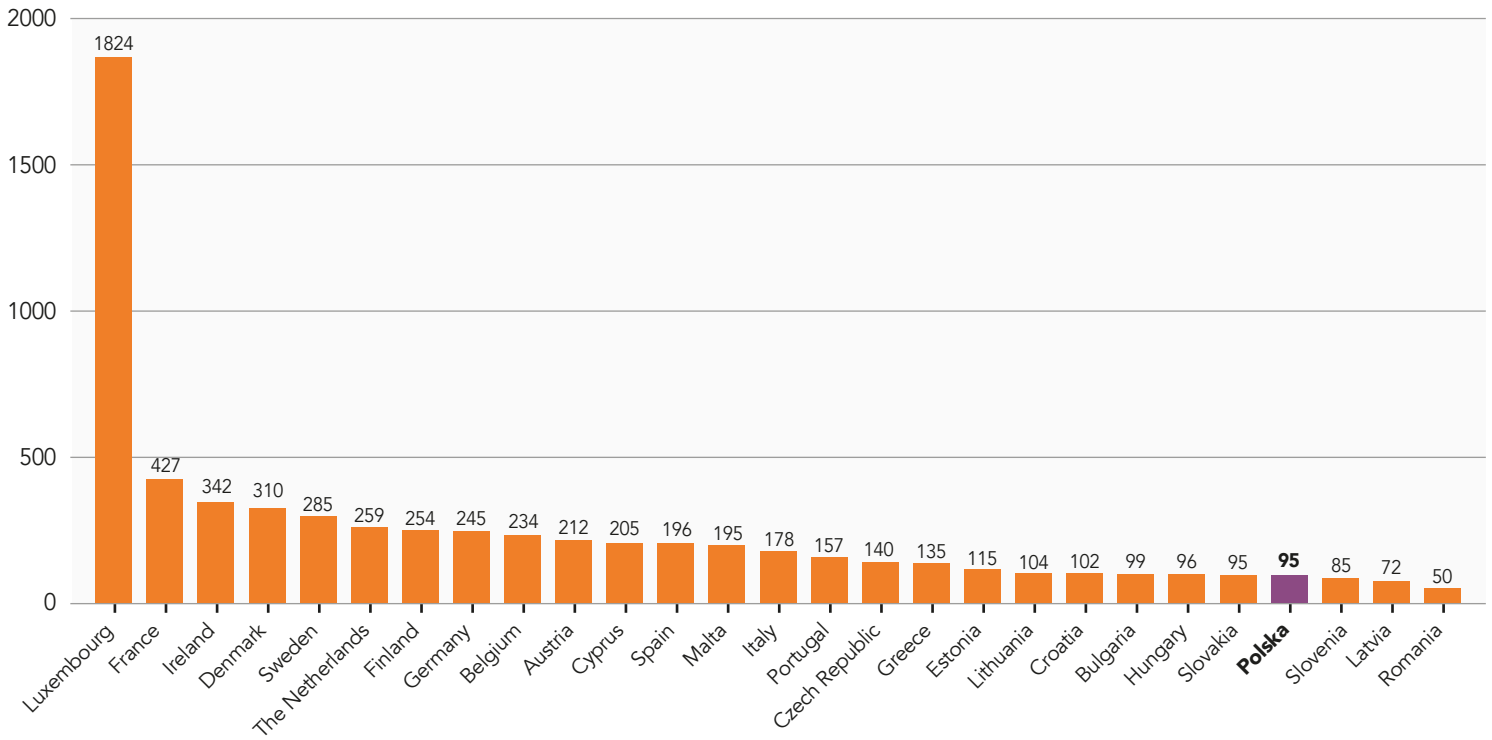
ASSETS OF EUROPEAN BANKS

Poland's banking sector remains one of the smallest in Europe in terms of the asset-to-GDP ratio. Calculations by the Research and Analysis Team of the Polish Bank Association show that the assets of banks operating in Poland, expressed as a proportion of GDP, reached 95% in Q2 2025, up from 88.71% in 2023. We are trailed by Slovenia, Latvia and Romania. The small size of Poland's banking sector is evidenced by the equity-to-GDP ratio, which ranks us in one of the last places among EU countries, followed by Slovenia, Latvia and Romania.

> **As a result, the Polish banking sector is, in real terms, one of the smallest among all of its European counterparts.** Smaller banking sectors are found only in Slovenia, Latvia and Romania.

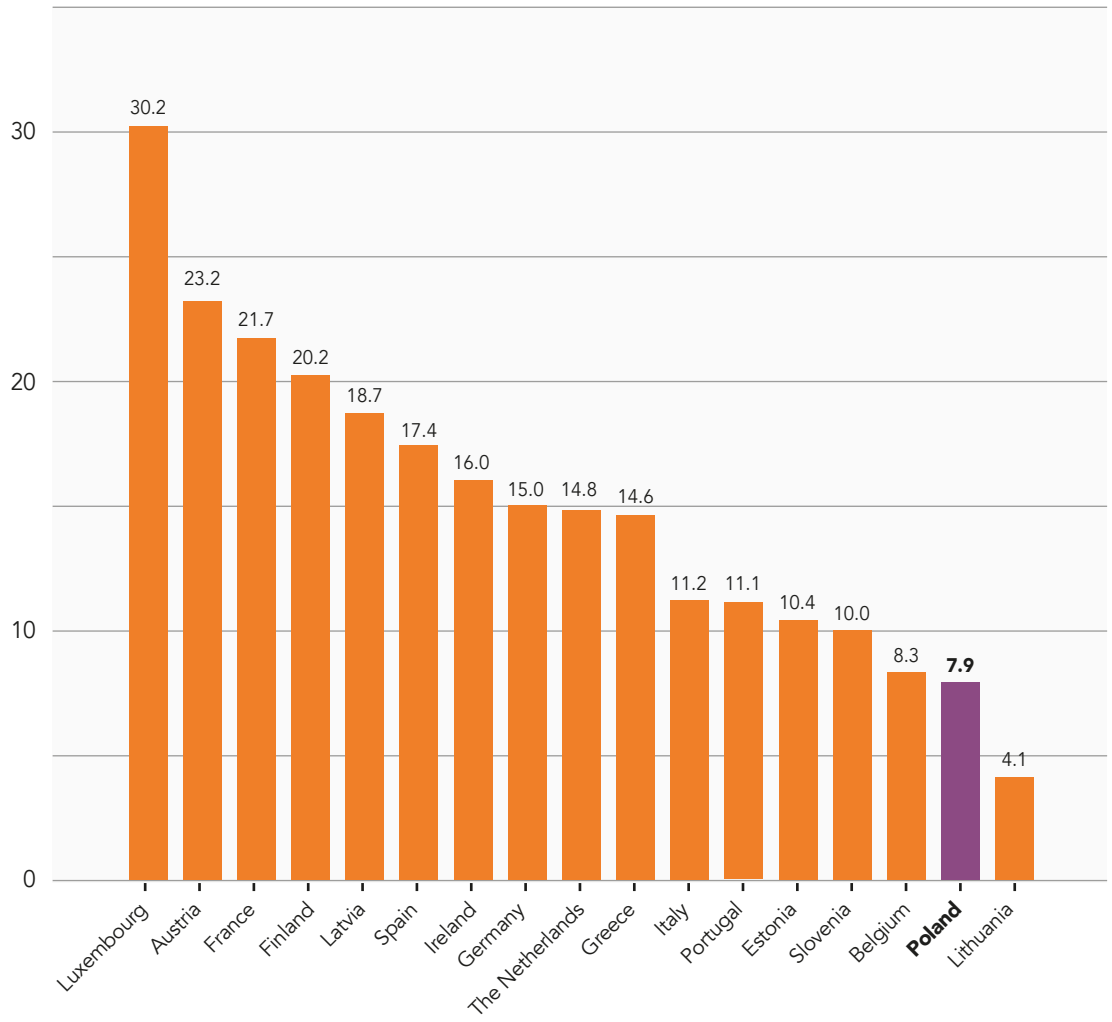
Assets in relation to GDP in Q2. 2025 – Polish banking sector and banking sectors from EU countries (in percent)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA, ECB (BSI) data



Equity-to-GDP ratio in Q1. 2025 (in percent)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA, ECB (BSI) data

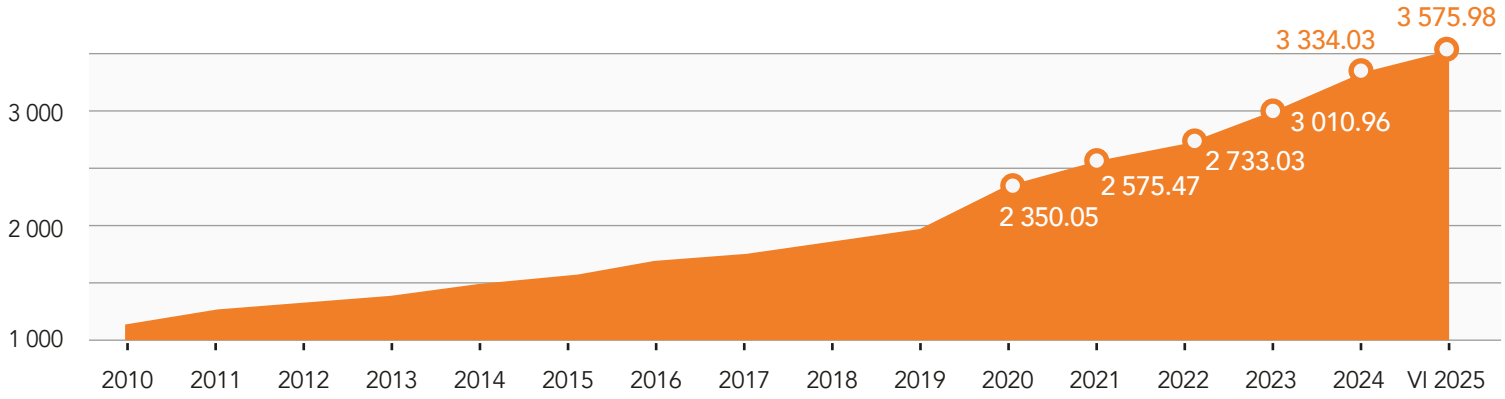


At the end of June, the Polish banking sector assets totaled PLN 3.576 trillion. The increase in asset value has led to an improvement in the asset-to-GDP ratio. At the end of H1 2025, the ratio was 94.6%.

The real value of equity as of the end of Q1 2025 still remains significantly lower than in 2010 - 2020. In view of the challenges facing the Polish economy, most notably strategic investment in the energy transition, it is essential to ensure undisturbed growth for the banking sector. The nominal amount of equity, as well as its real size relative to the economy's size, determines the banking sector's ability to finance the economy's needs during periods of expected investment growth and in relation to the size of investment projects that require implementation in the near term. Today, this capacity is lower than in 2010, when the banking sector's equity-to-GDP ratio stood at 8.2%.

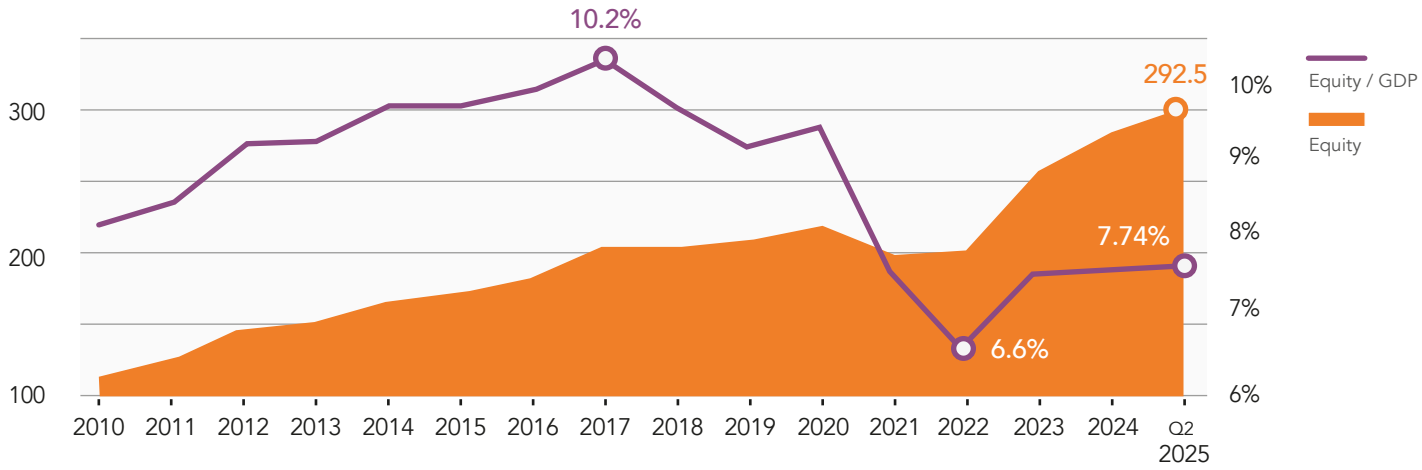
Balance sheet total of the banking sector (in billions of PLN)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA data



Banking sector's equity and shareholders' equity in relation to GDP

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA data



LOANS AND DEPOSITS

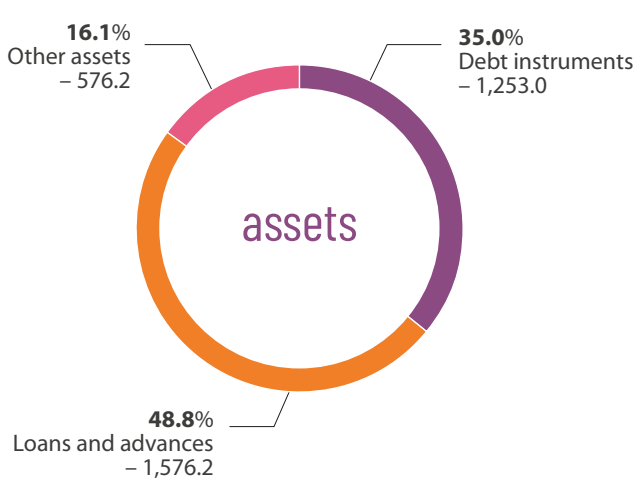
Data from the Financial Supervisory Commission show that the loans-to-deposits ratio stood at 59.0% at the end of June 2025. This represents a m/m decline of 0.3 pp. and a 1.6 pp. decrease y/y. The volume of loans to the non--financial sector reached PLN 1,236.05 billion at the end of June 2025, a year-on-year increase of PLN 55.37 billion, i.e. 4,69%. The value of non-financial sector's deposits in June 2025 reached PLN 1,994.27 billion, a year-on-year increase of PLN 145.7 billion, i.e. 7,88%. Household loans increased year-on-year by PLN 30.03 billion, or 4.01%. At the end of June 2025, the household loan portfolio reached PLN 778.37 billion. Corporate loans: increased by PLN 25.12 billion, or 5.93% y/y, reaching PLN 449.24 billion at the end of June 2025.

The loan-to-deposit ratio is an indicator that helps assess the stability of the banks' funding sources. The ratio indicates the proportion of the loan portfolio that is covered by deposits, which can be considered a stable source of capital. The optimal level of the indicator, depending on the economy, should not exceed 100%, as exceeding this value requires seeking external financing. A low loan-to-deposit ratio may in turn indicate that banks face an over-liquidity problem.

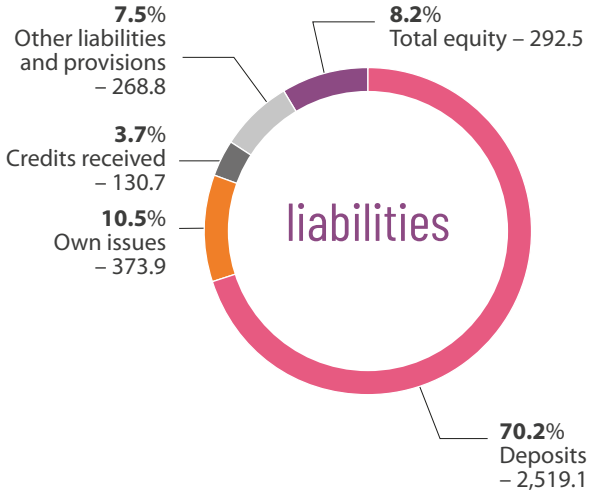
The June 2025 Financial Stability Report published by the National Bank of Poland shows that banks' exposure to government and Treasury-guaranteed bonds remains high. Their share in banks' assets rose to 24.4%, surpassing the maximum of 2021. Since mid-2024, the portfolio of these securities has increased by PLN 91 billion, or 15.9%. At the end of June, the value of SP and SP-guaranteed bonds amounted to PLN 751.59 billion, up 23.5% or PLN 142.83 billion year-on-year. This is confirmed by the latest report from the Financial Supervisory Authority. Among the countries analyzed, the Polish banking sector has the highest share of debt instruments in its assets. The Polish sector is over-liquid, and sources of loan financing (deposits) are highly diversified. This means that credit financing is stable and does not need to be adjusted.

The banking sector plays a fundamental in financing the economy's needs. The changes in the structure of assets over the past few years are unfavorable from the banks' core business perspective, namely lending. Debt instruments (primarily Treasury Securities) are the strongest gainers in the banks' assets. More than half of the Treasury Securities are in the hands of banks. Treasury Securities account for approximately 17.7% of banks' assets (35% are debt instruments, including BGK and PFR bonds and NBP money bills). Since the beginning of 2020, the value of debt instruments in the Polish banking sector has increased to PLN 795.23 billion, while the value of loans extended to the non-financial sector in the same period equaled only PLN 114.64 billion. In H1 2025 alone, the value of debt instruments increased by PLN 145 billion. At the same time, loans extended to the non-financial sector increased by PLN 32 billion, indicating that their growth pace was 4.5 times slower.

Asset structure of the banking sector (billions of PLN)



Structure of banking sector's liabilities (billions of PLN)

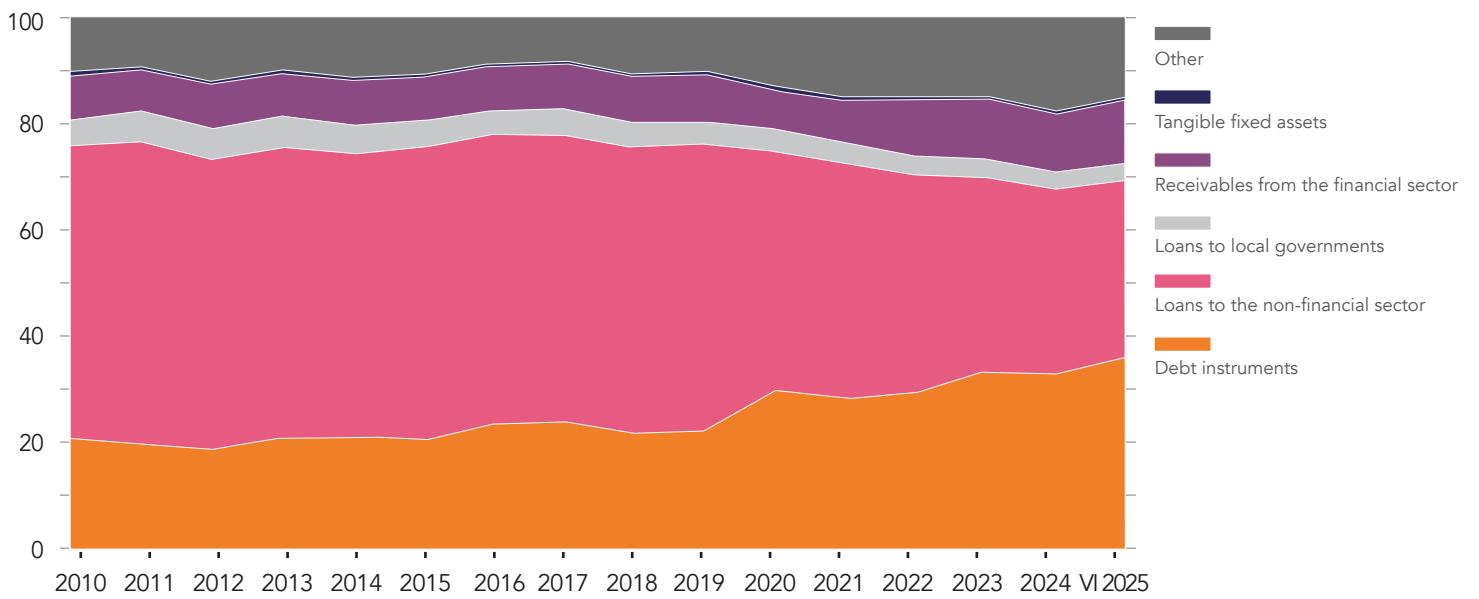


Source: Polish Financial Supervisory Authority, June 2025.

Changes have evidently been taking place in the asset structure since 2019. Loans extended to the non-financial sector decreased their share mainly in favor of debt instruments.

Structure of banking sector's assets (in percent)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA data

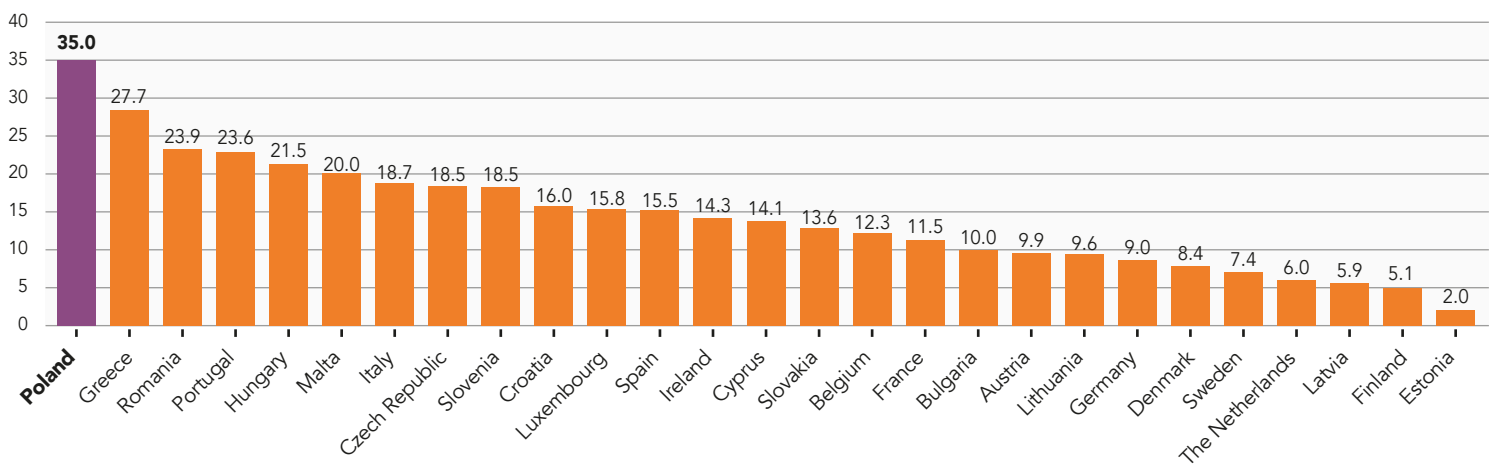


The value of the active loan portfolio at the end of Q2 2025 was PLN 1,175.99 billion. Despite this being the highest nominal value ever, it is only PLN 23.3 billion higher than 3 years ago (in June 2022). The reduction in the real value of credit in relation to the needs of the economy is primarily related to the introduction of the bank tax whose amount is based on the value of assets (with some additional inclusions, such as Treasury bonds). This formula remains convenient for the state budget – as it provides stable and easily predictable fiscal revenues. On the other hand, however, it penalizes key lending activities of banks, inhibits the level of investment, and thus remains far detrimental to the economy. Such a bank tax formula is found only in countries where the bank tax serves a strictly fiscal function, such as Poland and Hungary.

The Polish banking sector still has the highest share of debt instruments in its asset portfolio, compared to selected EU countries. The share of debt instruments in the asset portfolio of the Polish banking sector equaled 35% at the end of Q1 2025.

Share of debt instruments in banks' asset portfolio (in percent)

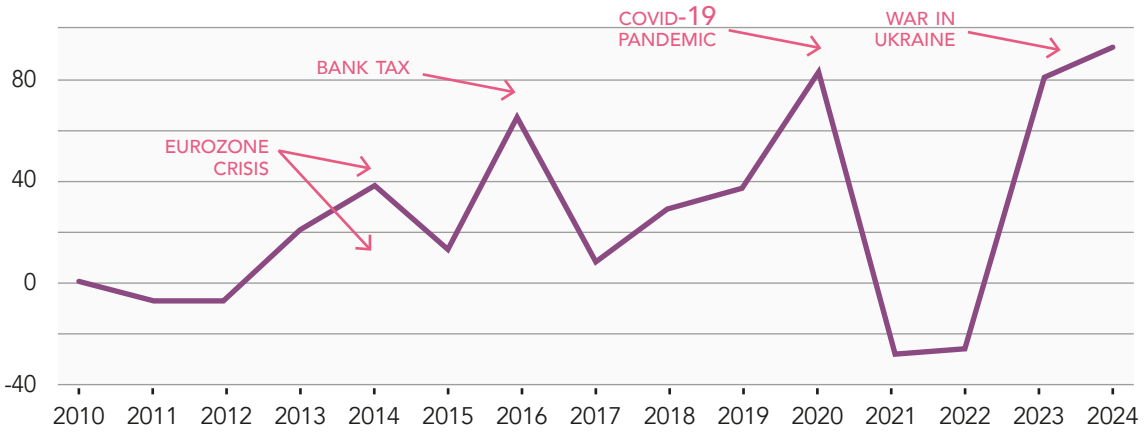
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA, ECB (BSI) data



In high-risk conditions, banks acquire safe State Treasury instruments, thereby supporting the state in neutralizing the effects of these crises. The annual changes in the portfolio of Treasury and local government bonds in the assets of commercial banks, shown in the chart below, allow to draw a clear conclusion. The crisis in the eurozone countries, the Covid-19 pandemic and the full-scale war in Ukraine, i.e. events that increase the overall level of risk, have prompted banks to prefer safety, resulting in an increased growth in the volume of safe financial instruments - treasury bonds. The introduction of the bank tax offered a similar stimulus for commercial banks.

Annual changes in the portfolio of state treasury and local government bonds in commercial banks (in billions of PLN)

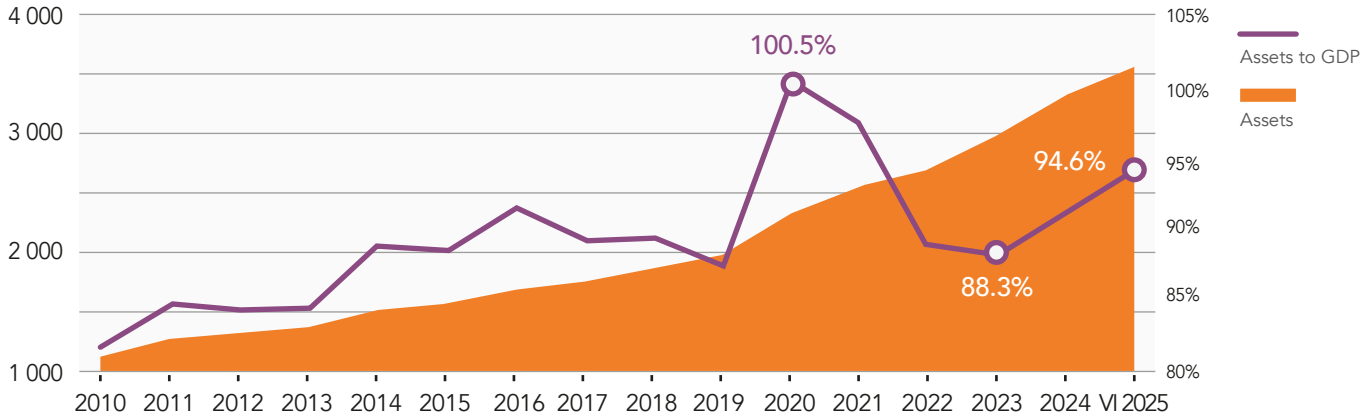
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA data



At the end of June 2025, the assets of the Polish banking sector had the value of PLN 3.576 trillion. **The increase in the value of assets helped improve the asset-to-GDP ratio.** At the end of H1 2025, the ratio was 94.6%.

Banking sector assets and assets in relation to GDP

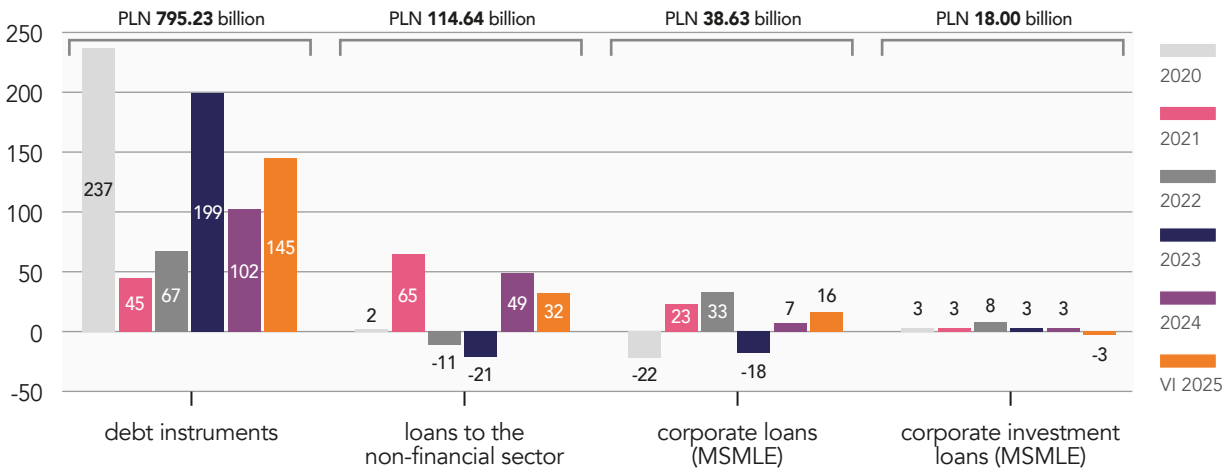
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA data



Annual growth of selected bank asset items

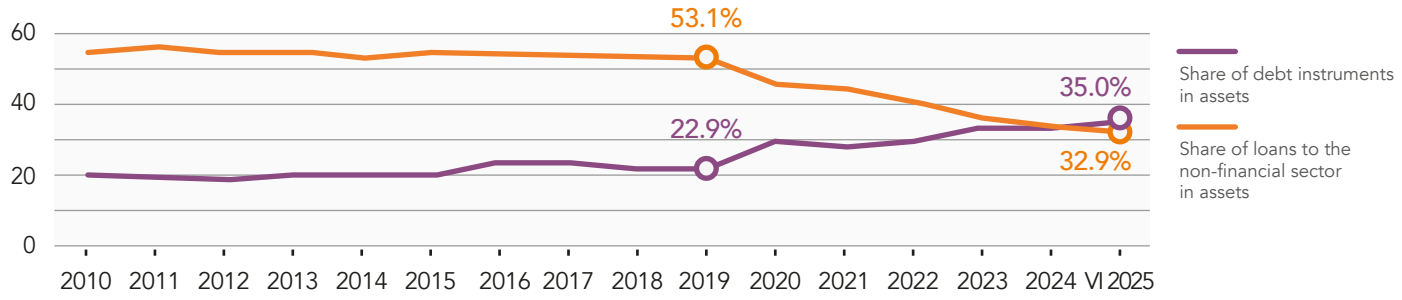
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on NBP and PFSA data

In H1 2025, the share of debt instruments in banks' assets increased significantly. The increase was due to the over-liquidity of the banking sector in an environment of low demand for credit, with the concomitant impact of the bank tax penalizing banks' lending activities and encouraging the purchase of government bonds.



Share of loans to the non-financial sector and debt instruments in banks' assets (in percent)

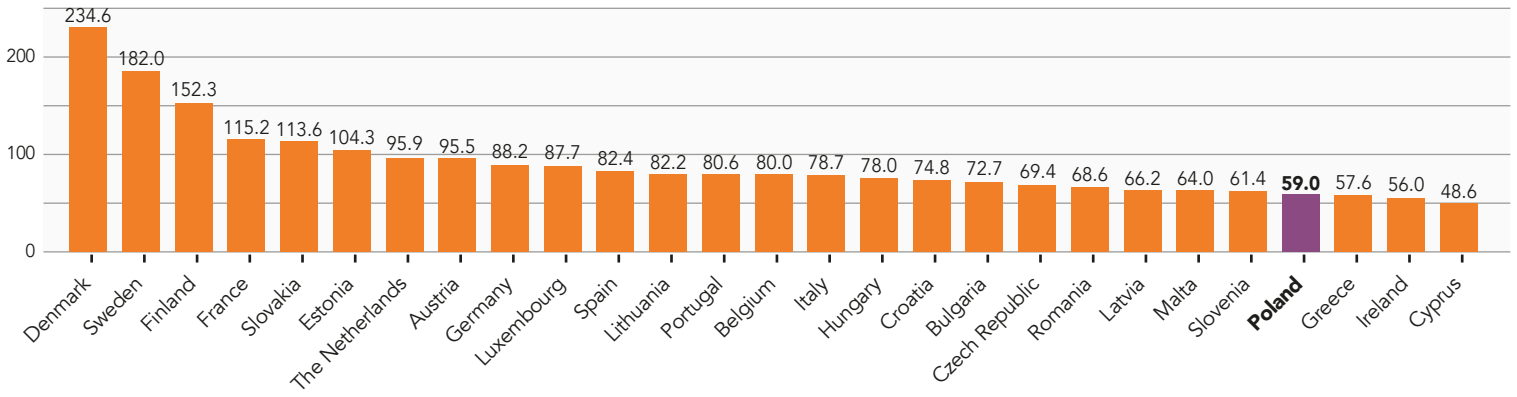
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, data from ECB, SSM, NBP



In Poland, the portfolio of loans to the non-financial sector relative to deposits is at one of the lowest levels in the entire EU. Poland remains ahead of Greece, Ireland and Cyprus.

Polish banking sector and EU banking sectors at the end of Q2 2025 (in percent)

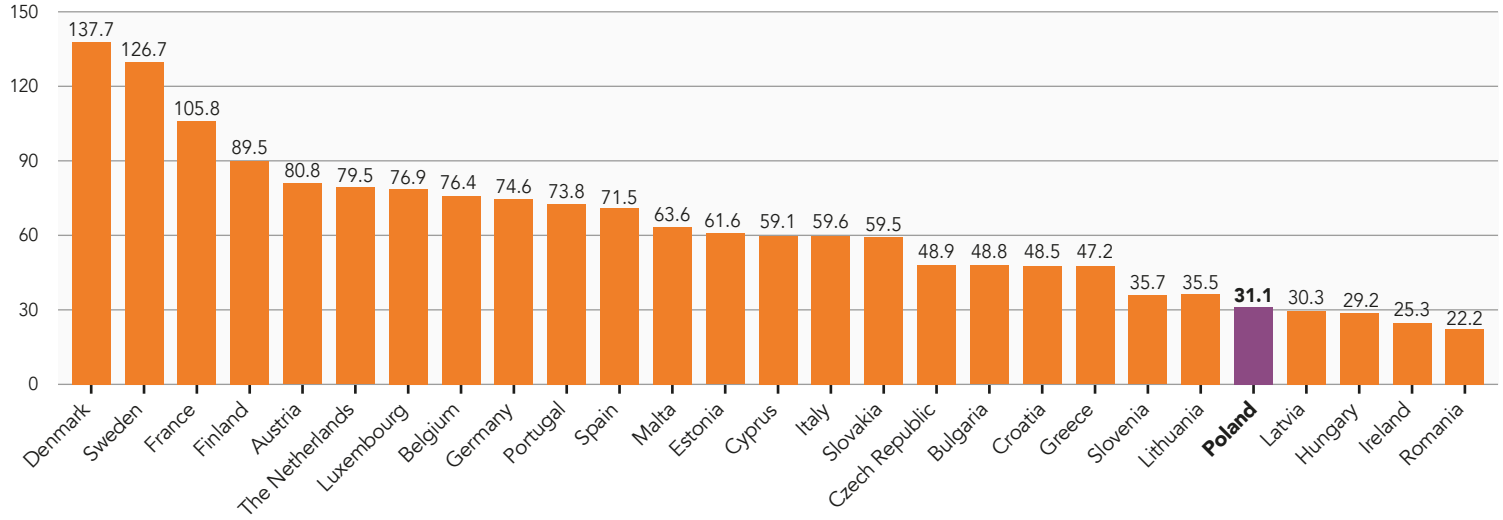
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on ECB, SSM, NBP data



Loans to the non-financial sector as a percentage of GDP reached as low as 31.1%. Lower real values were recorded only in Latvia, Hungary, Ireland and Romania.

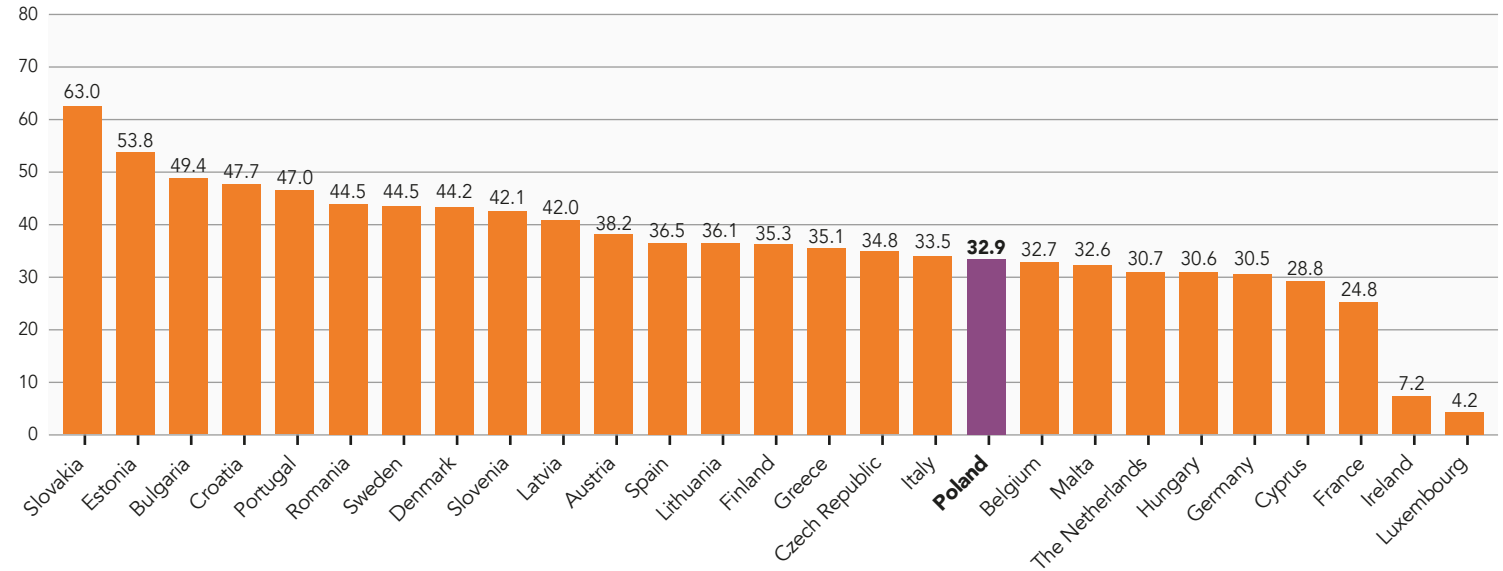
Share of loans to the non-financial sector as a percentage of GDP in Q1 2025 (in percent)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on ECB, SSM, NBP data



Share of loans to the non-financial sector in banks' assets in Q2 2025

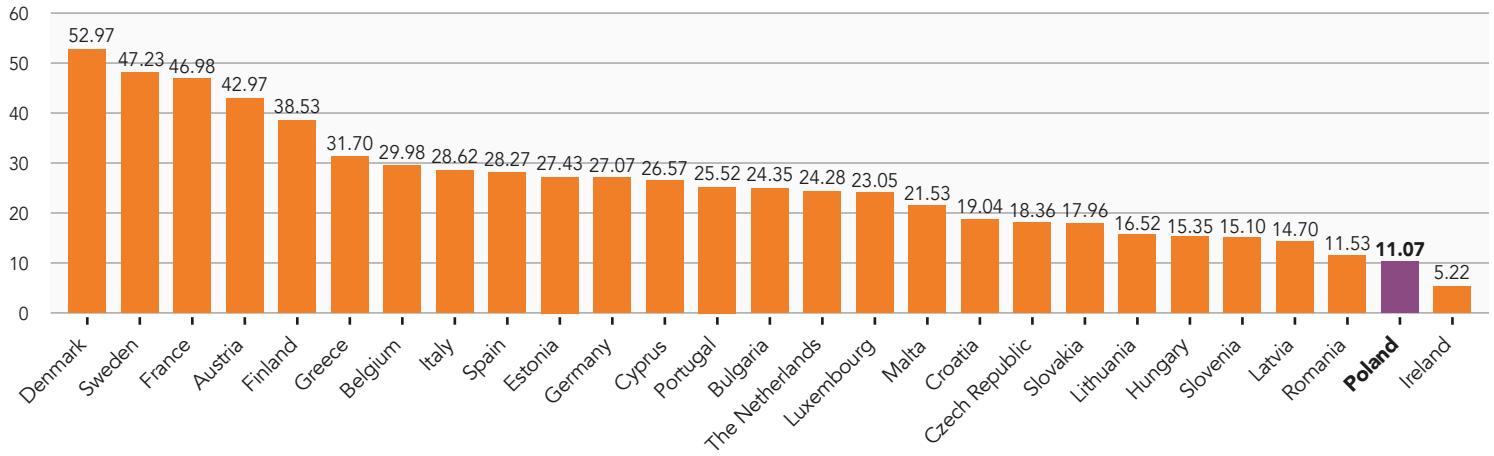
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA, ECB (BSI) data



Poland's corporate loan portfolio as a percentage of GDP remains one of the lowest among banking sectors in other EU countries. A lower real value of the corporate loan portfolio is recorded only in the Irish banking sector. Western Europe's banking sectors show significantly higher levels of corporate loan-to-GDP ratios, with the Scandinavian countries leading the way.

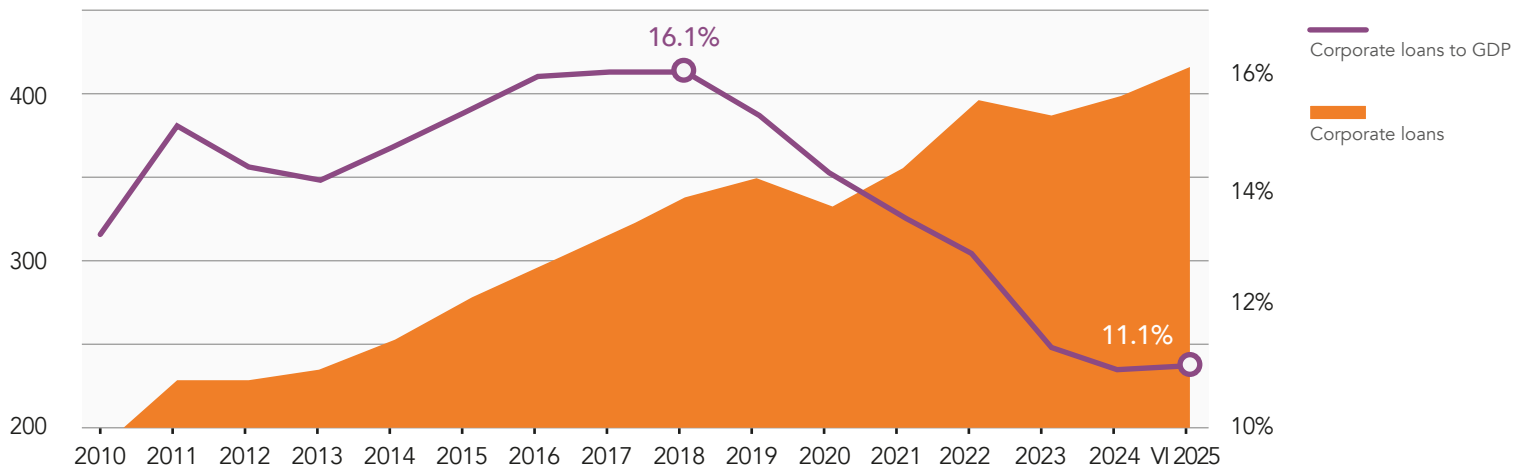
Corporate loans in relation to GDP – Polish banking sector and banking sectors from European Union countries (in percent)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on PFSA, ECB (BSI) data



Corporate loans in relation to GDP in Poland

Source: Own compilation of the Research and Analysis Team of the Polish Bank Association, based on PFSA data

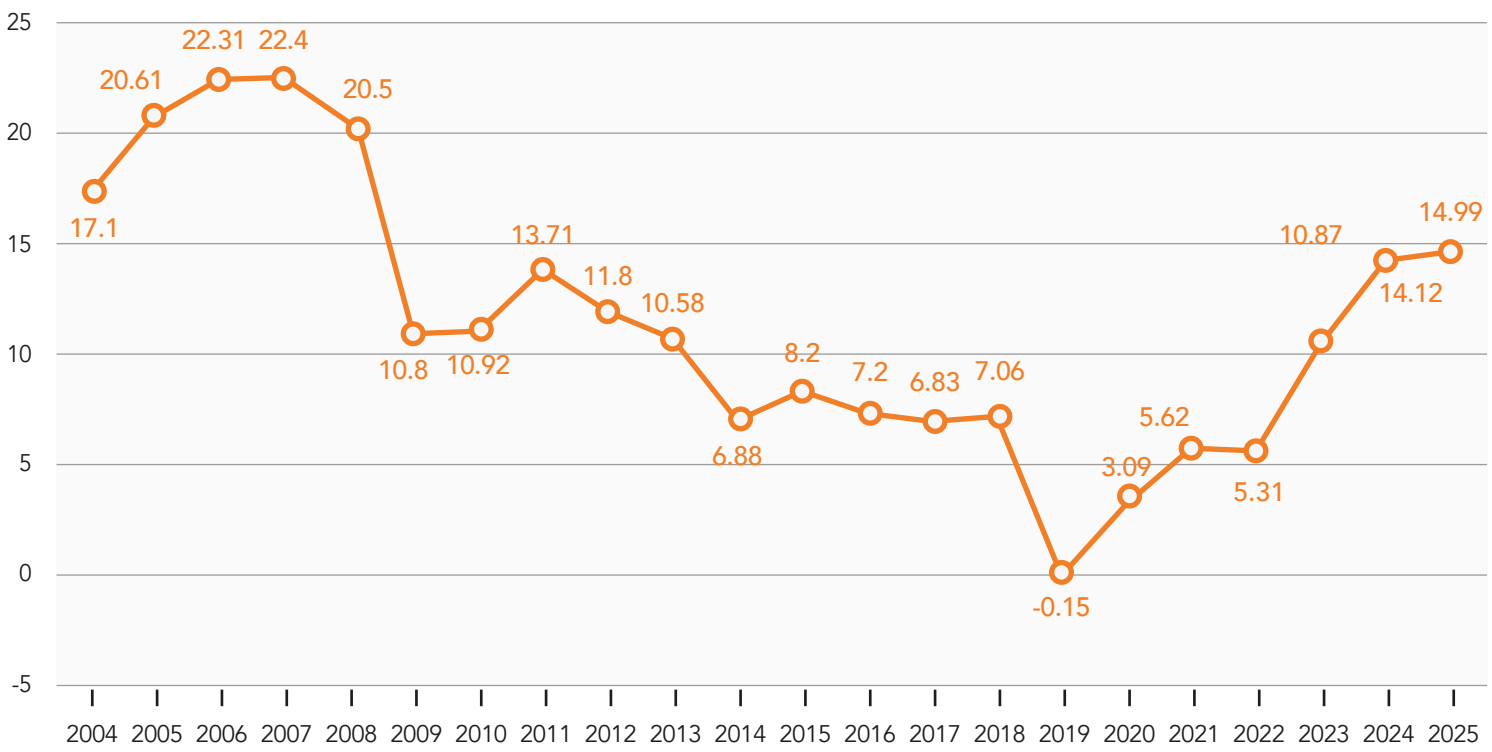


ATTRACTIVENESS FOR INVESTORS

ROE (return on equity) is one of the main determinants of the operating profitability of any business entity. The higher the ROE, the higher the profits in a given industry, making the profitability of investment higher as well. In the banking sector, both in Europe and Poland, the low value of ROE observed in recent years has been driven by increasing regulatory requirements, as well as fiscal burdens. 2021 brought an improvement in ROE in the banking sector, which was assessed only against the backdrop of a very weak 2020. In an environment of persistently high interest rates, the profitability of Poland's banking sector has increased. After 9 years of operating under conditions in which the ROE was lower than the cost of capital (which de facto condemned banks to organic growth), the banking sector has managed to return to normal operating conditions, i.e. those in which the ROE is higher than the cost of capital. According to the National Bank of Poland, the profitability of listed banks at the end of 2024 reached approximately 20%, with an estimated cost of capital of approximately 12%.

ROE efficiency ratio (net profit/average equity; in percent)

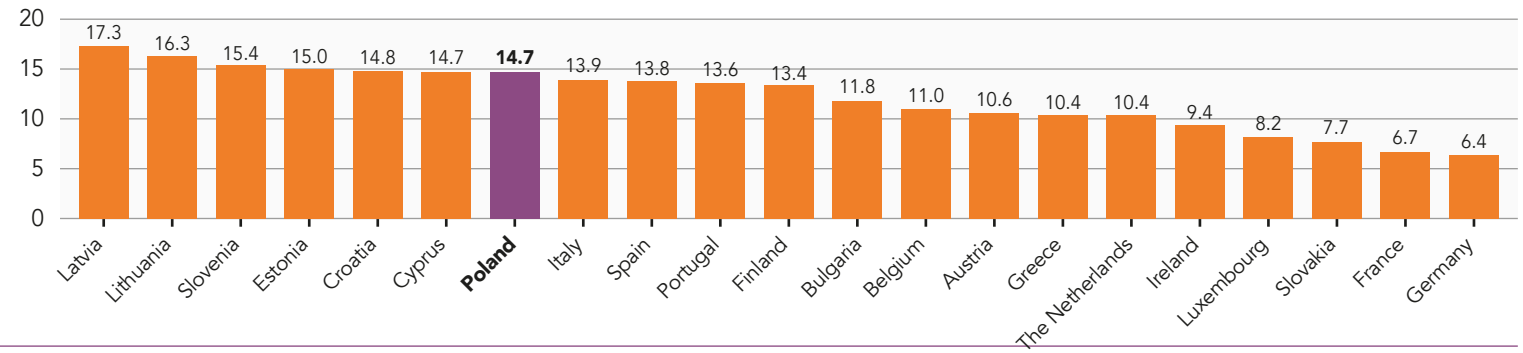
Source: Own compilation by the Research and Analysis Team



Despite high nominal profits of the Polish banking sector, its profitability still remains average at best, compared to other European banking sectors.

Return on equity (ROE) of European banking sectors (Q4 2024, in percent)

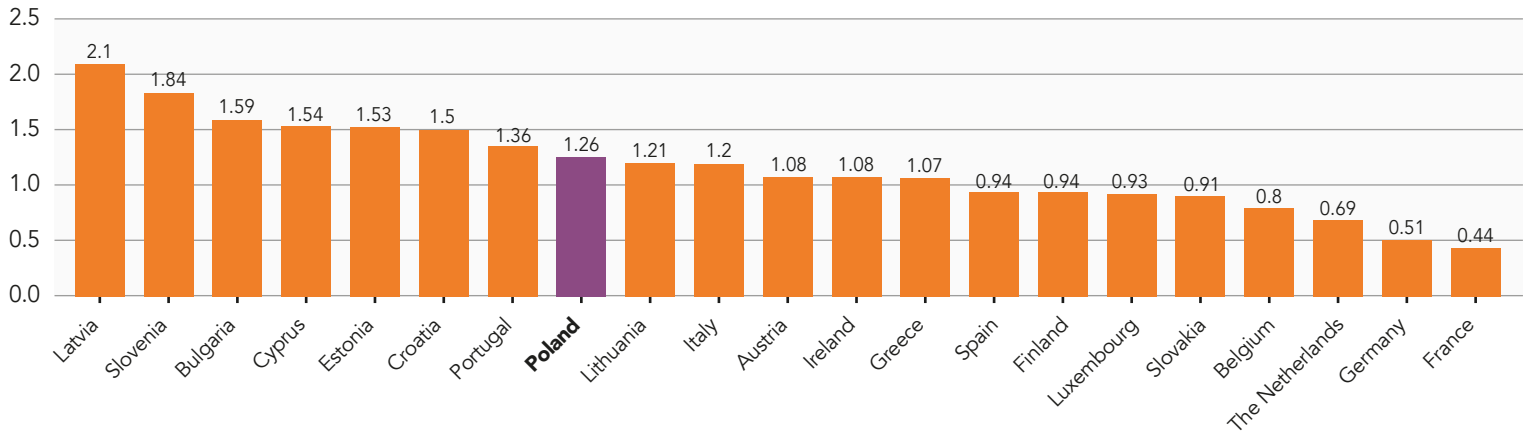
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on ECB, SSM, NBP data



The profitability of assets and equity in the Polish banking sector compared to other European banking sectors **in 2024 was moderate.**

Return on assets (ROA) of European banking sectors (Q4 2024, in percent)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on ECB, SSM, NBP data

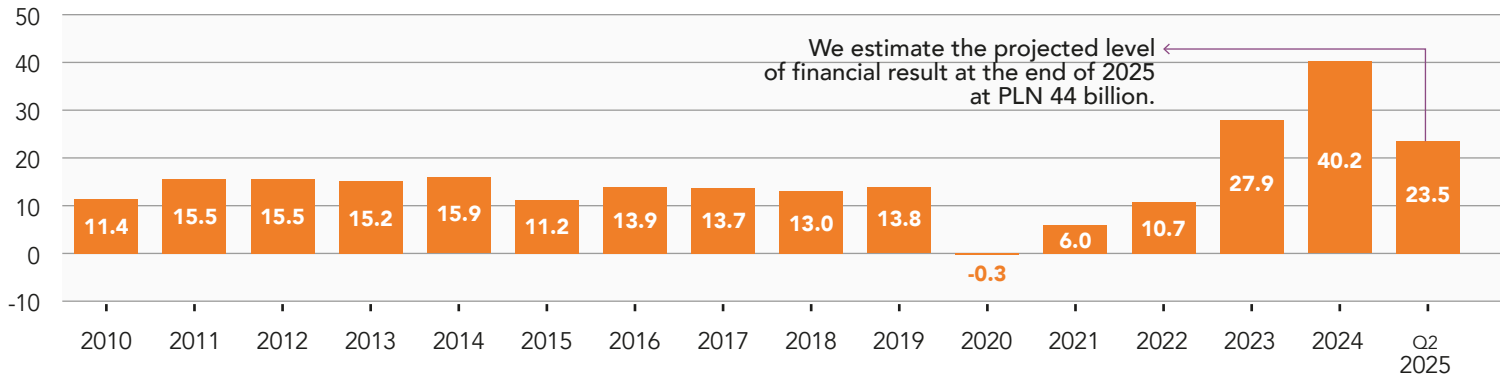


In the first six months of 2025, the banking sector's net financial result (NFR) stood at PLN 23.5 billion. The net financial result on a monthly basis amounted to PLN 2.5 billion in June, down by PLN 1.9 billion (-43.4% m/m) from the previous month.

The net financial result at the end of June 2025 equaled PLN 23.5 billion, up 18.28% year-on-year.

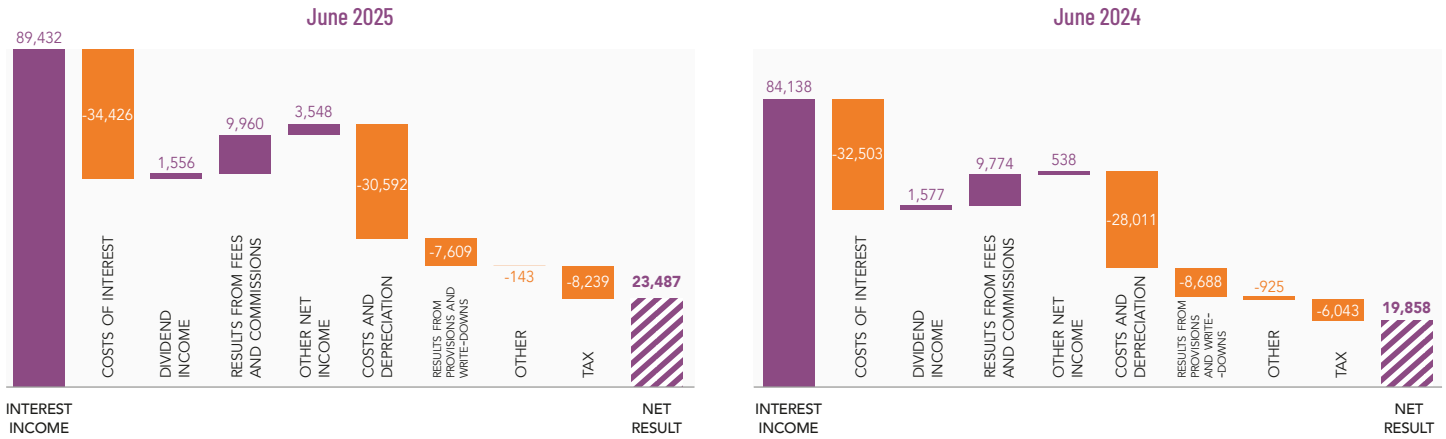
Net financial result of the banking sector

Source: Own calculations of the Research and Analysis Team, based on PFSA data



Components of financial result of the banking sector (in millions of PLN)

Source: PFSA data, June 2025

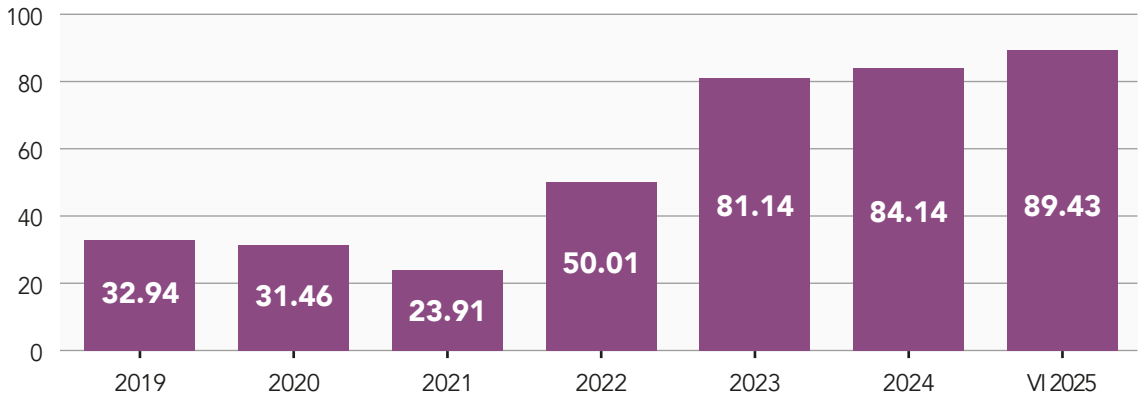


Analysis of the structure of the financial results after the first half of 2025 and 2024 shows a noticeable improvement in the revenue categories. After two quarters of 2025, there was a noticeable increase in interest income, accompanied by a corresponding rise in interest expenses.

On a quarter-on-quarter basis, interest income at the end of Q2. 2025 reached a value of PLN 45.24 billion, compared to PLN 42.43 billion in the same period last year. From Q2 2025, however, the growth rate of interest income is expected to decelerate gently due to the Monetary Policy Council's decision on interest rates. On the other hand, the stable level of interest income, which is partially immune to interest rate fluctuations, is significantly influenced by income generated by instruments with fixed or periodically fixed interest rates, such as treasury bonds and housing loans with periodically fixed interest rates.

Interest income after Q2 of each year (in billions of PLN)

Source: PFSA data, June 2025



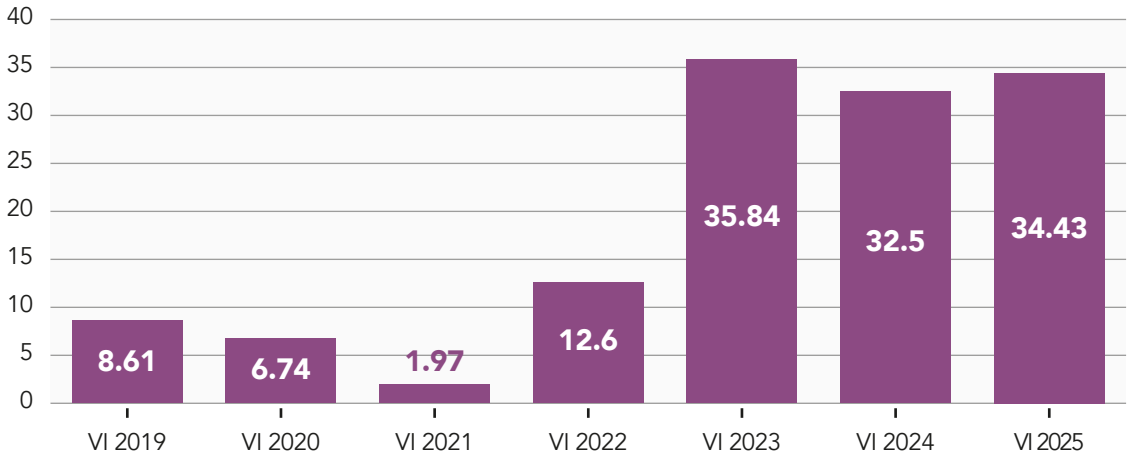
Interest income of the banking sector reached PLN 27.80 billion after Q2 2025. Thus, growth was 7.18% year-on-year.

The amount of interest expense in each month of the first quarter of this year was almost identical to that in the first three months of 2023. The average monthly level of costs in 2025 was PLN 5.81 billion, while in the same period of 2024, the average monthly interest costs amounted to PLN 5.5 billion. As with interest income, interest expense is expected to decline as the Monetary Policy Council successively lowers interest rates.

Interest expenses rose 5.92% after the second quarter,
but were lower than in 2023.

Interest expenses after the first half of the year (in billions of PLN

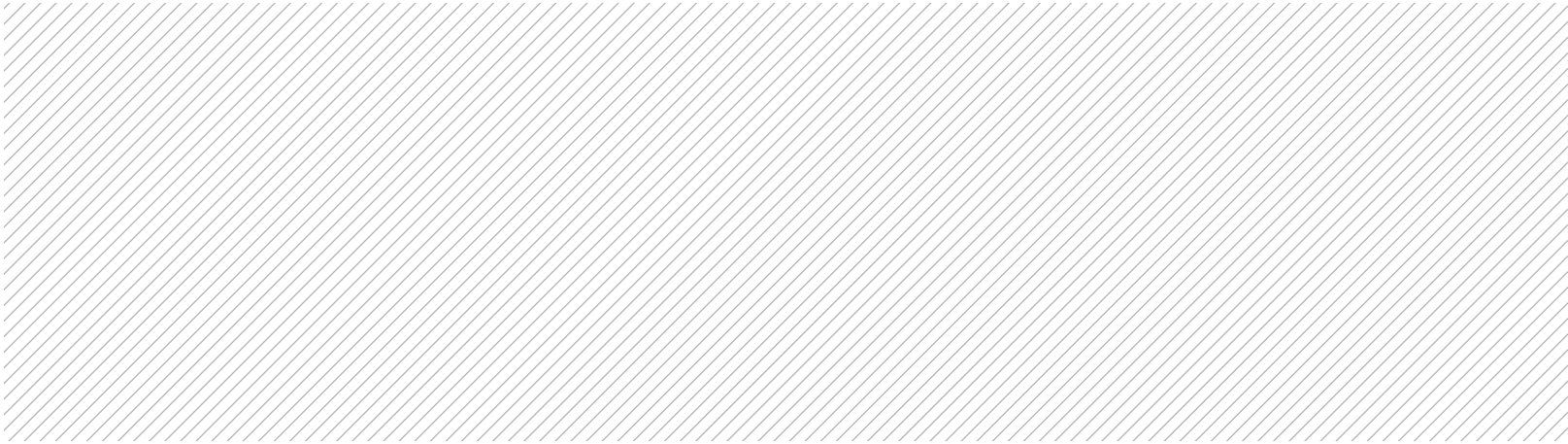
Source: PFSA data, June 2025



The increase in the banking sector's interest income from 2022 to 2025 stems from the high increase in interest rates, which subsequently remained at an elevated level. The high reference rate made it possible to achieve a high rate of interest income (significantly higher than in previous years). Following the drop in interest rates in May and July 2025, a decrease in the value of the interest income rate is possible. However, it should not be significant due to the increase in the share of fixed-rate assets in banks' portfolios in recent years (both debt instruments and loans with periodically fixed interest rates). In the first half of the year, there was a 6.29% increase in interest income, which amounted to nearly PLN 90 billion at the end of June.

In the context of the ongoing discussion about banks' performance in Q1 2025, considerable excitement has been generated regarding credit margins. . Leaving aside the question of presenting the margins in a biased manner (at times having nothing to do with credit margins in their traditional, consumer-related sense), it is clear that while credit margins in Poland are high, they are not the highest in the EU. This applies, in particular, to situations in which we compare comparable items, i.e., such as the margins of floating-rate loans in relation to other European countries. The comparison shows (EMF data) that higher margins on variable-rate home loans are available in Germany and the Netherlands, among others (2.22% and 2.24%, respectively, as of the end of Q4 2024). The discussion concerning credit margins for mortgages becomes even more irrational when we consider the fact that, as of the end of April 2025, total credit margins (where the margin is calculated as the difference between the average interest rate on total new home loans and the reference rate) remain in a long-term downward trend, clearly below the long-term average (2005-2025: 2.51%), while the margin itself (1.68%) is approaching historic lows.

Given the high dependence of financial performance on interest earnings, in an environment in which interest rates are expected to drop even further (perhaps to an average annual level of approximately 3.5%), the banking sector's financial result may decrease nominally to a level of approximately PLN 35 billion (and thus decrease from the 2024 financial result by approximately 16.5%). Such a significant nominal decline experienced in the upward phase of the Polish economy (GDP growth) as well as in light of the growth of banks' equity and assets, will lead to a decline in the real level of financial result and decline in banks' profitability, thus exerting a fundamentally adverse impact on the potential of banks to finance the needs of the developing economy.

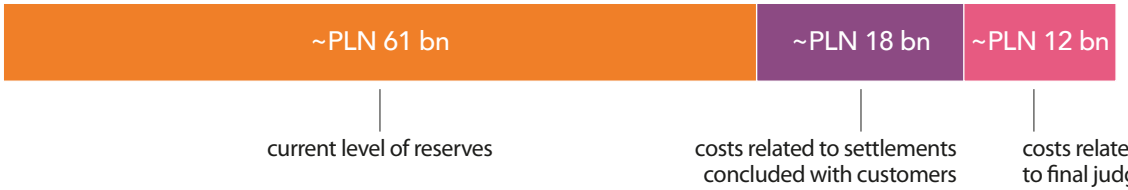


REGULATORY AND TAX BURDENS

Calculations by the Research and Analysis Team of the Polish Bank Association indicate that the cumulative value of tax and para-tax burdens from 2015 to 2025 exceeded PLN 100 billion. CIT paid by the banks needs to be added to that figure, which gives an amount of more than PLN 185 billion. As one may see from the summary below, CIT is the largest burden imposed on banks operating in Poland. The bank tax is another significant burden. As the National Bank of Poland notes in its Financial Stability Report, legal risk, including that associated with foreign currency loans, will be a significant factor impacting the situation of banks in the coming quarters and the sector's stability. As pointed out by NBP, the level of write-offs and other legal risk costs for foreign currency housing loans in 2024 were approximately PLN 16.5 billion, compared to nearly PLN 20 billion in 2023. According to NBP's estimates, the total cost that banks have already incurred in connection with the legal risk of foreign currency loans have exceeded PLN 90 billion, of which approximately PLN 60 billion are the provisions currently set up, approximately 18 billion are the costs of settlements already reached with customers, while PLN 12 billion are the costs from final judgments.

The level of provisions for legal risk of foreign currency housing loans at the end of 2024 and their utilization to date

Source: NBP, Financial System Stability Report, June 2025



Total tax and para-tax burden from 2015 to 2025

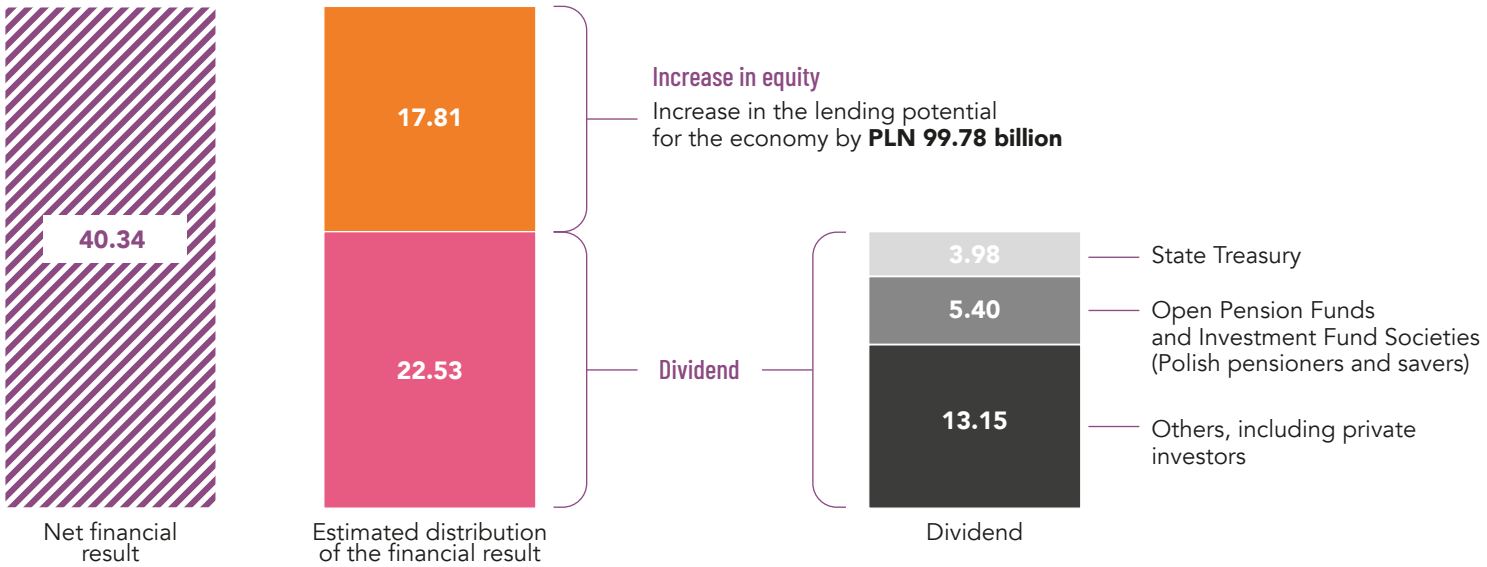
	EFFECTIVE FROM	FREQUENCY	TOTAL VALUE IN 2015-2025 (IN BILLION OF PLN)
CIT	1992	*annual*	**83.08** *(including PLN 14.5 billion in 2025)*
Bank tax	2016	*monthly*	**48.31** *(including PLN 6.36 billion in 2025)*
FGB contributions to the Bank Guarantee Fund	2016	*annual*	**7.3** *(including PLN 0.89 billion in 2025)*
FPRB contributions to the Bank Guarantee Fund	2017	*annual*	**13.49** *(including PLN 1.81 billion in 2025)*
Borrower Support Fund contributions	2015, 2022	*agreed individually*	**2.0** *(including PLN 0.0 billion in 2025)*
Payments to cover the costs of supervision	2015	*annual*	**2.6** *(including PLN 0.35 billion in 2025)*
Credit holidays	2022-2023, 2024	*one-time*	**14.98** *(including PLN 0.0 billion in 2025)*
Contributions to the commercial bank protection scheme	2022	*one-time*	**3.5** *(including PLN 0.0 billion in 2025)*
other (BGF - stab. F, prom. F, FOŚG)	2015-2016	*Stab. F and prom. F - annual, FOŚG - one-time*	**10.4** *(including PLN 0.0 billion in 2025)*

sum: PLN 185,66 billion
(including PLN 23,91 billion in 2025)

The profit generated by the banks in 2024 allowed for an increase in dividend income and an increase in lending potential by PLN 99.78 billion.

Financial result of the banking sector and its distribution in 2024.

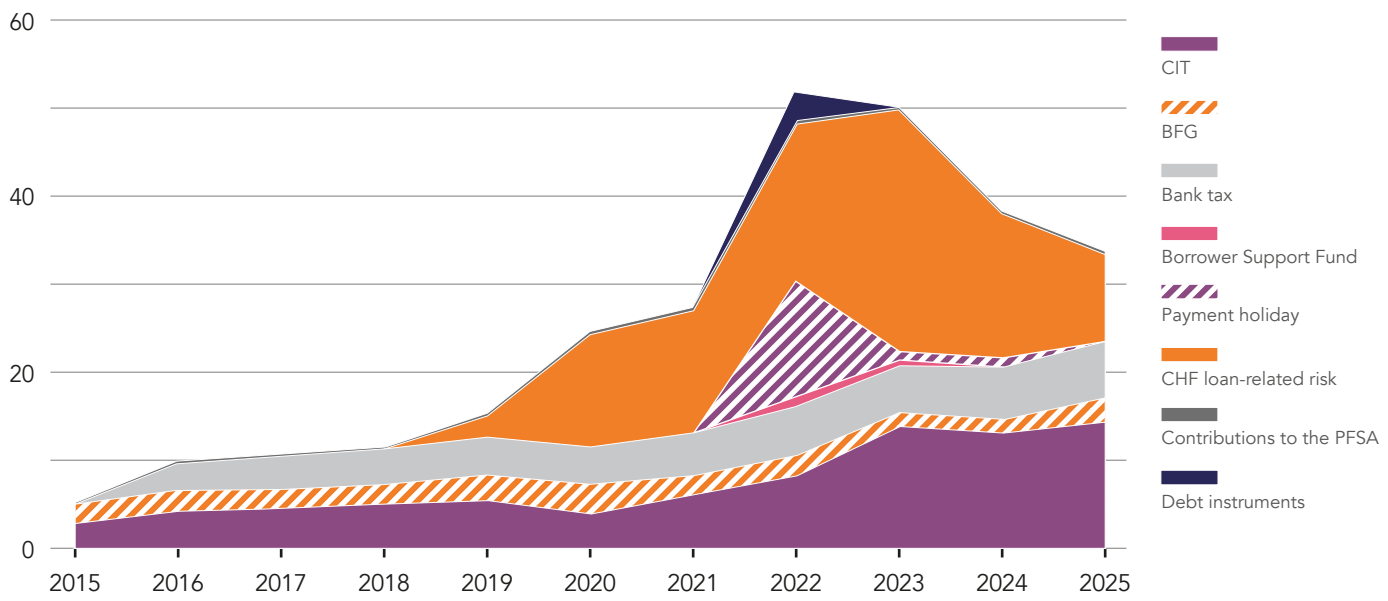
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association



Tax- and contribution-related burdens plus the cost of legal risk in 2015-2025 reached PLN 280.51 billion. At the same time, the cumulative net financial result was PLN 194.32 billion.

Tax and para-tax burdens and costs of legal risk of foreign currency loans in 2015-2025 (in billions of PLN)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association



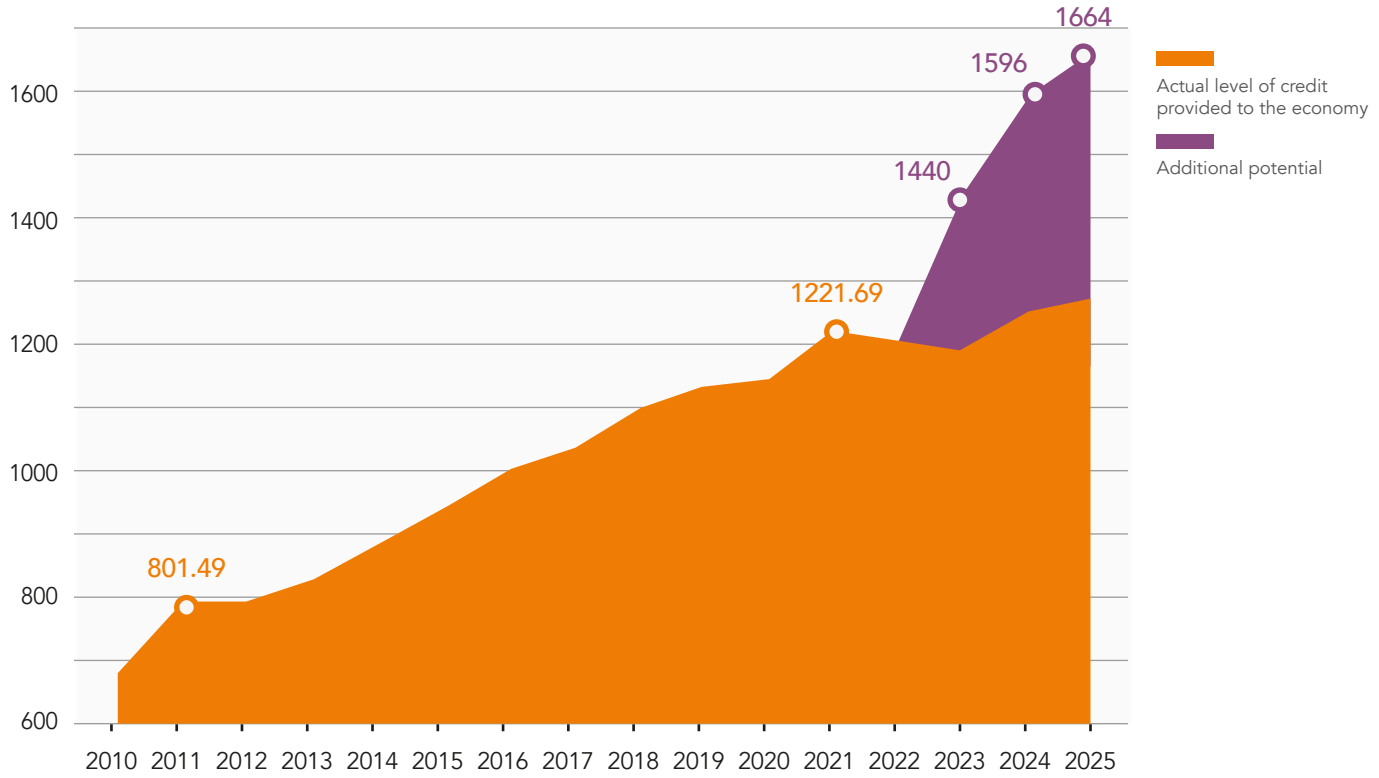
FINANCING OF ECONOMY

Poland's banking sector has the potential to increase financing of the economy by some PLN 380 billion. Access to this funding is considerably better than the EU27 average.

As banks operate in an environment of high interest rates and rationally manage the financial results generated, they have created additional potential to finance the economy. Today's size of the active loan portfolio (loans to the non-financial sector and local governments) is PLN 1288.3 billion (June 2025). However, banks are ready to significantly increase financing. The additional potential is estimated at approximately PLN 380 billion, which would bring the size of active loan portfolios to PLN 1 trillion 664 billion, 30% larger than today. It is an excellent resource in view of the investments already initiated under the National Reconstruction Plan.

Potential of the banking sector to increase lending (in billions of PLN)

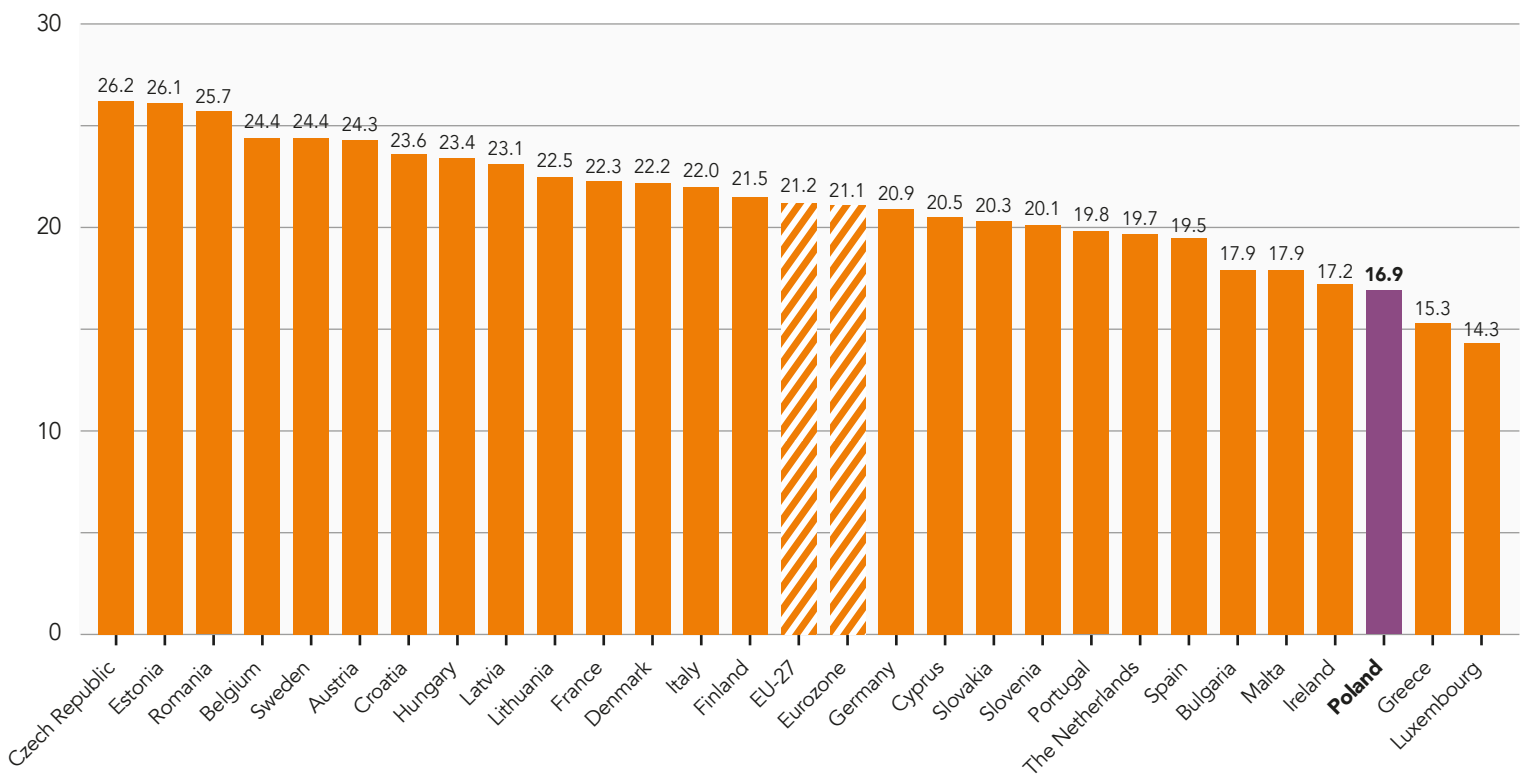
Source: Own compilation by the Research and Analysis Team of the Polish Bank Association, based on, based on SM NBP data



On the other hand, if we look at the investment figures for the 27 European Union countries as a percentage of GDP in 2024, the average level was approximately 21.2 percent, meaning one in five euros was spent on buying machinery, building infrastructure, real estate, and other forms of fixed asset investments. Clearly above average are the countries of Central and Eastern Europe (Czech Republic, Estonia, Romania), a phenomenon which is often associated with dynamic development, the need for modernization and catching up on investment delays. Poland, with a score of 16.9 percent, ranks below the EU average. We were trailed by Greece and Luxembourg. The level of investments made in Poland began to strongly deviate from the average level of investments in the EU-27, starting in 2016. Over the past decade, the gap has widened. In 2024, we were more than PLN 160 billion short of the average EU level, and we were as much as PLN 330 billion short of the investment levels realized by the countries of our region.

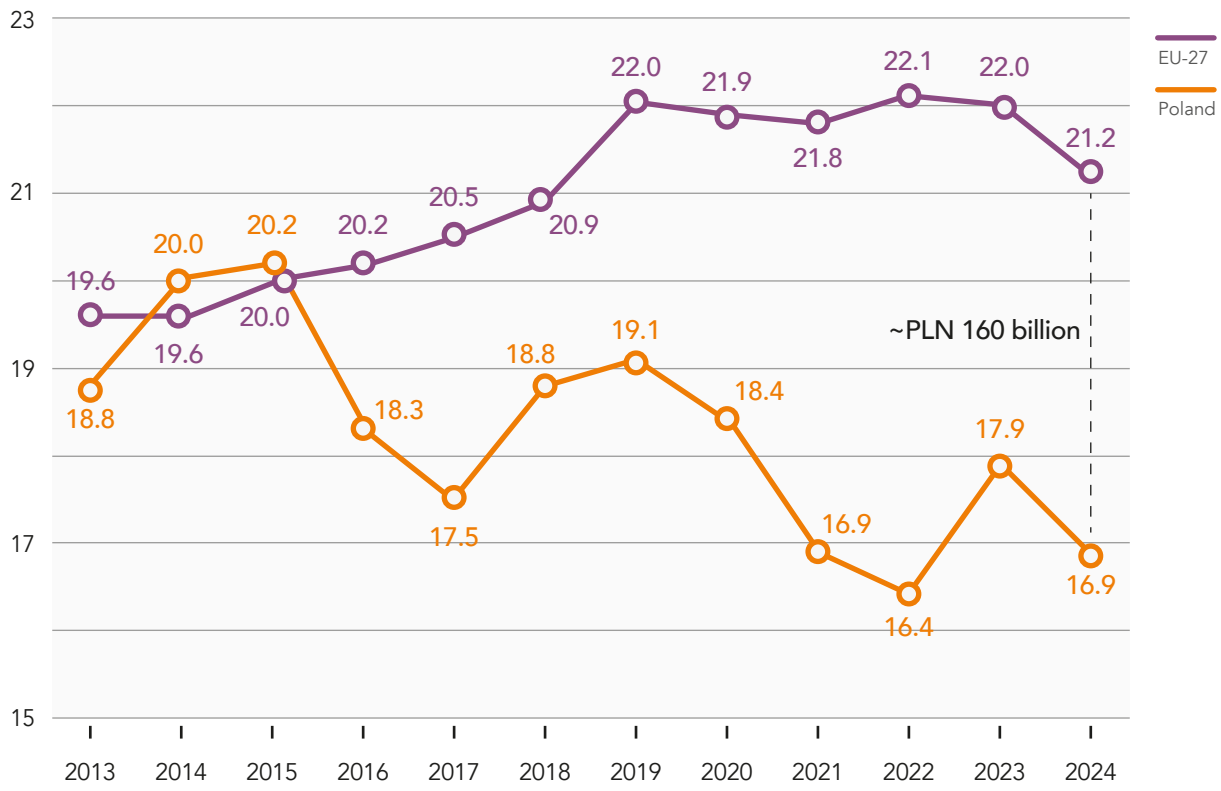
Investments in relation to GDP

Source: Compiled by the Research and Analysis Team of the Polish Bank Association, based on Eurostat data



Investments in relation to GDP

Source: Compiled by the Research and Analysis Team of the Polish Bank Association, based on Eurostat data



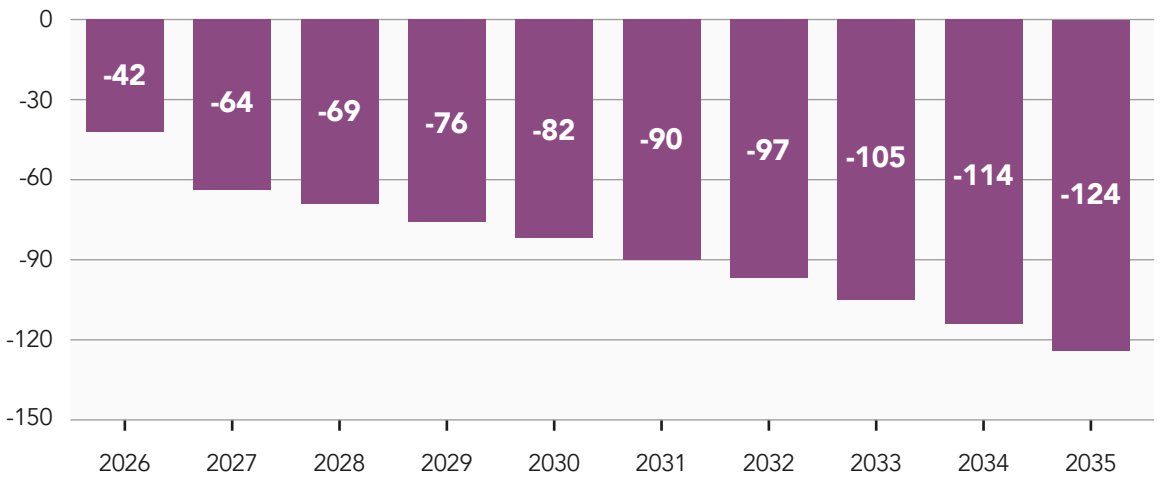
Sector-specific solutions that were introduced in the EU-27 (with the burden borne by banks) were time-limited in each case. Permanent increases in the CIT rate apply to all entities under a joint and several CIT rate increase.

It is worth noting that in Q2 2025, banks eased lending policies and recorded an increase in demand in all segments of the loan market. This conclusion can be drawn from the National Bank of Poland's "Credit Market Situation" survey from June 2025. The easing of lending criteria was mainly driven by increased competitive pressure from other banks. The reduction in the NBP's interest rates was an additional reason for the easing of lending criteria for households, thereby supporting loan demand. In all market segments, banks eased credit conditions by reducing credit margins, primarily for home and consumer loans. In Q3 2025, banks intend to maintain their existing lending criteria for businesses and continue to ease the requirements for households. They expect demand for all types of loans to increase, except for short-term loans extended to large companies.

When analyzing the impact of the banking sector on the development of the Polish economy, one cannot ignore the Ministry of Finance's proposed increase in CIT from 19 to 30 percent. The Ministry of Finance estimates that the changes will result in an increase in CIT revenues in 2026 of approximately PLN 6.5 billion. In total, over a period of 10 years, the proposed solutions are expected to contribute more than PLN 20 billion to the budget, which will further increase the already significant share of the banking sector in financing state budget expenditures, particularly the increased needs with regard to security and health care spending. Calculations of the Research and Analysis Team of the Polish Bank Association shows that the proposed solution would lead to a decline in banks' potential to finance the economy by nearly PLN 124 billion between 2026 and 2035.

Cumulative decrease in the potential to finance the economy (in billions of PLN)

Source: Own compilation by the Research and Analysis Team of the Polish Bank Association



It is worth noting that sector-specific solutions that were introduced (with the burden borne by banks) were time-limited in each case. Sustained increases in the CIT rate affect all entities.

COUNTRY	ASSESSMENT BASE	CATEGORIES / ENTITIES	TAX RATE	TERM
Slovakia	CIT	Banks	CIT increased to 30% in 2024, gradual decrease by 5 pp. per year to 15% in 2027	2024–2027
Spain	CIT	Banks	Increase in CIT for banks by 4.8 pp.	2023–2025
Latvia	Profit / CIT	Banks	20% in 2024	From 2024
Estonia	CIT	All companies	20% in 2024 and 22% in 2025	From 2025
France	CIT	All entities with an annual turnover of more than €1 billion (including banks)	From 25% to 33.5% in 2025, 30% in 2026	2025–2026
Czech Republic	CIT	All companies	CIT increased from 19% to 21%	From 2024
Iceland	CIT	All companies	CIT increased from 20% to 21%	From 2024
Slovenia	CIT	All companies	CIT increased from 19% to 22%	From 2024
Lithuania	CIT	All companies	CIT increased from 15% to 16%	From 2025

At the time, banks in Poland bore the cost of credit holidays.

In these countries, there is no bank tax feeding into the central budget.

When states bailed out banks in Europe during the 2008-2010 financial crisis, banks paid a bank tax to reimburse state budgets and societies for the support they received. Such a situation has not occurred in Poland. Although the Anti-Crisis Shield was extended to protect businesses (not banks) in Poland in from 2020 to 2022, the tax is imposed on banks. By analogy with European models, the new tax should be based, to a higher degree, on solidarity and should not introduce permanent sectoral asymmetries and imbalances. Some countries (e.g. Austria, Portugal, Germany, Luxembourg, Finland) are reducing CIT rates to protect their domestic industries. This is particularly significant in an environment where industrial production in Europe has not been growing for more than 3 years now, while in some countries it is even shrinking. Germany, which also faces increased defense spending (in 2024: 2.1% of GDP, 3.5% of GDP in 2029) launched, as part of the "investment booster" package, in the summer of 2025, a plan to reduce the CIT rate from the current 15% to 10% from 2032 (with systematic reductions starting from 2028). While stimulating economic activity, this solution will also lead to an increase in budget revenues.

SYSTEMIC RISKS

According to the NBP's Financial System Stability Report published in June 2025, the risks described below remain a significant factor of uncertainty for the banking sector in the years to come.

- **Legal risk related to foreign currency loans** – despite the decline in the number of new lawsuits filed, this risk still necessitates the establishment of high provisions and generates uncertainty about future court rulings. Despite the decline in the value of the foreign currency loan portfolio, the legal risks associated with these loans continue to pose a significant threat to the stability of the banking sector. Potential legislative changes or court rulings could necessitate additional provisions, putting a strain on banks' balance sheets.

- **Regulatory risk** – changes in consumer protection regulations and potential changes in loan agreements could lead to unexpected costs for banks, which could limit their ability to lend and expand their business;

- **High exposure to government bonds** – the increasing share of government bonds on banks' balance sheets could lead to risk concentration, especially in the event of changes in fiscal policy or the macroeconomic situation although, according to NBP, this risk should be considered moderate at present;

- **High level of geopolitical risk** – the persistently high level of geopolitical risk significantly reduces the propensity of companies to undertake investment activities. Poland, as a frontier country, has a premium that is included in the so-called country risk associated with the increased level of tensions near our borders (which raises the cost of foreign financing).

- **Limited role of the financial system in the real economy** – a decline in credit growth and limited growth of the rest of the financial sector may lead to a reduced role of the financial system in the real economy, which may affect its stability.

- **Regulatory risk of introducing new burdens** (CIT increase).

RECOMMENDA-TIONS

- The results achieved by the banking sector in a higher interest rate environment cannot be treated as extraordinary or excess profits. They cannot serve as a temptation to continue imposing further burdens, on the banking sector, contributing to the state budget. These gains are cyclical and driven by the current economic climate.

- Higher financial performance allows banks to build equity and thus to increase the banking sector's ability to finance the economy.

- It is necessary to maintain the profitability of the banking sector at least at the rate of return on capital that is expected by investors.

- Given the strong link between earnings and the central bank interest rates and the increased stringency that has been observed in Poland in recent years in the area of maximum non-interest credit costs, it is necessary to increase diversification of income sources beyond net interest income.

- Dialogue of the banking sector with government representatives and financial safety institutions is required, focusing on the role of the banking sector and its ability to finance economic ventures.

- It is necessary to rationalize the burden on the banking sector, in particular to change the basis for assessing tax on certain financial institutions. The current formula penalizes credit activities.

- Proactive measures need to be taken by public authorities overseeing the Polish banking sector in order to implement risk transfer mechanisms applicable to lending extended to vulnerable groups, especially in the area of housing loans. An optimized public intervention in supporting banks in the process of transferring and mitigating risks has contributed to a significant increase in the banking sector’s willingness and ability to provide lending to the economy.

- A systemic approach to the issue of housing loans is desirable, so that public programs that affect the demand or supply of real estate does not cause strong fluctuations in the price and availability of mortgage-backed credit.

- A reduction in the scale of the transformative effect of the cost of legal risk is required, through, among other things, an increase in the scale of court settlements, particularly in the area of loans denominated in foreign currencies.

- Further increases in the burdens imposed on the banking sector need to be discontinued.

- Measures need to be taken to stimulate demand for credit, especially in the case of corporate loans, also by actively combining various forms of business financing, related, among other things, to EU public policy; in view of the significant gap in investment in the Polish economy and the strong preference for financing activities with the use of equity, the demand will play a fundamental role in the coming years in the context of the improvement in the banks' ability to finance the economy through accumulation of profits.

- Credibility and unquestionability of reference indicators, particularly WIBOR, need to be continuously supported. The indicators need to be reformed in line with the worldwide practice of replacing -IBOR with RFR indicators.

- The banking sector needs to be engaged in the implementation of investments under the National Recovery and Resilience Plan (NRP).

- The banking community's efforts to counter cybercrime need to be supported.

- Participation of the banking sector in adopting a comprehensive housing policy, in the work on unified mortgage agreements, and in the development of an early repayment compensation model is needed.

- State institutions need to cooperate with the banking sector in offering digital services, including the provision of e-government services.

- A need exists for widespread economic education of the public on basic economic workings and mechanisms of the sector.

DATA SOURCES

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– **Tomasz Pawlonka, PhD,** Director of the Research and Analysis Team of the Polish Bank Association; Director of the Analytical and Research Program of the Warsaw Banking Institute www.pabwib.pl

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