Monthly Pulse Check

Polish Economy
FI&FX

August 7th 2026

For contact details and classification of the report see the last page

Our view in a nutshell

GDP GROWTH AND INFLATION

- **US:** Despite heightened volatility of economic data (both national accounts and labor market), we are marching towards an economy growing close to its potential this year. Cloudy outlook effectively clears the risks that cost-driven inflation may become entrenched, and the latest CPI data brought some relief. The two-sided Fed mandate provides more flexibility for the economy in this balancing act, particularly given the relatively robust labor market. The US stays still both cyclically and structurally better positioned than euro zone.
- **Euro Area**: Higher oil prices and uncertainty put the fragile recovery to the test. German fiscal package and new EU efforts to boost competitiveness and military capacity may arrive just in time to keep the economy afloat, but not much more than that. At the same time over(reactive) ECB may derail the ongoing steady recovery in credit markets. Therefore, slightly elevated, cost driven inflation is even more unlikely to become persistent. EMU continues to be a drag to CEE growth.
- **China:** The GDP growth target is set at 4.5–5%. We expect growth to materialize closer to the lower end, reflecting persistent structural headwinds (oil dependency, problems in the real estate sector). The authorities aim to keep CPI inflation at around 2%. The Iran-driven supply shock would make it temporarily easier at first glance but at the cost of further domestic demand deficiencies. We do not expect inflation to become problematic in the coming months. Although the budget deficit remains elevated, the government is expected to step up efforts to support the services sector.
- **Poland.** We expect 2026 GDP growth at 3.7% and this will mark the top of the business cycle. Fixed business investment accelerates with ongoing distribution of EU funds. Consumption, on the other hand, most likely reached top growth rates as the labor market is looking for new equilibrium with lower wage growth and some structural adjustments are pending. Export activity is being limited by weaker EMU performance.

MONETARY POLICY: FED, ECB, NBP

- **Fed (now 3.50-3.75%)**: In the near term, the policy debate is likely to shift toward the possibility of further rate hikes as inflation risks remain elevated. However, our baseline scenario assumes that the Fed will ultimately keep rates unchanged, with no additional tightening. We expect the next move to be a rate cut in Q3 2027, after which the policy rate should remain broadly stable, staying close to the estimated neutral rate and leaving little room for a prolonged easing cycle.
- **ECB (now 2.25%)**: The ECB is focused more on inflationary risks than (almost) any other central banks. With one hike delivered almost into short-term recession, the total sum of tightening is most likely to stop at 50 (2x25pb). Higher rates will be implemented only temporarily. ECB will return to rates at around 2% over 2027.
- **NBP (now 3.75%):** We expect the MPC to deliver another rate cut next year - in July. However, once that adjustment is made, the scope for further easing is likely to be limited, as inflation is expected to remain close to the NBP target. The medium-term path for interest rates is likely to be relatively flat, with monetary policy remaining cautious after the easing cycle.

FX MARKET

- Polish zloty has lost some ground recently against the euro. However, low current account deficit and a steady inflow of EUR from the EU provide a stability anchor, and this is why we do not expect the zloty to become much weaker. Nevertheless, as we enter an election cycle and fiscal policy will be put to a test, we do not rule out some further depreciation of the local currency. Our base scenario still assumes no rate hikes from the NBP in response to the latest increase in energy prices.

Major forecasts

		2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2025* Q1-Q4	2026* Q1-Q4	2027* Q1-Q4
GDP y/y	%	3.2	3.3	3.8	4.1	3.5	3.7	3.8	3.9	3.3	3.0	2.4	2.1	3.6	3.7	2.7
Individual consumption y/y	%	2.6	4.5	3.5	4.3	3.3	3.1	3.2	2.8	2.7	2.6	2.7	2.6	3.7	3.1	2.7
Investment y/y	%	5.9	-2.5	6.8	6.6	2.4	6.5	8.1	8.5	8.2	5.0	0.9	0.2	4.4	6.5	3.5
Inflation rate (eop)	%	4.9	4.1	2.9	2.4	3.0	2.5	3.1	3.3	3.0	3.9	2.9	2.6	3.6	3.0	3.1
Unemployment rate (eop)	%	5.3	5.2	5.6	5.7	6.1	5.8	5.5	5.5	5.6	5.3	5.4	5.4	5.7	5.5	5.4
Employment y/y	%	-0.8	0.0	0.5	0.6	1.0	0.6	0.4	0.2	0.0	-0.1	-0.1	-0.1	0.1	0.6	-0.1
Wages y/y	%	10.0	8.8	7.5	8.5	6.7	6.5	6.2	5.9	5.8	5.8	5.7	5.6	8.7	6.3	5.7
Current account	% GDP	-0.4	-0.7	-0.8	-0.8	-0.9	-1.1	-1.4	-1.4	-1.3	-0.9	-0.8	-0.6	-0.9	-1.4	-0.6
GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-7.3	-6.9	-6.1
Primary GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-4.8	-4.4	-3.6
GG debt	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	59.7	66.4	68.5
NBP repo rate (eop)	%	5.75	5.25	4.75	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.50	3.50	4.00	3.75	3.50
EUR/PLN (eop)	%	4.19	4.24	4.27	4.22	4.29	4.30	4.29	4.30	4.30	4.30	4.30	4.30	4.23	4.29	4.30
USD/PLN (eop)	%	3.87	3.60	3.64	3.59	3.71	3.76	3.70	3.64	3.58	3.55	3.52	3.52	3.68	3.70	3.55

* yearly average for inflation rate, EUR/PLN and USD/PLN

Highlights of this edition

GLOBAL ECONOMY

- The US economy slowed to 1.5% SAAR, but solid domestic demand and robust private sales suggest underlying resilience, with GDP trackers surging early in Q3. Despite disappointing June labor data and lower participation, weekly jobless claims show no deeper downturn. Encouraging inflation trends - marked by the first monthly CPI drop since the pandemic and flat core metrics - indicate energy shocks remain contained. Although hawkish Fed rhetoric has raised rate hike risks, we still expect the FOMC to stay put this year before resuming modest cuts next year.
- The Eurozone economy beat expectations in Q2 with 0.4% QoQ growth (0.3% ex-Ireland), though GDP trackers somewhat overshoot underlying activity. Macro releases have systematically exceeded forecasts since June, with German industrial factory orders showing modest signs of life in foreign demand and core items. However, a slight uptick in June inflation and core CPI staying above the 2% target keep elevated long-term inflation expectations. Thus, the ECB remains wary of second-round inflation risks and appears emboldened to deliver a second rate hike already next month, which we maintain will likely dampen the nascent economic recovery.

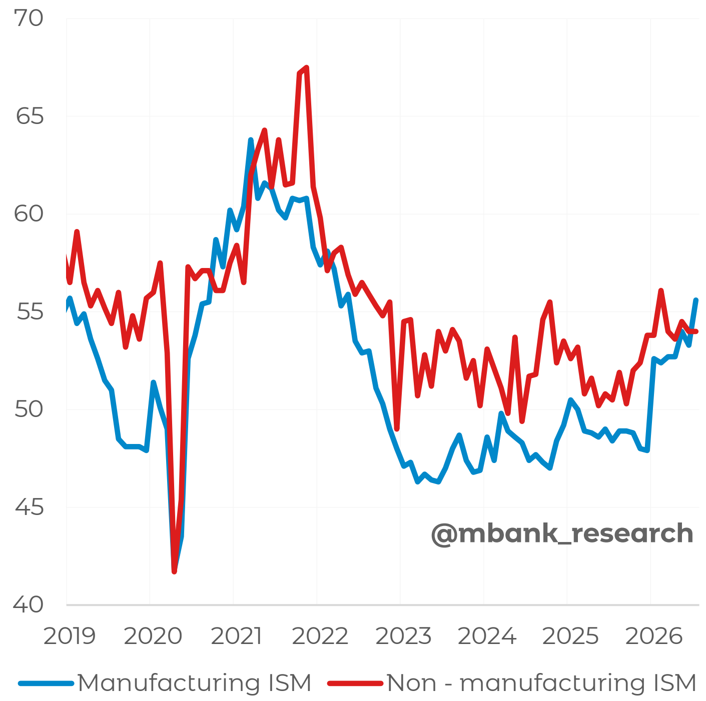
POLISH ECONOMY

- GDP: June data remained solid, although partly boosted by calendar effects and a low statistical base. Industrial output is likely to stabilize at a more moderate 3-4% growth rate, while construction should regain strength on the back of infrastructure investment after a temporary soft patch. Retail sales continue to provide steady support to economic activity and are expected to remain a key growth driver in the coming months.
- Inflation rose back to 3.0% in July, driven mainly by higher fuel prices, while core inflation increased to around 3.1-3.2%. In the coming months, inflation will largely depend on oil price developments, but it is likely to remain within the NBP's target range and stabilize slightly below 3%. Looking ahead, stronger food price growth could push inflation closer to the upper end of the target range in the first half of 2027, although the longer-term trend should remain downward.
- MPC meeting surprised markets with a relatively dovish message from the NBP Governor, who signaled a possible rate cut as early as September. However, heightened inflation and renewed tensions in the Middle East have effectively ruled out such a move for now. While the MPC remains inclined toward further easing, we believe the expected rise in food prices will delay the next rate cut until around Q3 2027, later than the current market consensus.
- June budget execution (PLN 123.7 billion deficit, 45.5% of target) reflects strong CIT but weakening VAT dynamics. Financing for 2026 progresses smoothly (70% gross borrowing needs met), yet medium-term risks are mounting due to political frictions over tax proposals (a higher 2nd tax bracket and higher tax allowance) and rising debt servicing burdens. Rating agencies stress that credible consolidation is unlikely before 2028, increasing the risk of future negative rating actions. However, our base scenario does not assume any rating actions before the election next year.
- The EURPLN increased in July, continuing the upward trend that began in June. As a result, the degree of PLN overvaluation (based on our fair value model) has decreased, suggesting that any further upside from here could be contained. Nevertheless, we believe that the risks to the EURPLN are tilted to the upside (the parliamentary elections in autumn 2027 could weigh on any attempts of fiscal consolidation in the short term). Last but not least, a relatively low current account deficit could limit any upside in the EURPLN as the Polish economy remains still quite well balanced externally.

Global economy

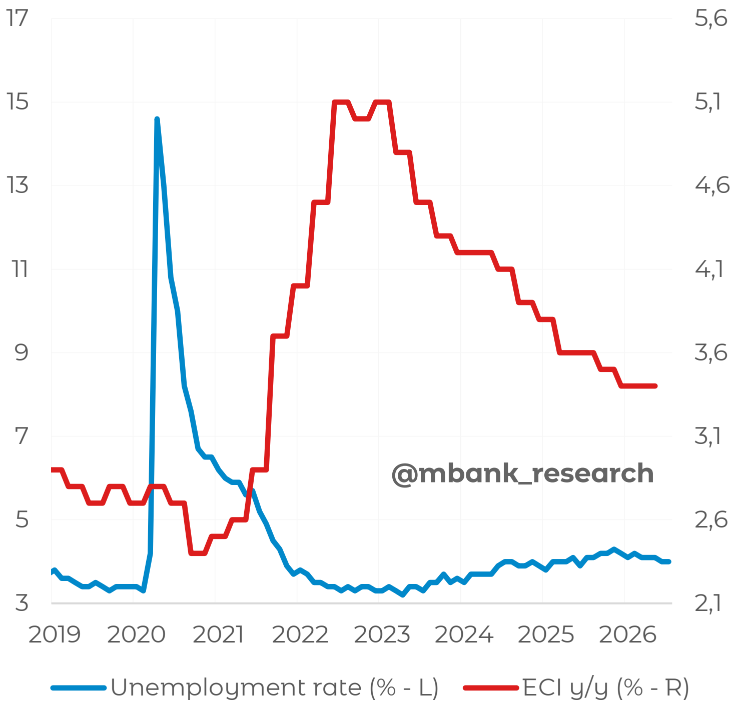
USA: Economy health check

ISM PMI: manufacturing & non-manufacturing



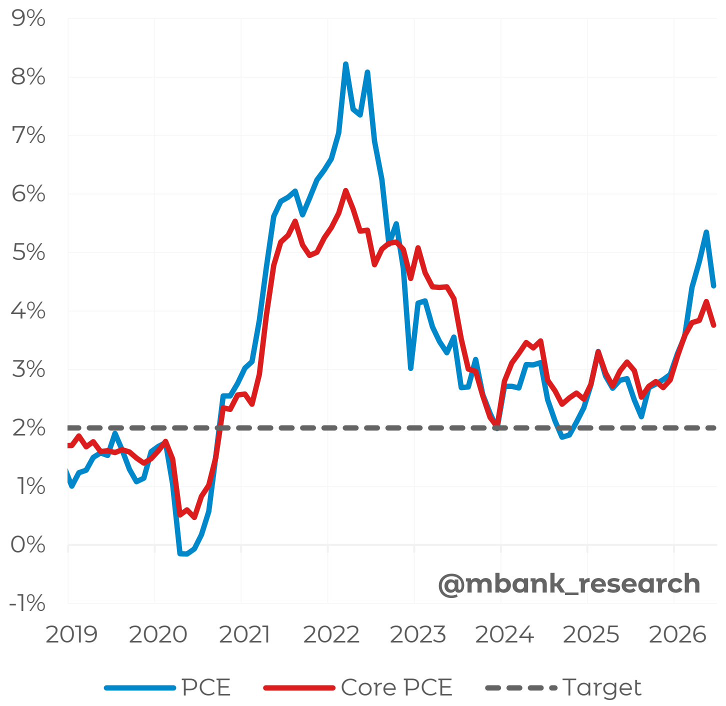
Source: ISM.

Labor market: wages & unemployment rate



Source: FRED.

Inflation: 6m saar



Source: Macrobond.

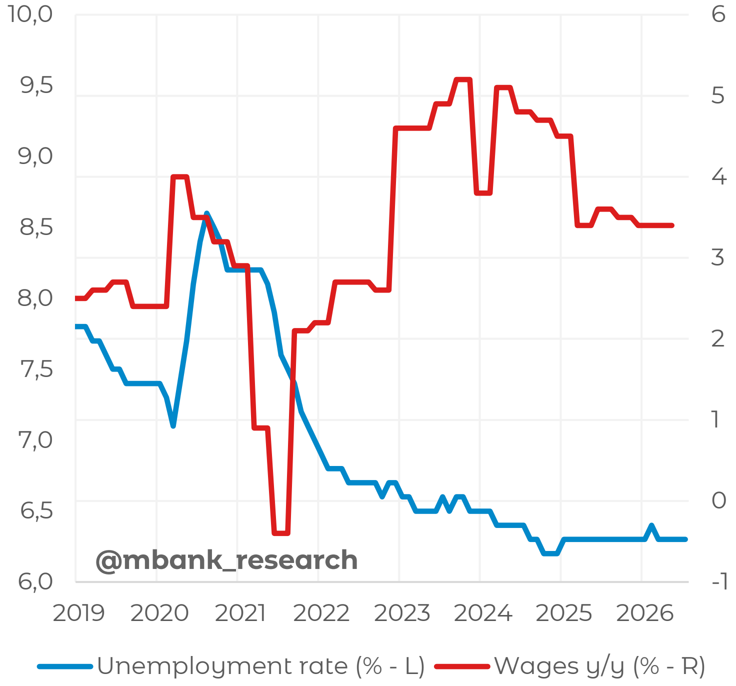
Preliminary Q2 GDP data shows the US economy grew by 1.5% SAAR, missing the 2.1% consensus. While disappointing at first glance, the underlying details offer cause for optimism. Consumption rebounded strongly from a weak Q1, and final sales to private domestic purchasers surged to nearly 4% SAAR, the highest since early 2023. Non-residential investment also posted another period of solid growth. The labor market showed mixed signals in June. Nonfarm payrolls grew by less than 60k, alongside a 74k downward revision for the previous two months. Although unemployment fell slightly to 4.2%, it was driven by a 0.3 pp drop in labor force participation. Still, weekly jobless claims show no signs of a broader downturn. Inflation trends are encouraging as June CPI recorded its first monthly decline since the pandemic, while core CPI remained flat, proving the recent energy shock has not spread wider. Despite Warsh's hawkish tone in late June, when compared to market expectations, we still expect the Fed to avoid rate hikes this year and resume modest cuts next year even as the risk of a hike has increased recently.

Euro area: Economy health check

PMI: manufacturing & services

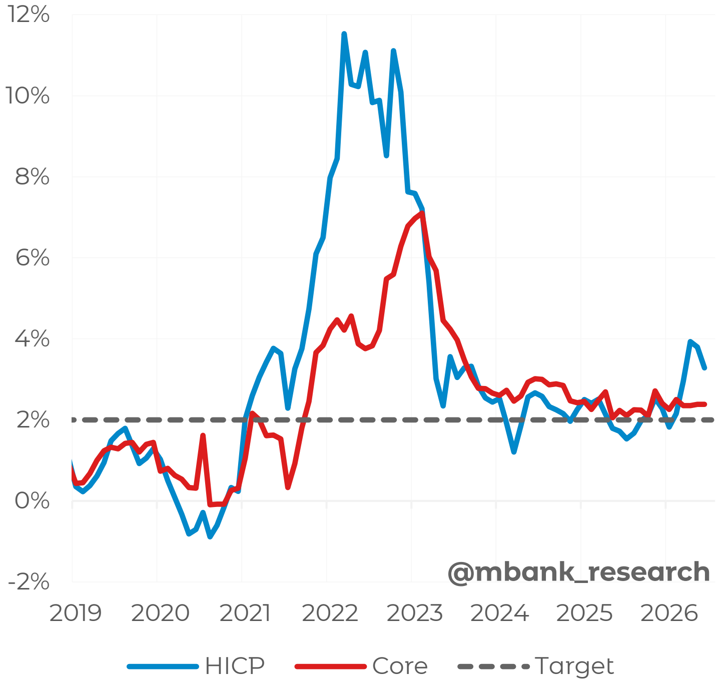
Source: Markit.

Labor market: wages & unemployment rate



Source: Eurostat.

Inflation: 6m saar

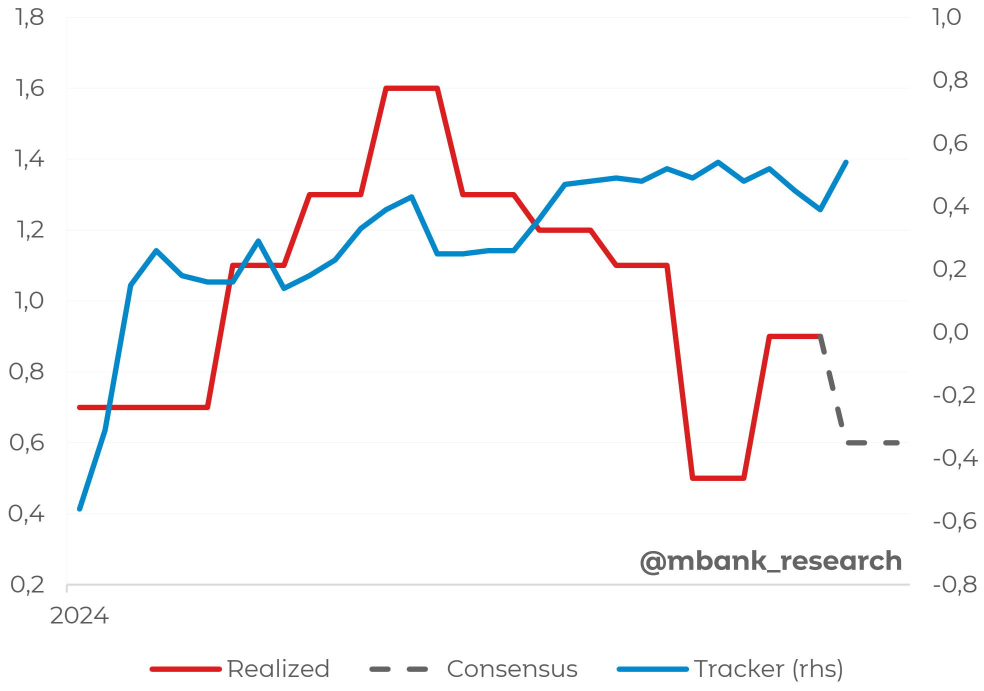


Source: Eurostat.

The Eurozone economy performed better than expected in Q2, growing by 0.4% QoQ, and by 0.3% QoQ when Ireland was excluded. This growth rate was not only above the consensus, but also above the ECB's projection in June. Along with the slight increase in inflation in June (both headline and core), this may embolden the ECB further to deliver the second rate hike, already next month, in response to the energy shock. There is also some optimism in the German industry sector, with factory orders improving in terms of the ones from abroad and the ones excluding big-ticket items. Note that it is not only the latest GDP data that has come in better than expected as other macroeconomic releases have also systematically beaten the consensus since June. ECB is still attentive to any second-round inflation risks, despite the latest decline in the manufacturing selling prices subindex of the PMI. For now, elevated long-term inflation expectations seem to be the only argument for caution. Lastly, although core inflation has not increased in recent months, it remains above the 2% target. Overall, we maintain that the ECB's rate hikes this year are likely to hinder a nascent economic recovery.

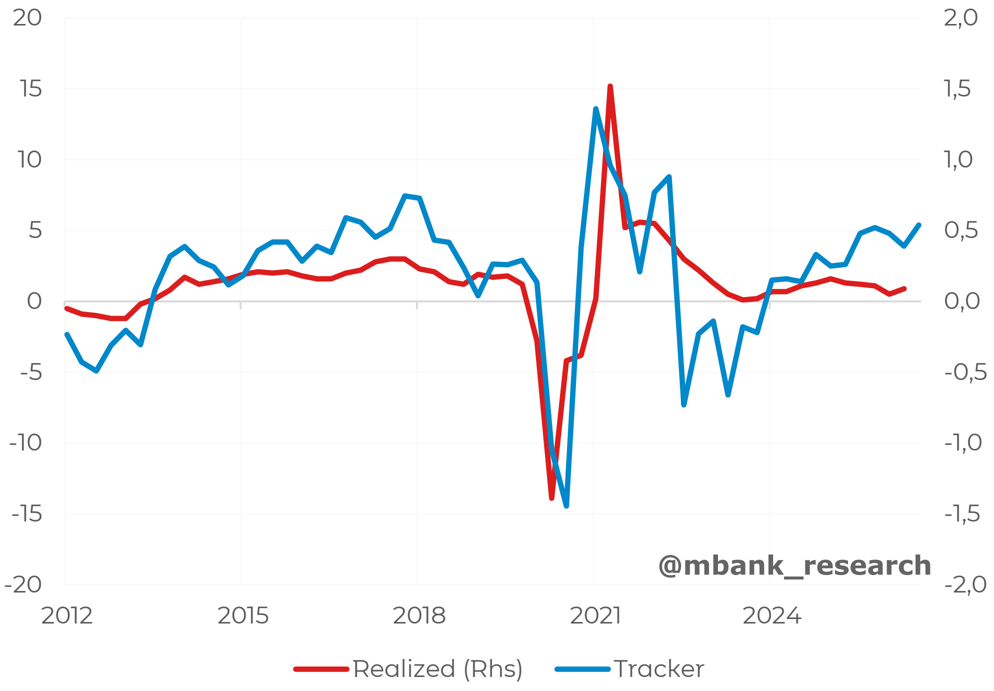
Euro area GDP Tracker

Euro area GDP growth, y/y – zoom in



Source: Banca d'Italia, Macrobond.

Euro area GDP growth, y/y – zoom out

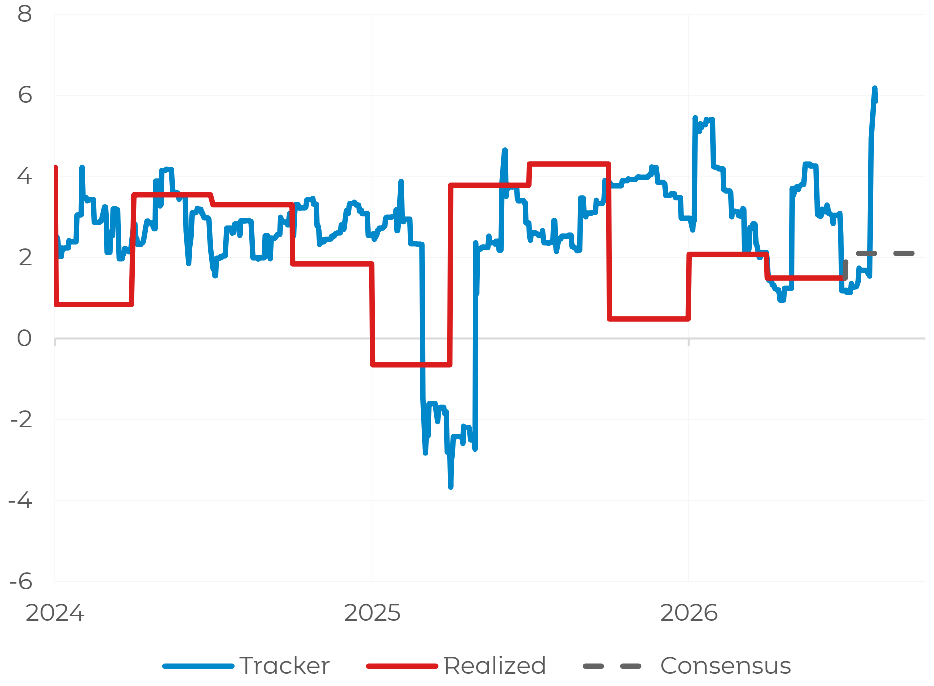


Source: Banca d'Italia, Macrobond.

Business activity trackers point to a slowdown in Q3, in line with the broader consensus forecast. Risks to growth remain skewed to the downside, with low water levels in key European rivers such as the Rhine and the Danube disrupting industrial production and constraining energy sector activity. In addition, the renewed escalation of tensions in the Middle East is weighing on the Euro area's trade balance through higher energy import costs.

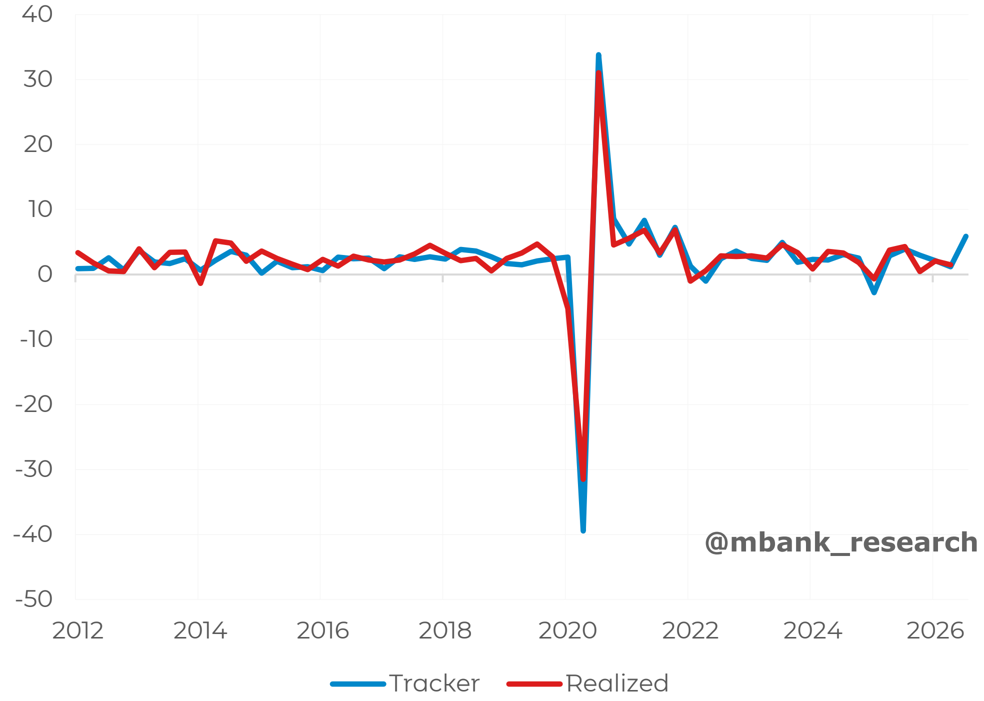
US GDP Tracker

US GDP growth, SAAR – zoom in



Source: Atlanta Fed GDPNow, Macrobond.

US GDP growth, SAAR – zoom out

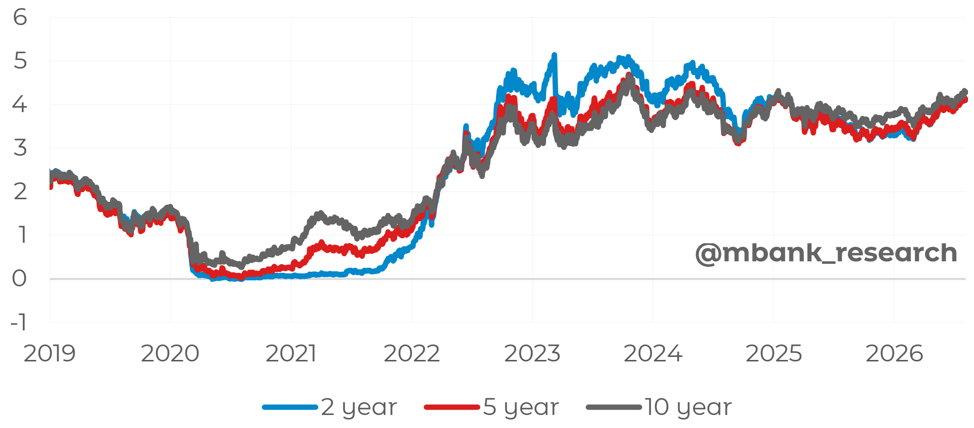


Source: Atlanta Fed GDPNow, Macrobond.

Early-quarter GDPNow estimates, which rely heavily on the first batch of incoming data, tend to be volatile and are currently pointing to exceptionally strong growth of around 5%, largely driven by robust ISM readings. However, sentiment surveys alone are not sufficient to justify such a strong pace of expansion. We therefore expect growth estimates to gradually converge toward the market consensus of around 2.0-2.5% as more hard data become available.

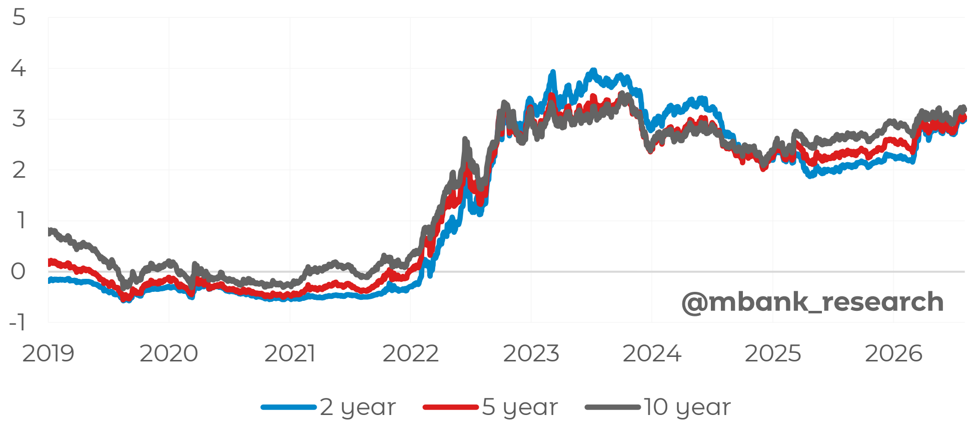
Global rates

US swap rates (%)



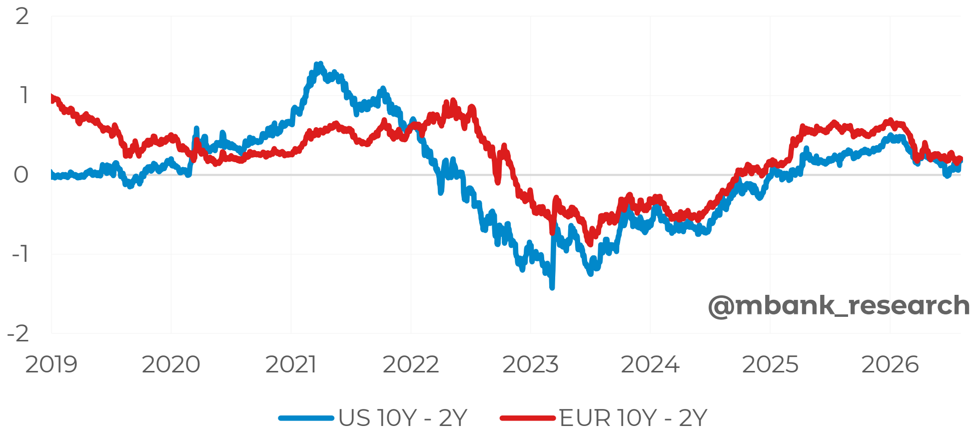
Source: Bloomberg.

EU swap rates (%)



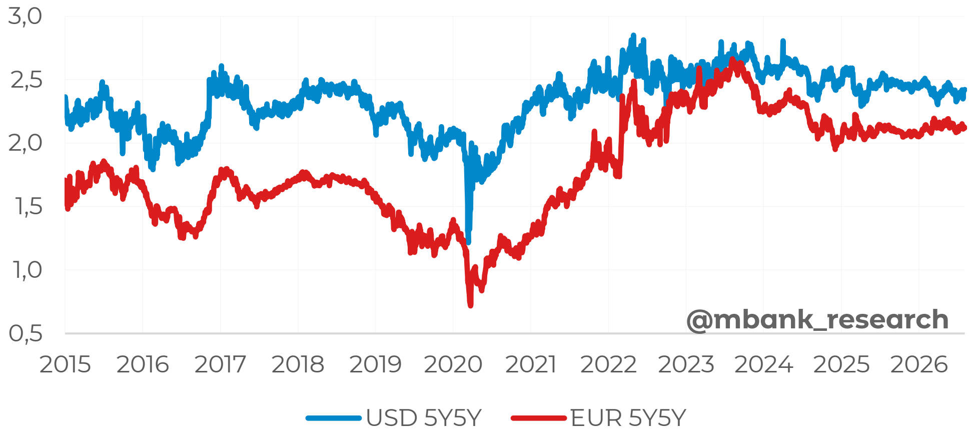
Source: Bloomberg.

Swap spreads (10Y-2Y. p.p.)



Source: Bloomberg.

US and EZ inflation expectations (%)

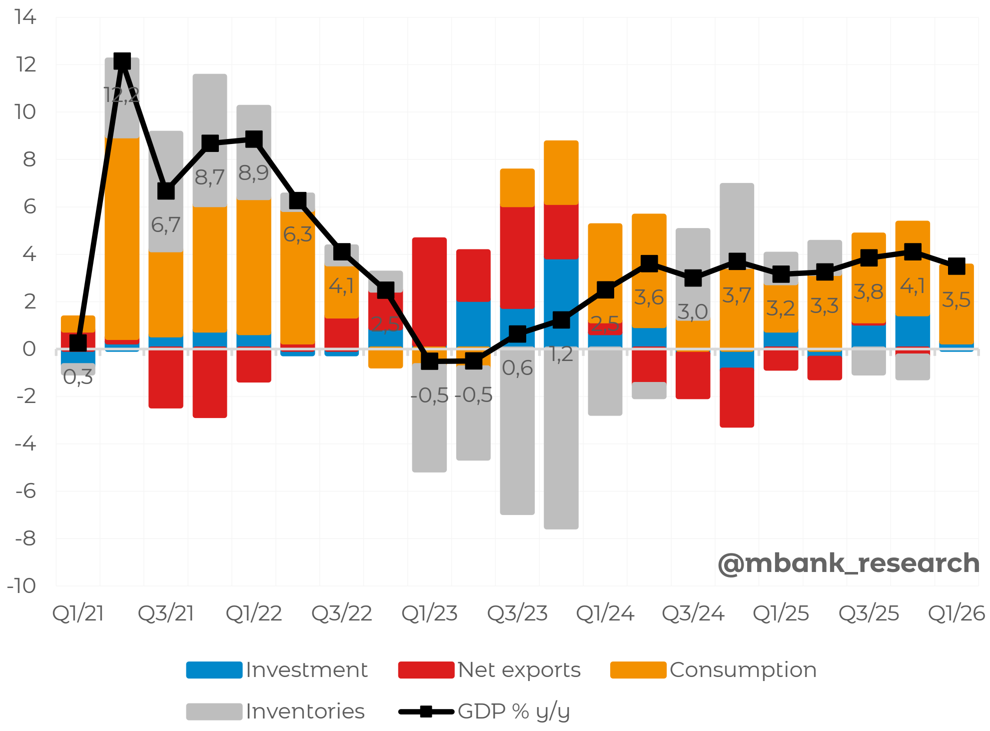


Source: Bloomberg.

Poland

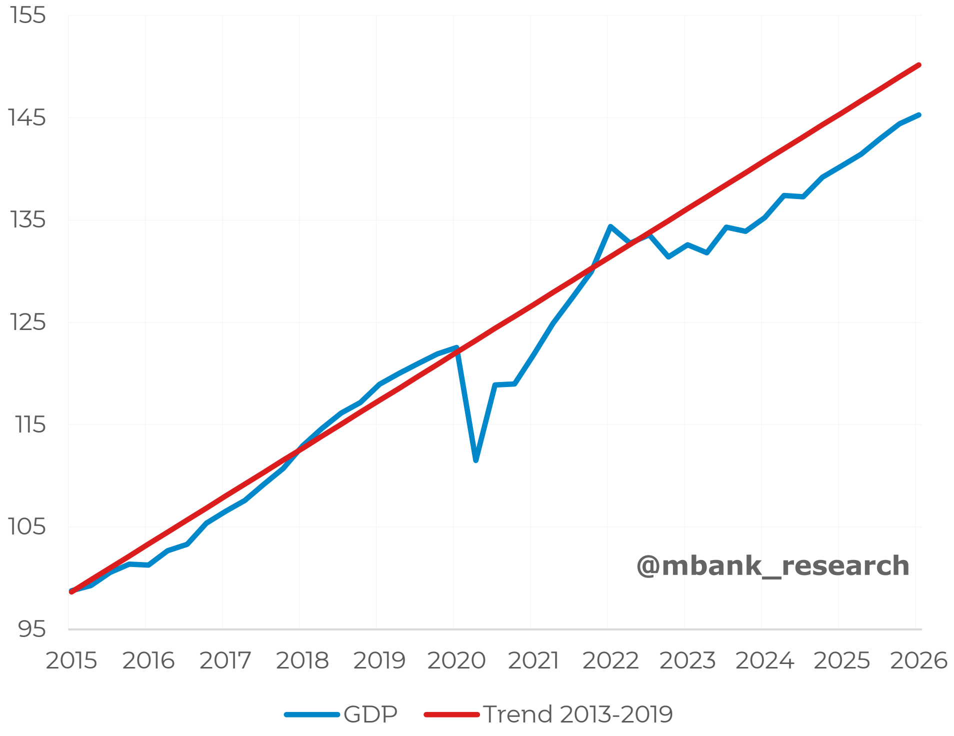
Poland: GDP, recently confirmed data & forecasts

Contributions to GDP growth (in pp.)



Source: Statistics Poland.

GDP (index 2015 = 100, sa)

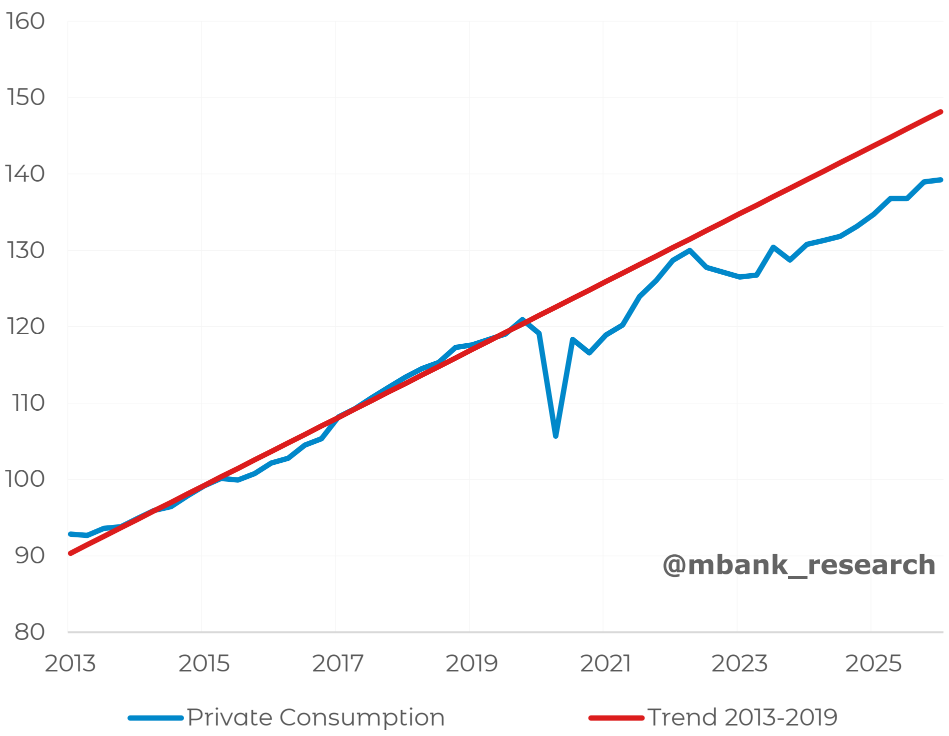


Source: Statistics Poland.

GDP growth came in at 3.5% in Q1, 0.1 pp above the flash estimate. However, the details were somewhat disappointing. First and foremost, investment grew just 2.4% in annual terms which was somewhat below our (pessimitic) assumption. As a result, its contribution to GDP growth was virtually zero. We suspect that the weaker result was caused by harsh weather conditions which strongly affected the construction sector. In terms of foreign trade and inventories both had a neutral contribution to growth and we do not see too many reasons to expect any larger changes there in the coming 2-3 quarters as foreign demand is likely to stay fragile. Last but not least, consumption was the sole driver of growth last quarter (2 points came from private consumption), though it slowed to 3.9% from 5.3% y/y. The details on consumption (LINK), investment (LINK), foreign trade (LINK) can be found in the following 3 slides.

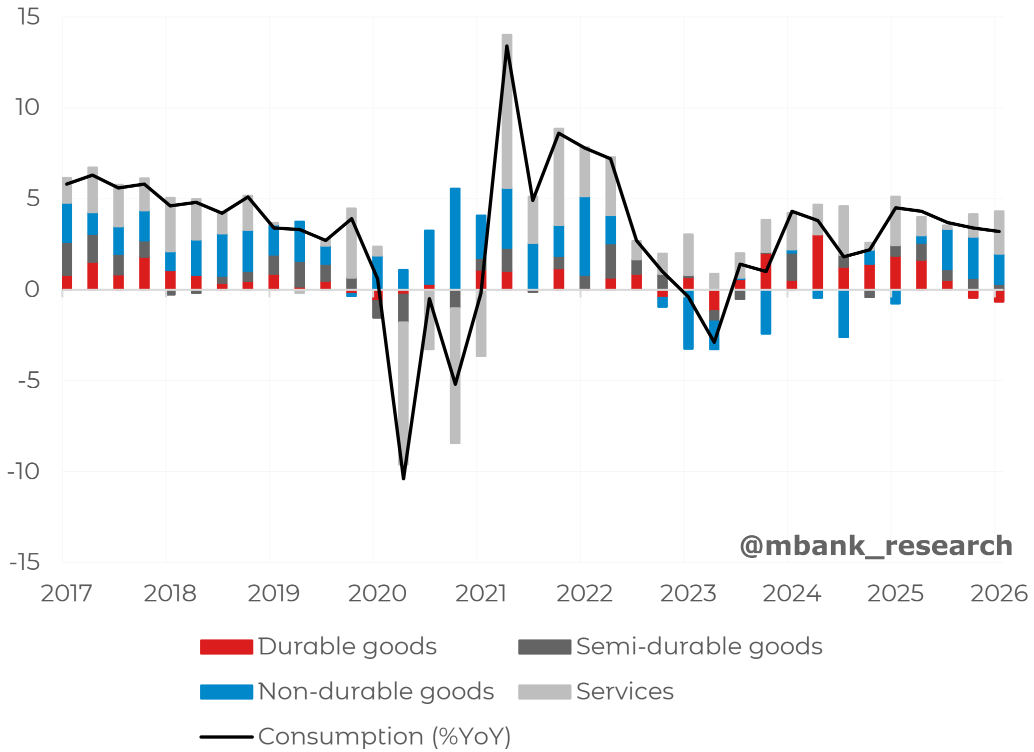
Poland: Consumption outlook

Private consumption (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland.

Private consumption (% y/y – decomposition, sa)

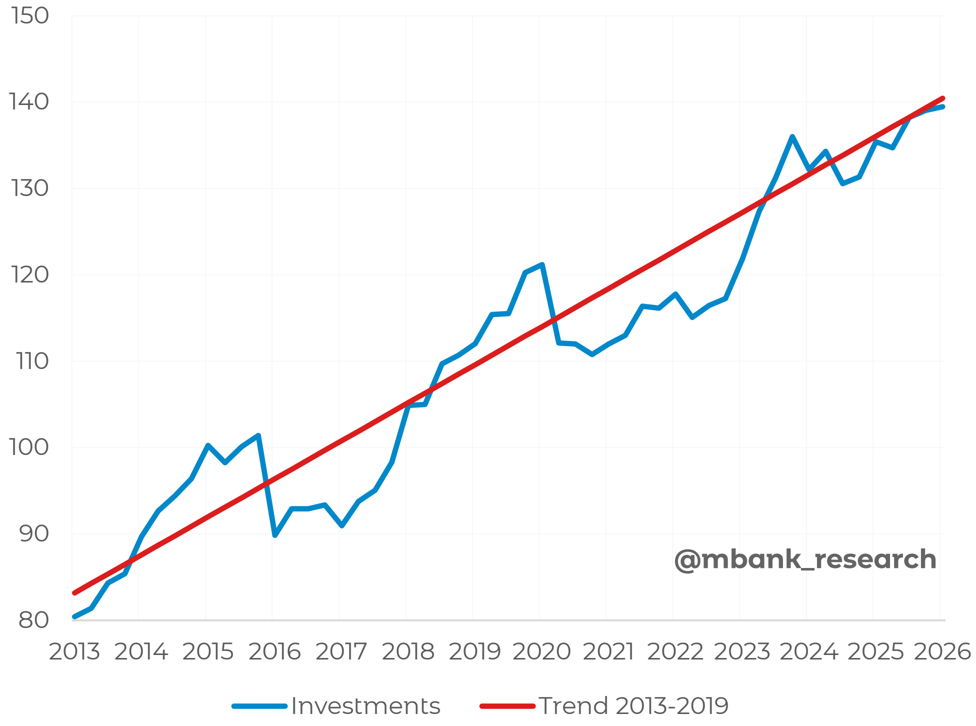


Source: Own elaboration based on Statistics Poland, NBP.

Consumption growth, and private consumption alike, slowed in Q1 as spending on durable goods saw a decline since the end of 2025. At the same time, services sector played an important role in the previous quarter, significantly, positively contributing to the overall growth rate. The slowdown in consumption growth has not been particularly surprising to us, and we still see some downside potential for the upcoming quarters (we aim for under 3%). The major reason is weaker labor market situation. This is especially true when we take into account declining wage growth coupled with the latest inflation pick-up. All of this means that the growth rate of real wage bill is going to come down, weighing on consumers' spending habits. However, it is worth noting that any more pronounced downside is cushioned by the fact that savings rate came back to normal from unusually low levels. Additionally, some structural forces related to automation have gained speed recently. We also shall get used to shrinking population, affecting aggregate numbers.

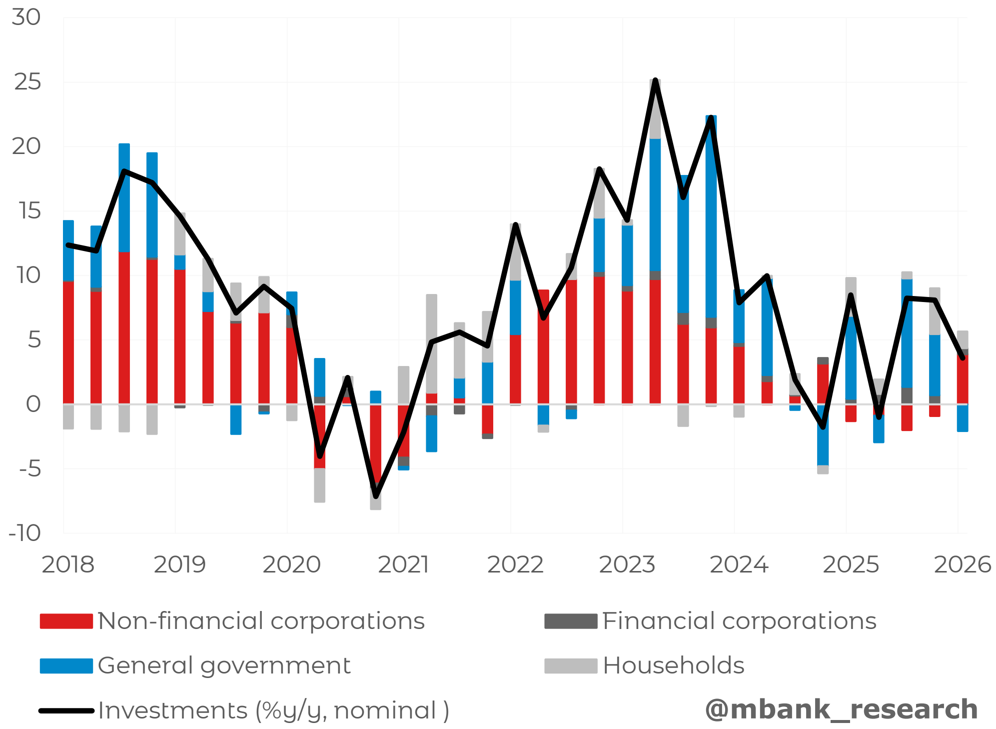
Poland: Investment outlook

Fixed capital formation (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland.

Fixed capital formation (%y/y)

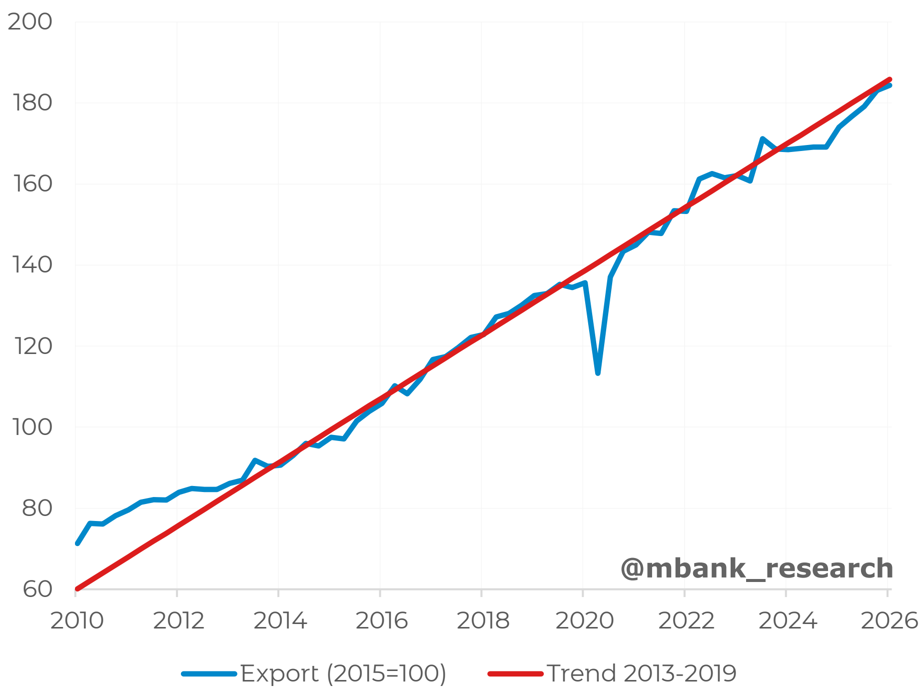


Source: Own elaboration based on Eurostat

Investment disappointed to some extent in Q1 after it slowed down to barely above 2% in annual terms. Structure of investment growth until Q4 2025 shows a choppy trend with a sizeable impact from the general government. Nevertheless, past investment cycles were driven primarily by non-financial corporations. We expect a similar pattern to develop over the coming 4-6 quarters. We base our expectations on the wide stream of EU funds (KPO) Poland has been receiving for some time. They will be topping this year, directly translating into the boost in private investment activity. On that account, we also believe that the nascent investment cycle will not be derailed by higher interest rates we have recently faced. We expect a solid acceleration of investment growth from Q2 onwards and the whole-year growth rate close to 7%. Having said that, determined EU funds schedule also means that 2026 is going to be the top in investment activity. We shall yet see how much capital demand SAFE program and energy transformation will bring to the table later on.

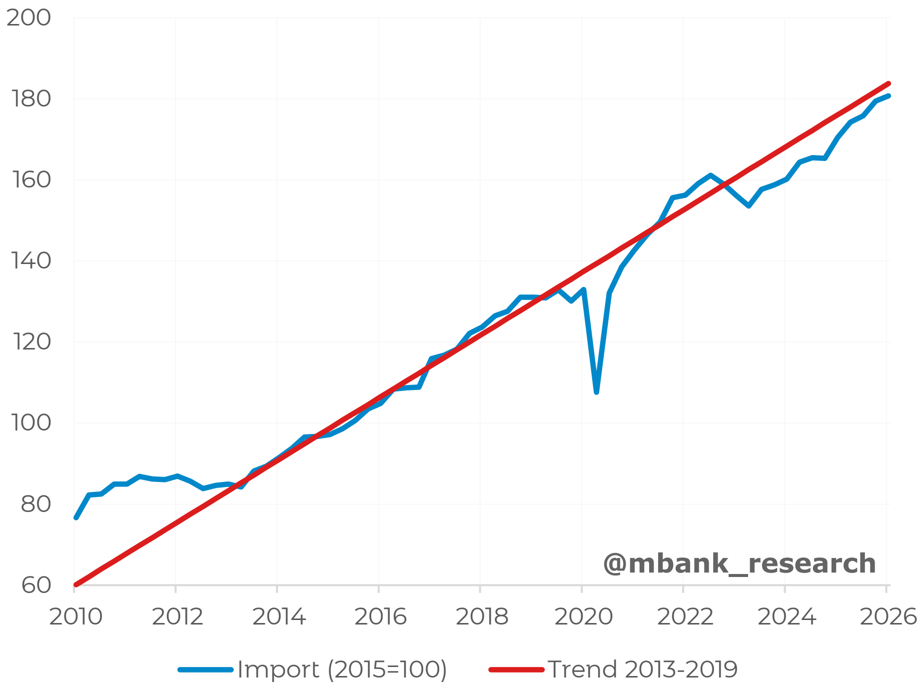
Poland: Foreign trade outlook

Export (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland.

Import (index 2015 = 100, sa)

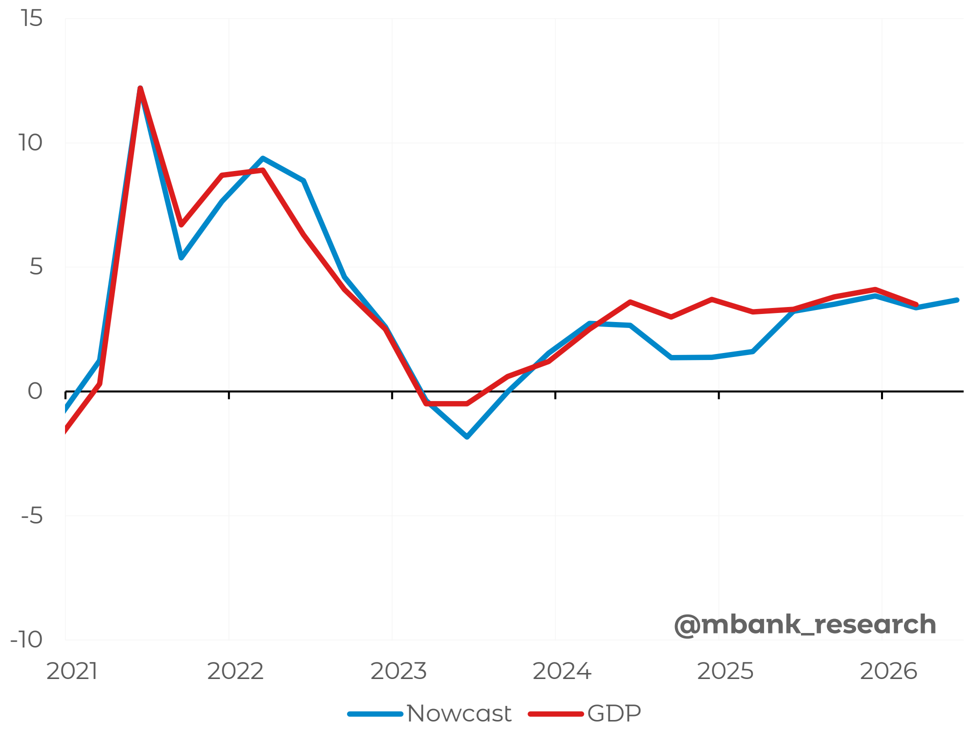


Source: Own elaboration based on Statistics Poland.

Both exports and imports grew almost 6% in annual terms in Q1, meaning some slowdown compared to what we saw at the end of the last year. The war in the Middle East is likely to affect foreign trade in Q2 via oil pricing channel, hence a (nominal) pick-up in imports is likely. Looking forward, we expect both exports and imports growth to move between 5% and 6% over the coming quarters. It would lead to (almost) a neutral contribution of net exports to GDP growth both this and the following year. We believe that some negative effects of the war on Polish imports (higher prices), might be offset to some extent by a recovery in economic activity in the German economy. Needless to say, we are aware of the fact that higher interest rates implemented by the ECB will not help the Eurozone economy accelerate, though we still count on some positive effects of more expansionary fiscal policy in Germany.

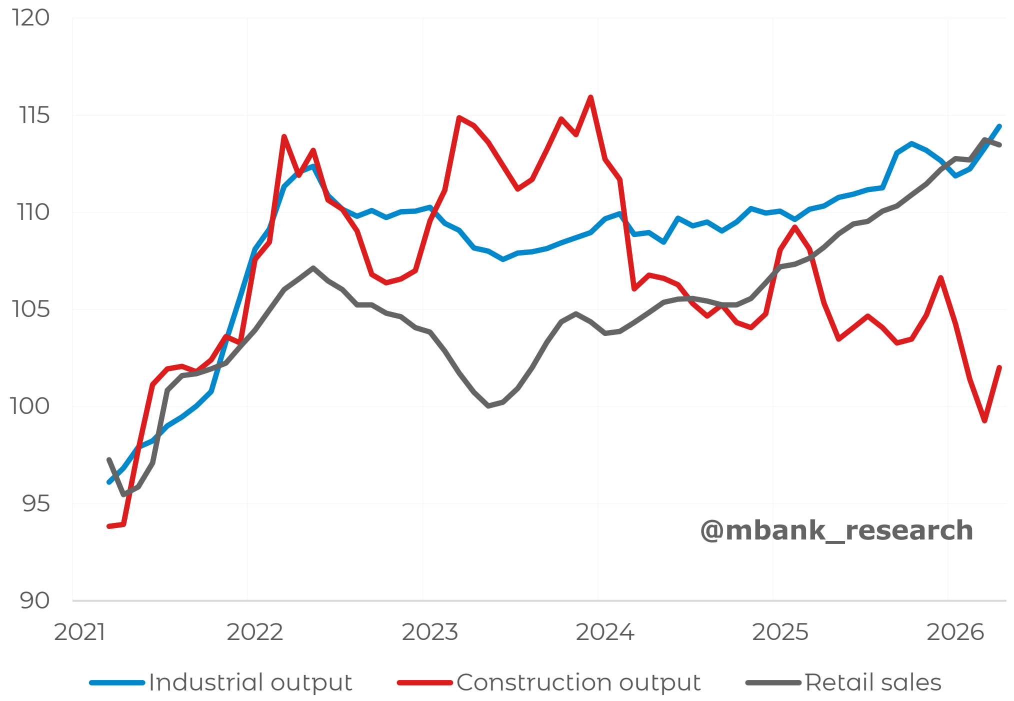
Poland: Real time (short-term) GDP tracking

GDP momentum nowcasting



Source: Own elaboration.

Seasonally adjusted (index 2021 = 100, 3m avg.)

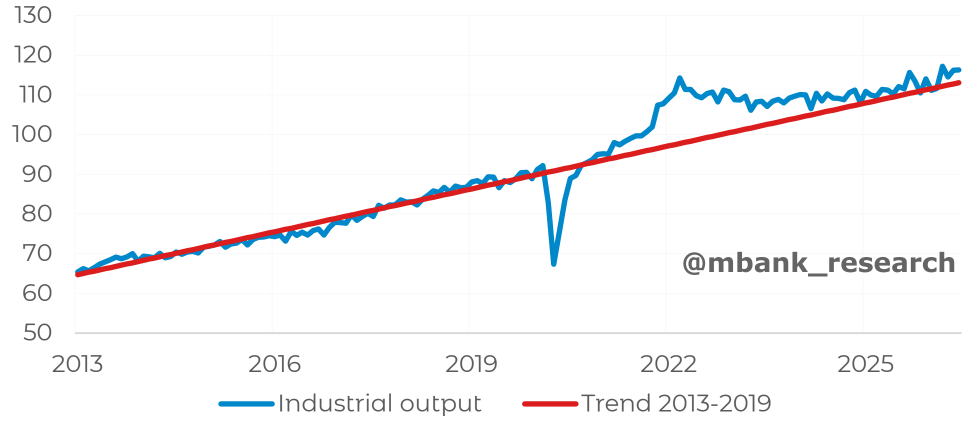


Source: Statistics Poland.

June brought strong economic readings, although the results were supported by calendar effects and a low statistical base. Industrial output (LINK) increased by 7.3% YoY, but growth in manufacturing remained around 2 percentage points lower, and we expect activity to stabilize at a more moderate 3-4% pace in the coming months. Construction data (LINK) was relatively weak, with declines in both building construction and specialized works despite overall growth exceeding 5%, but this appears temporary, as infrastructure investment should provide strong support going forward. Meanwhile, retail sales (LINK) continue to be a stable driver of economic growth and are likely to remain so in the months ahead.

Poland: Industrial output

Industrial production (index 2021 = 100, sa)

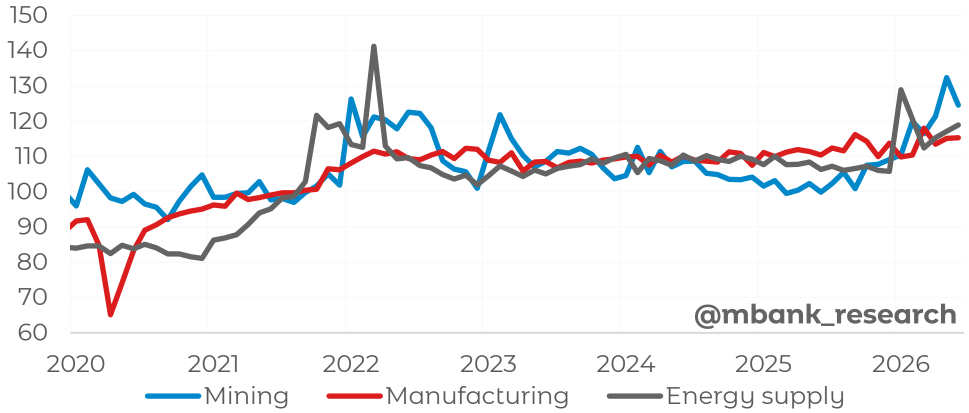


Source: Own elaboration based on Statistics Poland.

Momentum (%, m/m, sa)

Source: Own elaboration based on Statistics Poland.

Main categories (index 2015 = 100, sa)



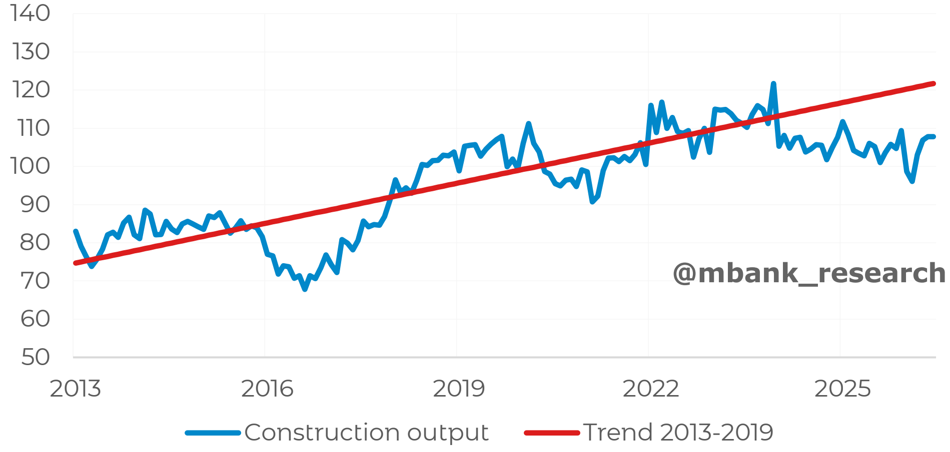
Source: Own seasonal adjustment based on Statistics Poland.

Producer prices (%, y/y)

Source: Own elaboration based on Statistics Poland.

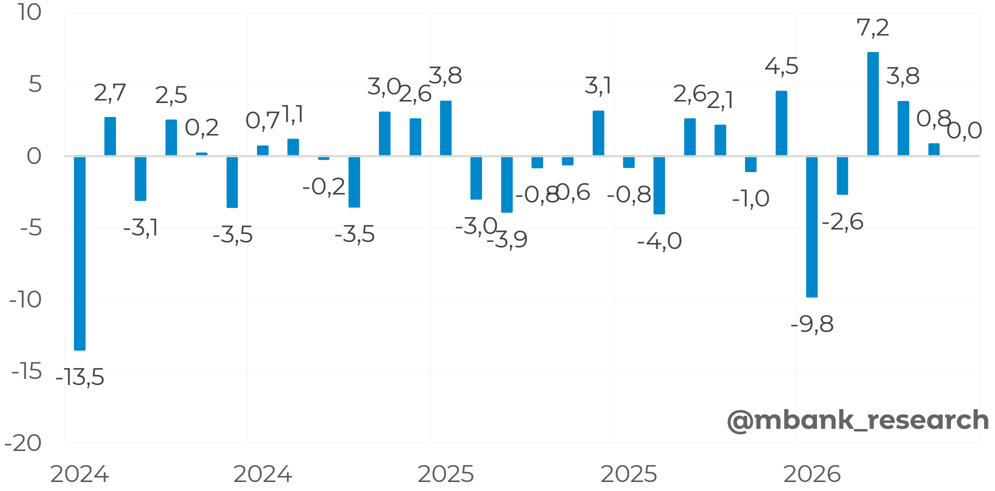
Poland: Construction

Construction output (index 2021 = 100, sa)

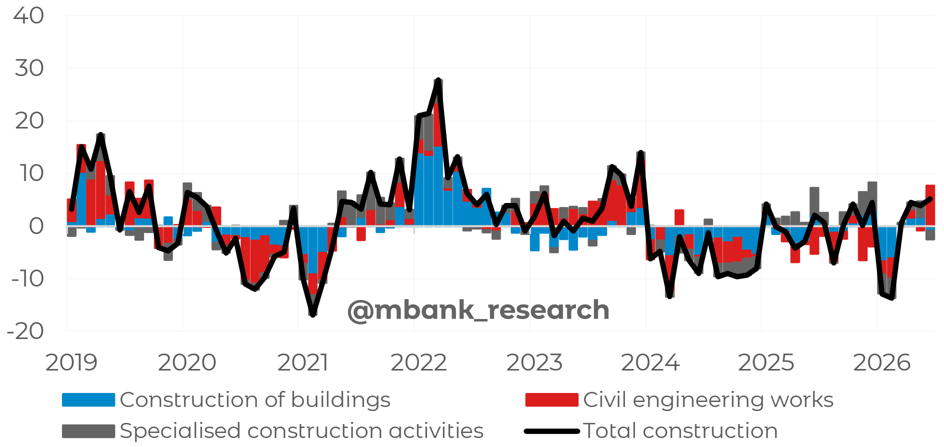


Source: Own elaboration based on Statistics Poland.

Momentum (%, m/m, sa)

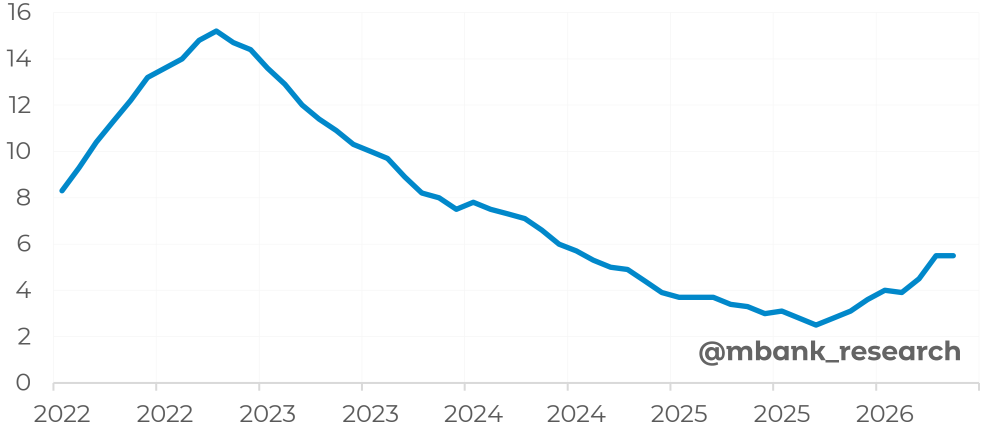


Contribution to y/y growth



Source: Own elaboration based on Statistics Poland.

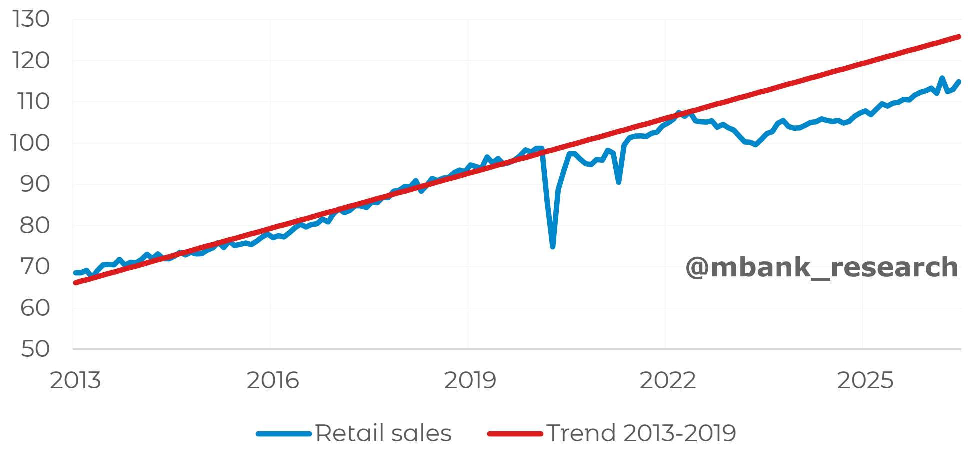
Construction prices (%, y/y)



Source: Statistics Poland.

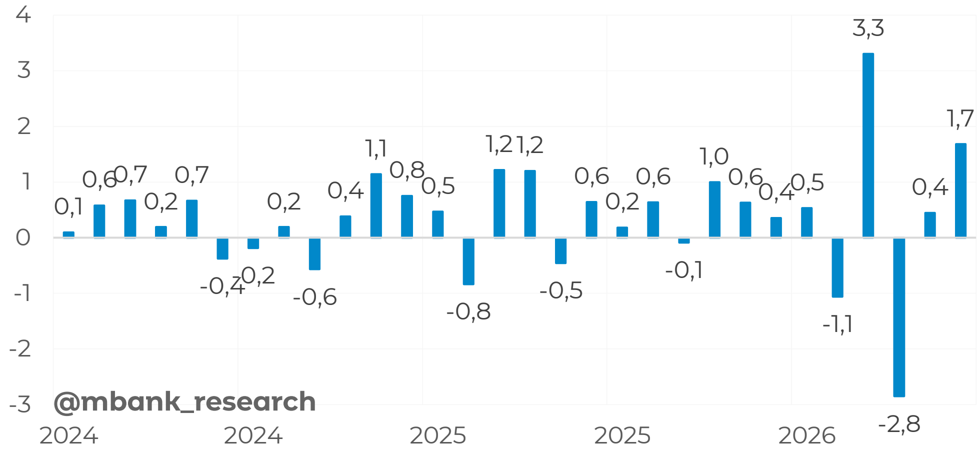
Poland: Retail sales

Retail sales (index 2021 = 100, sa)



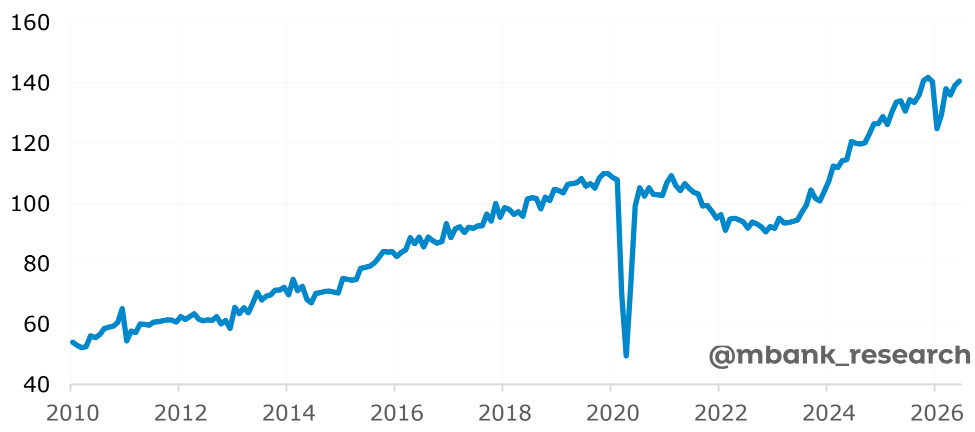
Source: Own elaboration based on Statistics Poland.

Momentum (%, m/m, sa)



Source: Own elaboration based on Statistics Poland.

Retail sales – Motor vehicles (index 2021= 100, sa)



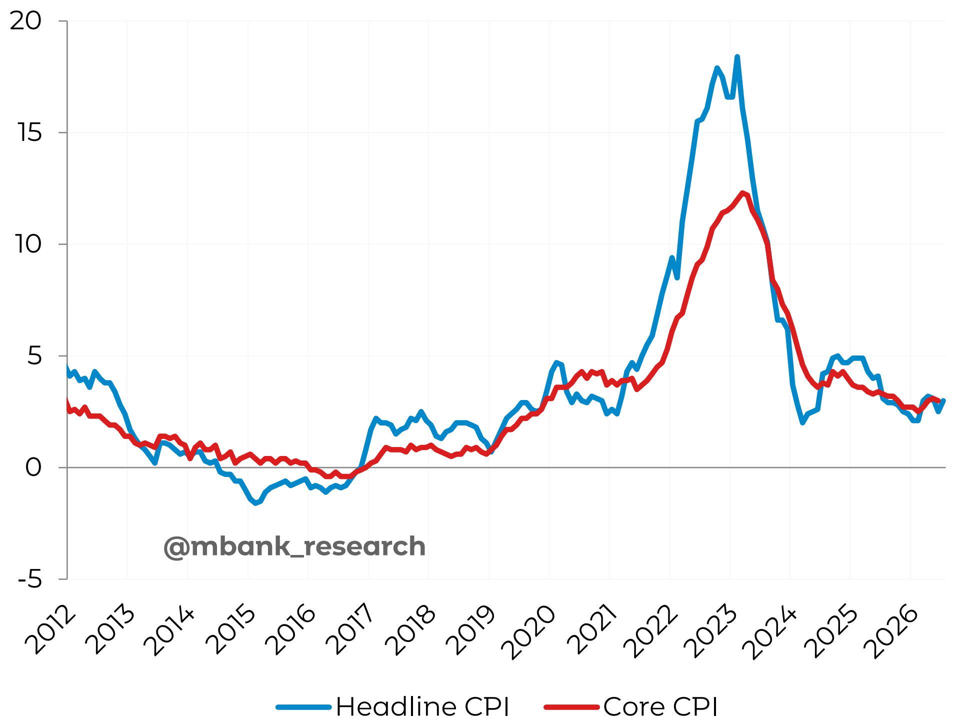
Source: Own seasonal adjustment based on Statistics Poland.

Retail sales - Solid, liquid and gaseous fuels (index 2015 = 100, sa)

Source: Own seasonal adjustment based on Statistics Poland.

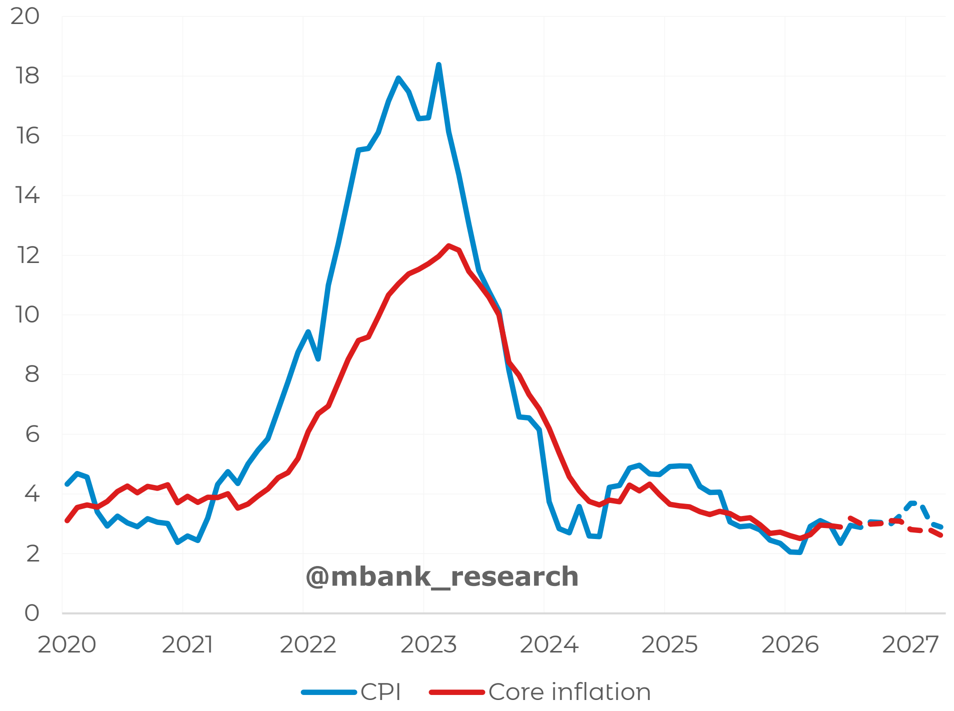
Poland: Inflation

Headline inflation, broad perspective (%, y/y)



Source: Own elaboration based on Statistics Poland.

Inflation, zoom in and forecasts (%, y/y)

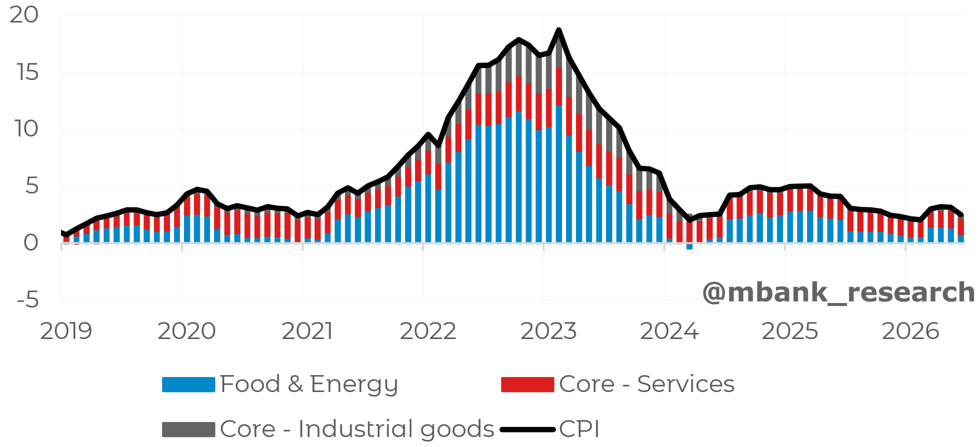


Source: Own elaboration based on Statistics Poland, NBP.

July inflation returned to 3.0%, driven mainly by a rebound in fuel prices. At the same time, core inflation also moved higher, hovering around 3.1-3.2% in July. The only significant disinflationary factor at present is food prices, which have remained in a negative territory over the past quarter. Inflation developments in the coming months will be closely linked to fluctuations in crude oil prices, a component that remains particularly difficult to predict. Nevertheless, even under less favorable scenarios, inflation should remain within the NBP's target range. In our view, the most likely outcome is a stabilization of inflation slightly below 3%, supported by a smaller contribution from core inflation. Higher inflation is likely to emerge next year. We expect a stronger increase in food prices due to adverse weather conditions and ongoing problems in the fertilizer market. In the first half of 2027, inflation could approach the upper bound of the target range and may even temporarily exceed it. However, the broader trend should remain downward over time.

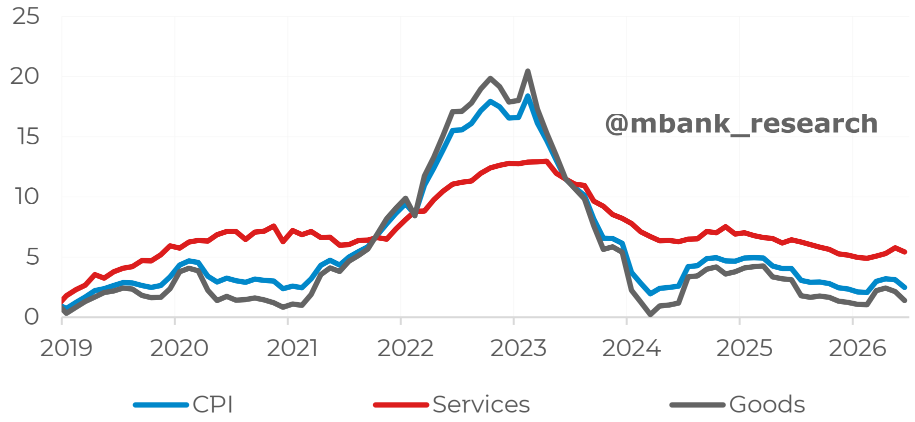
Poland: Inflation tracker (additional measures)

Contribution to inflation (pp.)



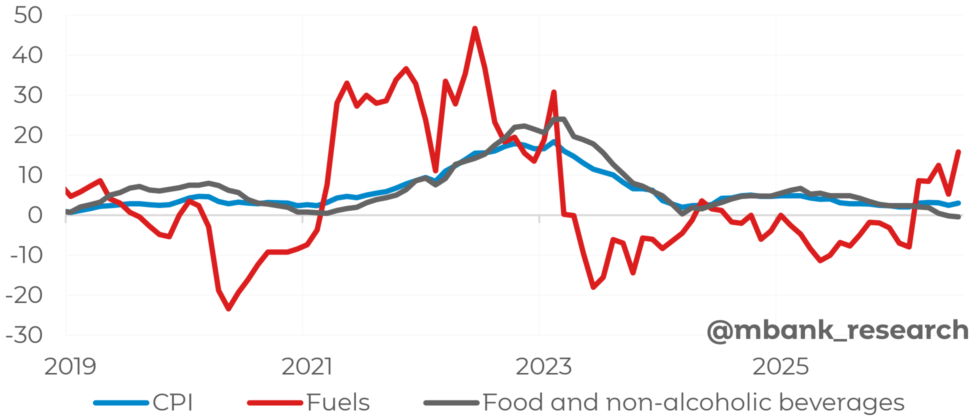
Source: Own elaboration based on Statistics Poland.

Goods and services prices (%, y/y)



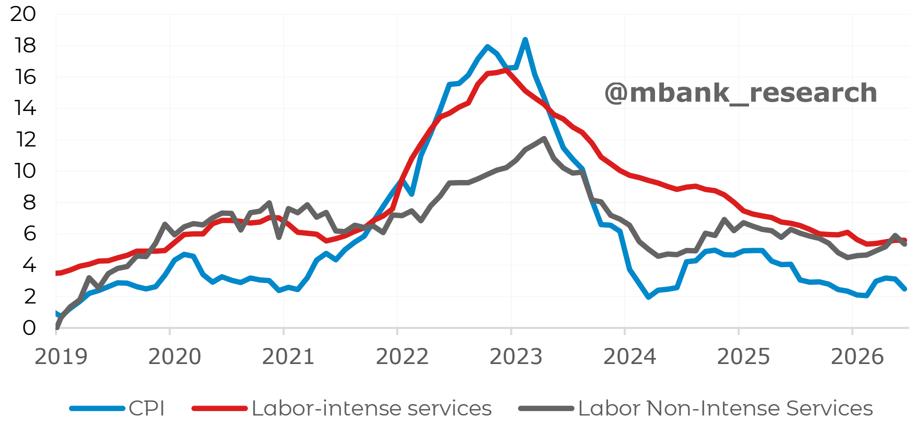
Source: Own elaboration based on Statistics Poland.

Food and fuel prices (%, y/y)



Source: Own elaboration based on Statistics Poland.

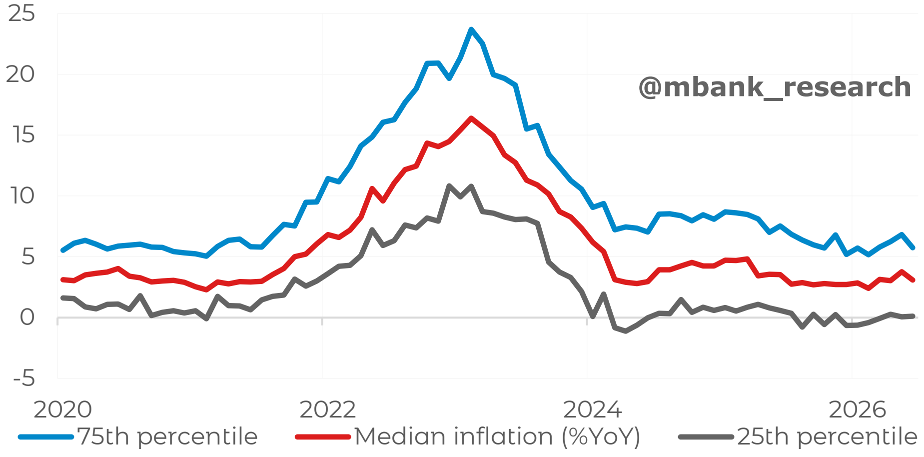
Services (%, y/y)



Source: Own elaboration based on Statistics Poland.

Poland: Inflation tracker (additional measures)

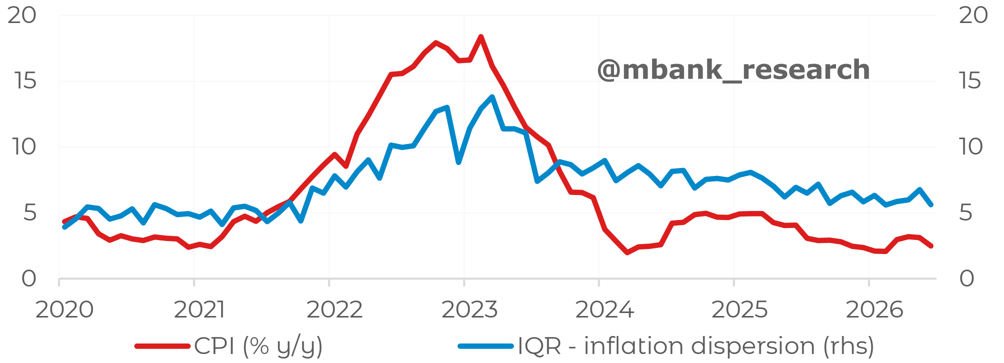
Median inflation (%y/y) and selected percentiles of the distributions



Source: Own elaboration based on Statistics Poland.

Inflation IQR: diff between the 75th and 25th percentile (y/y rates)

It measures dispersion of price changes across items in the consumption basket. A higher IQR indicates greater heterogeneity in inflation dynamics, meaning that different categories adjust at different speeds rather than moving uniformly. Such dispersion is often associated with transitional phases of inflation dynamics, where some components adjust earlier and others later, contributing to short-term volatility in aggregate inflation. If all items were moving at the same speed, IQR = 0.



Source: Own elaboration based on Statistics Poland.

Top 10 most impactful* CPI categories (%, y/y)

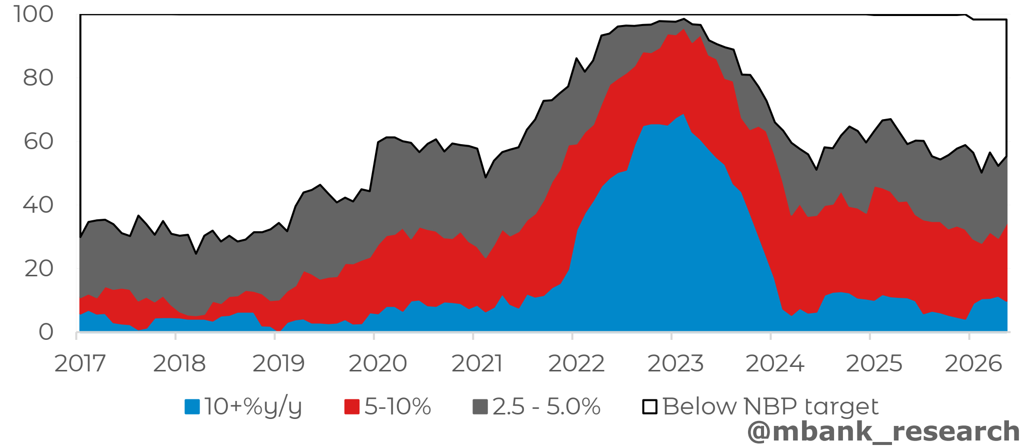
Source: Own elaboration based on Eurostat

***Impactful** = the product of high volatility and substantial weight in the consumption basket.

These categories are partially seasonal, but also show hard to predict movement between months, are affected by global prices and administrative decisions in a start-stop manner.

If CPI surprises, these are the first ones to check. Most likely you will find the „villain”.

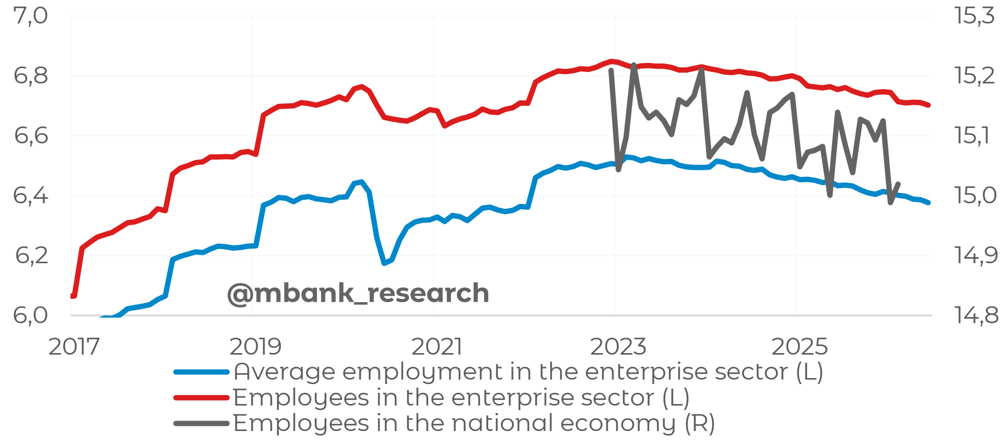
Share of expenditures where prices increase by (%):



Source: Own elaboration based on Eurostat.

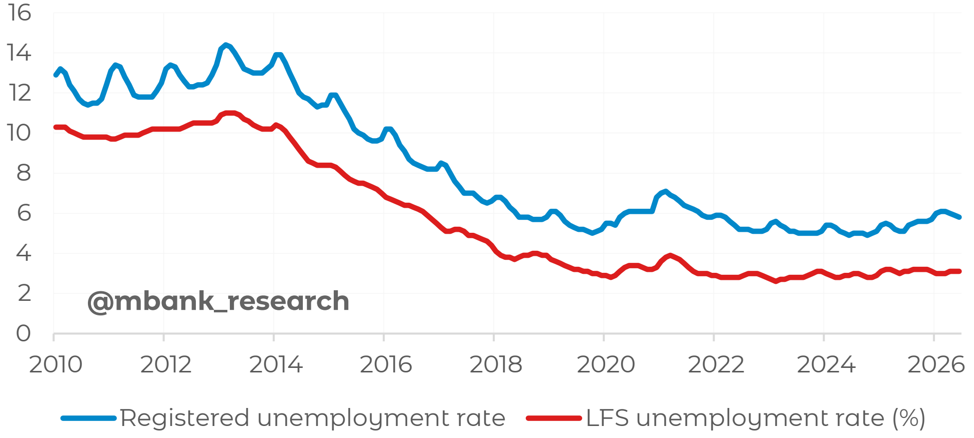
Poland: Labor market tracker (employment)

Employment (in millions)



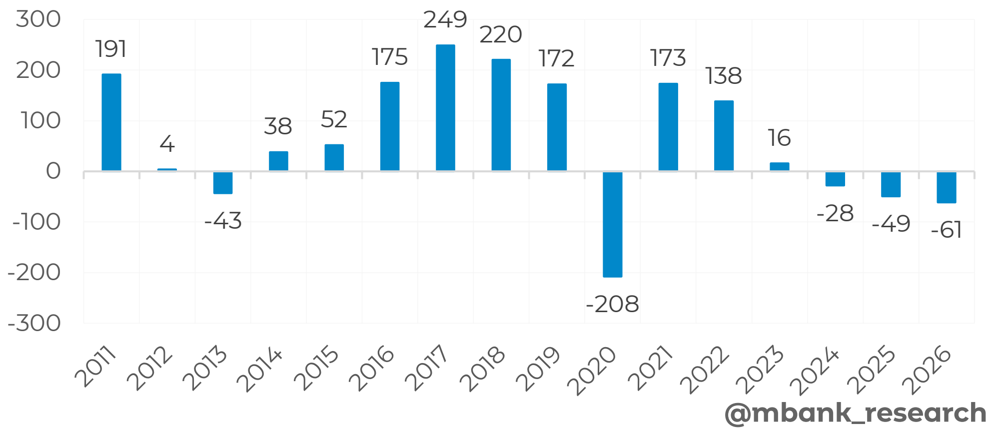
Source: Own elaboration based on Statistics Poland

Unemployment rate (%)



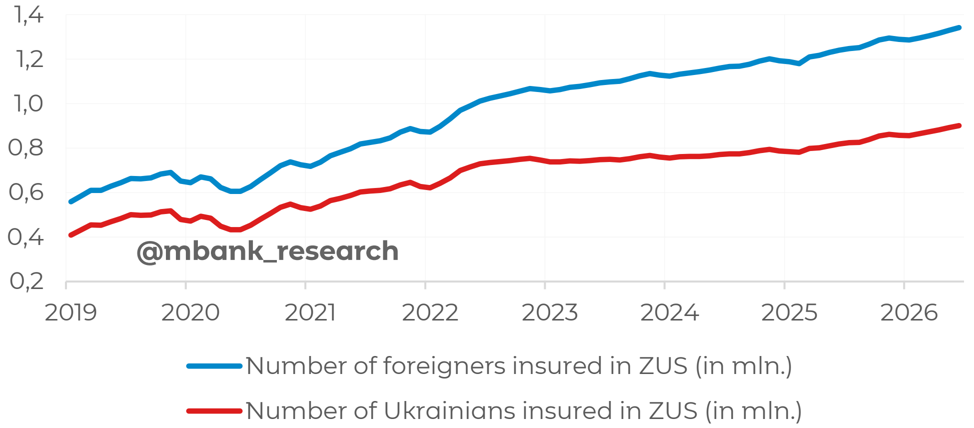
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Monthly employment change in June (thousand jobs), enterprise sector



Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Immigration in the labor force



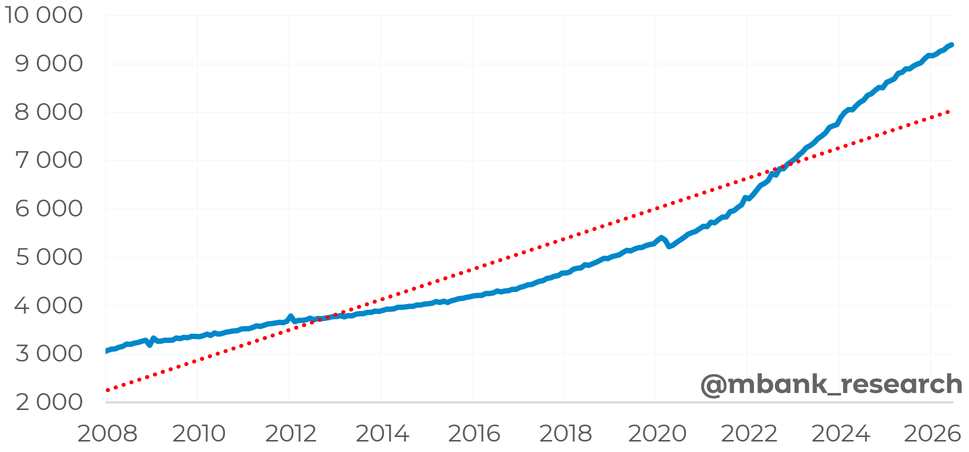
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Poland: Labor market tracker (wages)

Wage growth, enterprise sector (%, y/y, nsa)

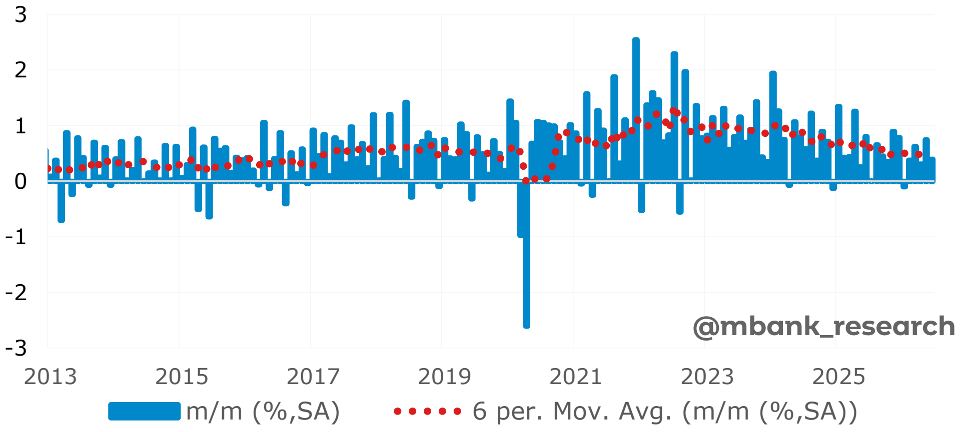
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Average monthly wage in enterprise sector (in PLN, sa)



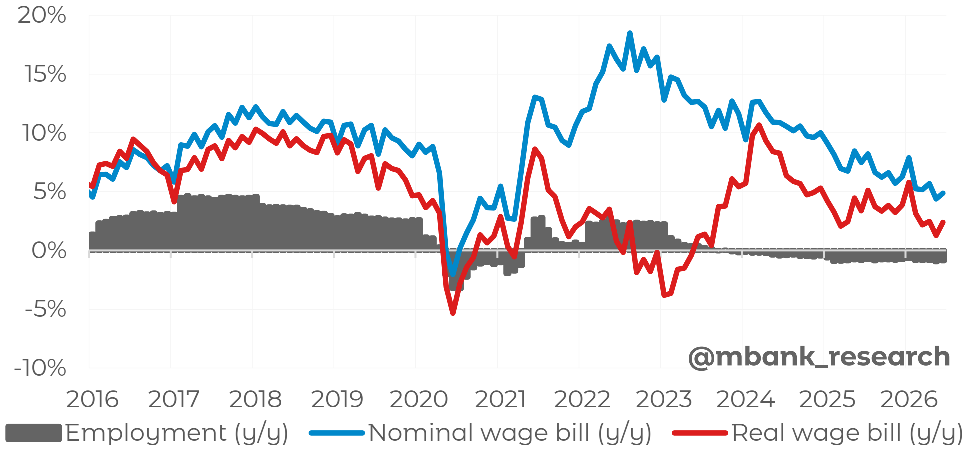
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Momentum of average monthly wage in enterprise sector (m/m, sa)



Source: Own seasonal adjustment based on Statistics Poland, ZUS Statistical Portal.

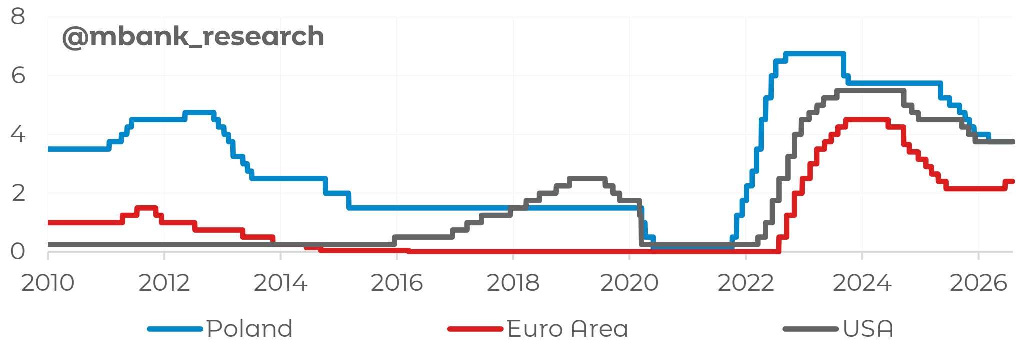
Wage bill, enterprise sector (%, y/y)

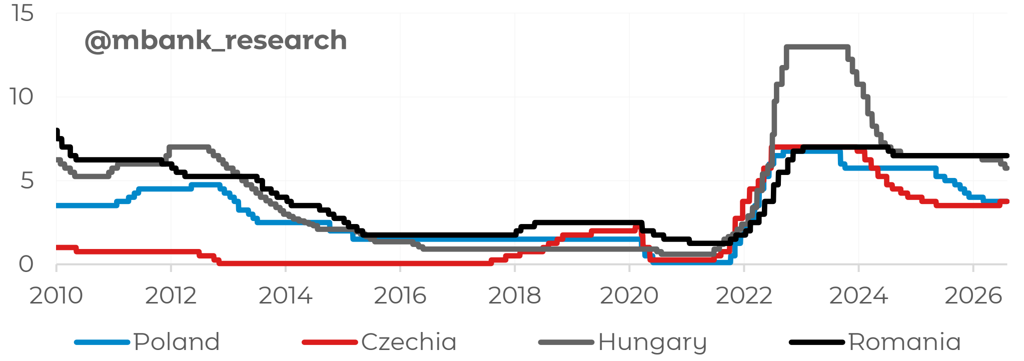


Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Poland: Interest rate outlook

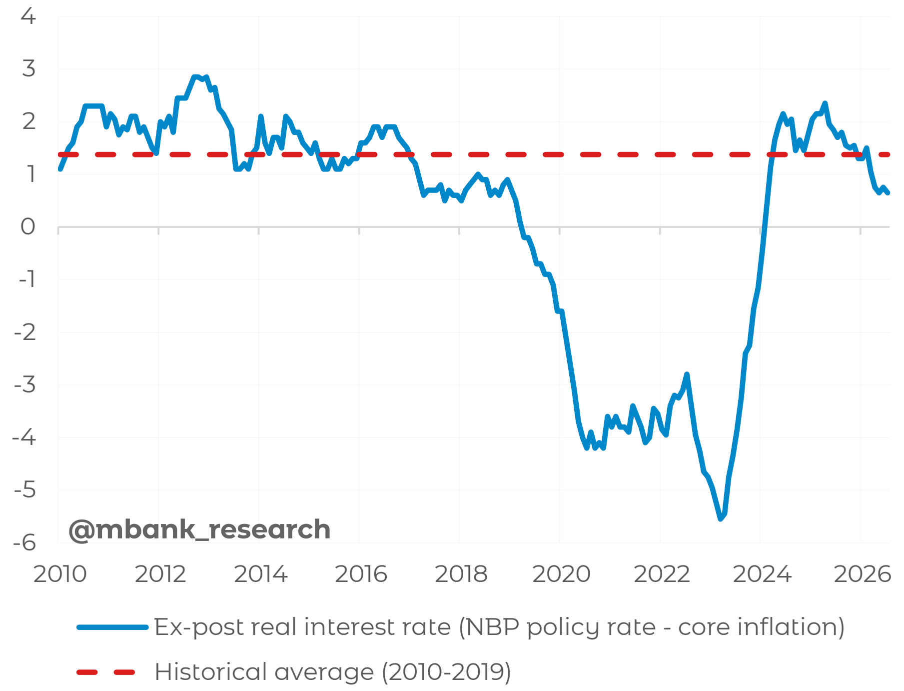
Central banks' policy rates (%)





Source: Macrobond.

NBP ex-post real interest rate (adjusted by core Inflation, %)

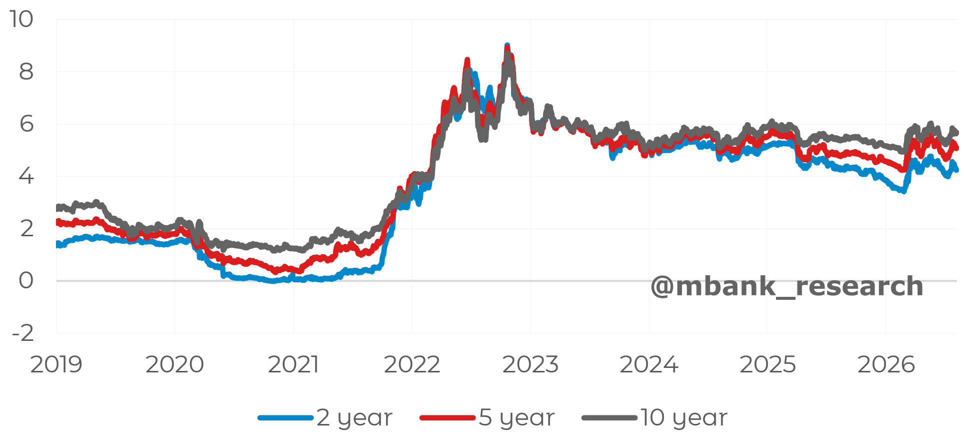


Source: Statistics Poland, NBP.

The July MPC meeting surprised markets with the relatively dovish tone adopted by the NBP Governor. He indicated that he could submit a motion for an interest rate cut as early as September. However, the renewed escalation of tensions in the Middle East and elevated inflation effectively closed the window for such a move. Nevertheless, the MPC's overall stance remains clearly dovish. The Council is still waiting for conditions that would allow for further monetary easing. The current market consensus suggests that such an opportunity may emerge in the second quarter of 2027. In our view, however, the outlook is complicated by the expected rise in food prices. As a result, the conditions required for rate cuts are more likely to materialize one quarter later than the consensus currently assumes

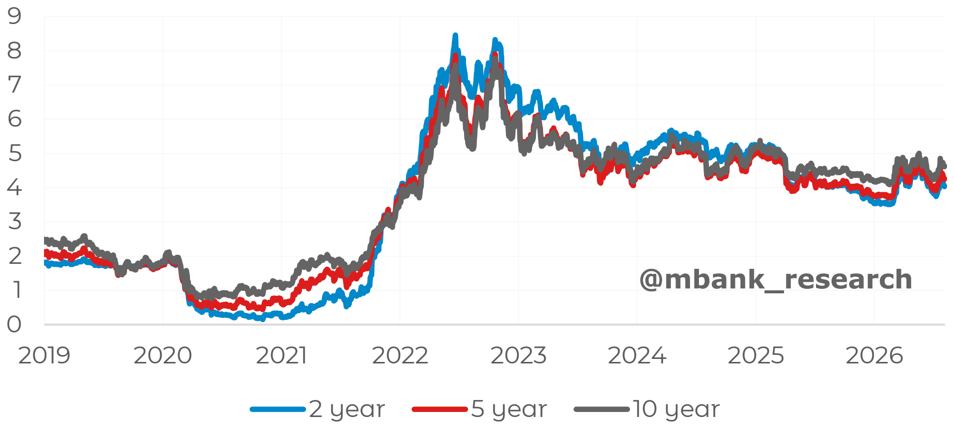
Poland: Market interest rates

POLGBs (%)



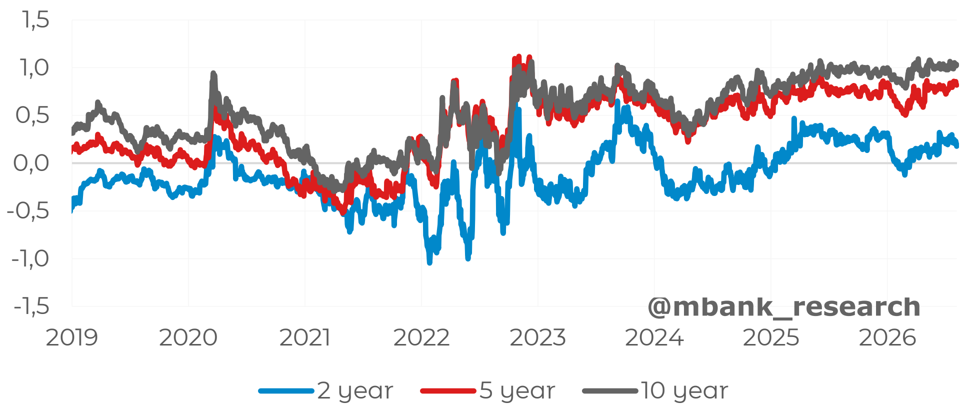
Source: Bloomberg.

PL IRS (%)



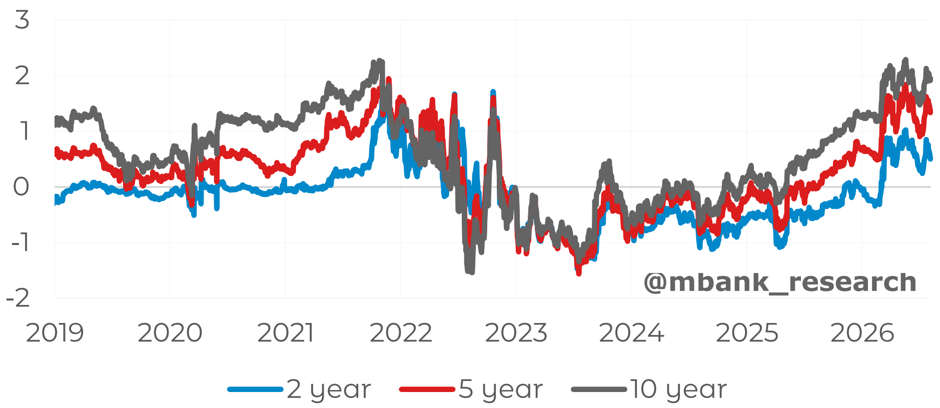
Source: Bloomberg.

ASW spread (pp)



Source: Bloomberg.

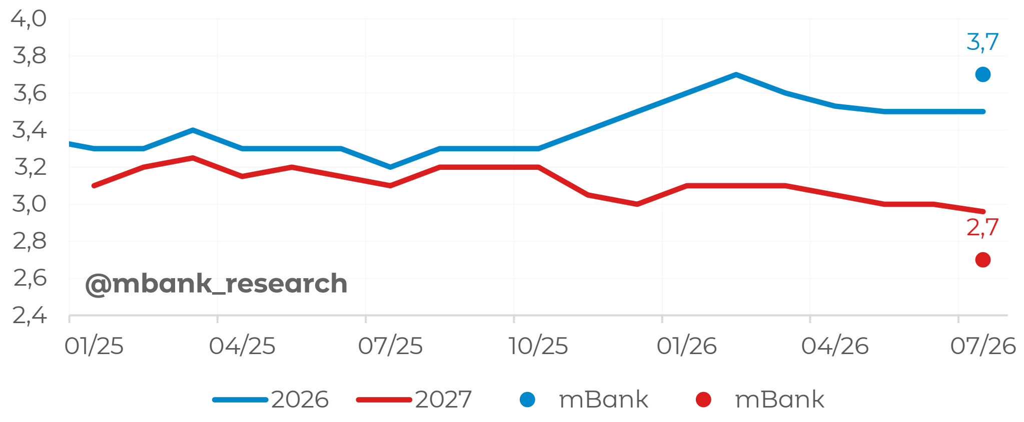
POLGB yield minus 3m WIBOR (pp)



Source: Bloomberg.

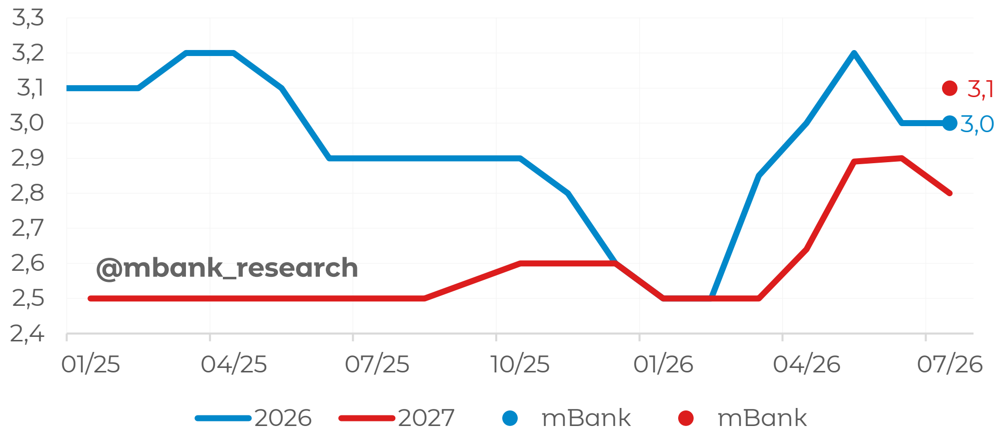
Poland: Expectations vs our forecasts

Consensus tracker: GDP growth (%, y/y, annual avg)



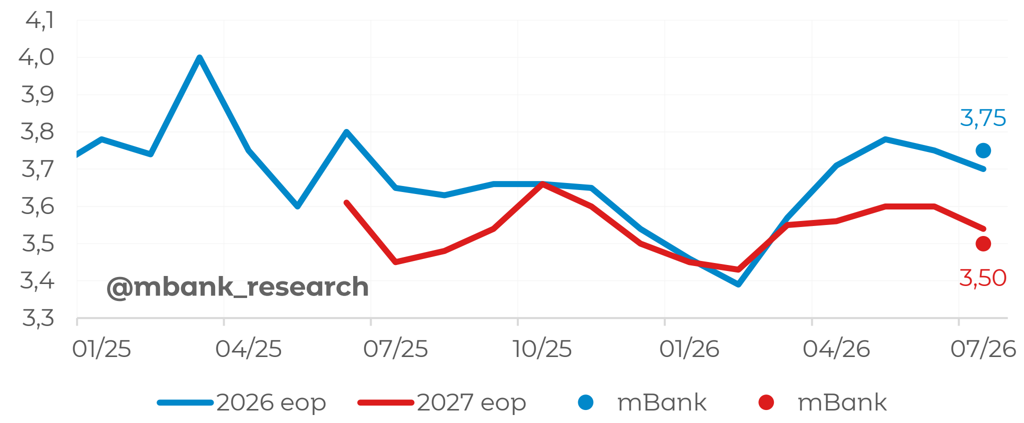
Source: Bloomberg.

Consensus tracker: CPI inflation (%, y/y, annual avg)



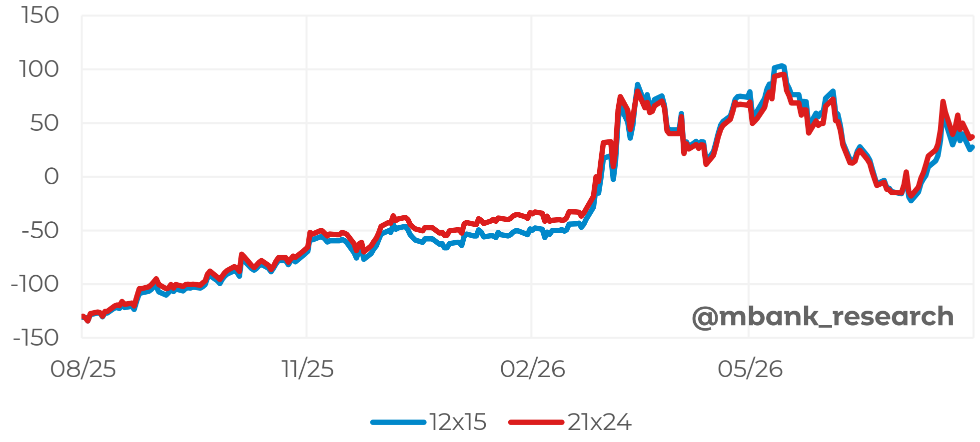
Source: Bloomberg.

Consensus tracker: NBP ref. rate (%, end of period)



Source: Bloomberg.

Rate changes priced in by FRA (bps)



Source: Bloomberg.

Poland: External balance & FX performance

EXTERNAL BALANCE

- **Current account (CA) balance** recorded a deficit of 1.1% of GDP after May, measured as a 12-month rolling sum. The deterioration observed in recent months has been driven primarily by the goods balance, which is now negative (-1.6% of GDP), while the services balance surplus deteriorated as well (it stands at 4.2% of GDP). Any near-term improvement is unlikely - we expect a slightly higher deficit in the coming months.
- **FDI-adjusted CA** remains in a surplus (0.8% of GDP after May). Also, capital account posted a surplus of 1.3% of GDP after May. This results in a current account surplus of 1.9% of GDP after adjusting for both FDI and capital flows, which suggests that the deterioration in the CA balance is unlikely to have significant adverse effects on the broader economy. Looking ahead, we expect that most inflows from European funds will be reflected in the capital account, which should help reinforce Poland's external position.

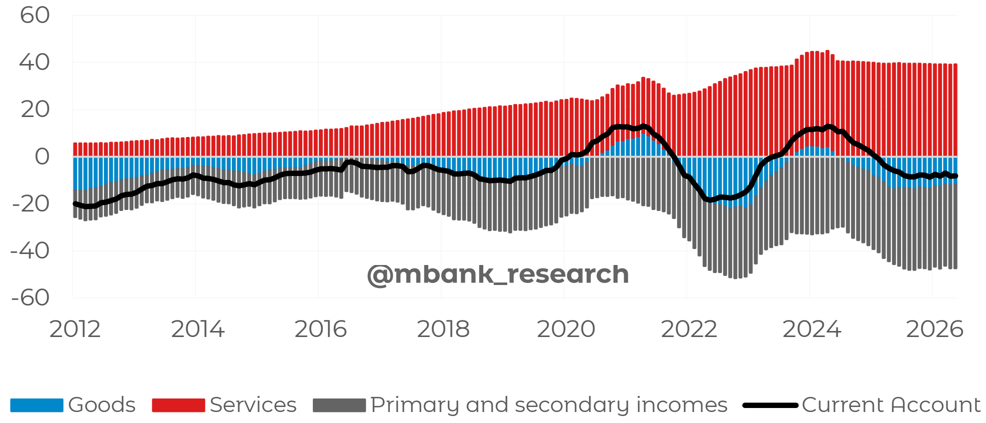
Graphical summary can be found on the next page. Exports & imports (national accounts perspective) are covered separately here.

FX PERFORMANCE

- **Background & global.** After declining in June, EURUSD remained fairly stable throughout July. Looking ahead, we still expect the the major currency pair exchange rate to increase. We believe that the amount of monetary tightening priced in by the market in the US looks quite rich. Therefore, if we are right, the US dollar may lose momentum once again. Finally, doubts over the independence of the Federal Reserve might resurface sooner or later, given Trump's constant calls for lower interest rates.
- **Recent movements.** The EURPLN has increased quite notably of late, with the pair breaking through a 4.3 mark and then approaching as high as 4.35.
- **Fundamentally**, we continue to anticipate the zloty to stay relatively weak owing to diverging monetary policy between the ECB and the NBP as well as fiscal risks given the current Poland's high deficit and a limited chance to see substantial consolidation in the near-term. Zloty stays considerably overvalued in REER terms (see here). However, it is worth noting that zloty's overvaluation against the common currency has lately decreased (see here). This is why we do not expect any abrupt depreciation going forward.

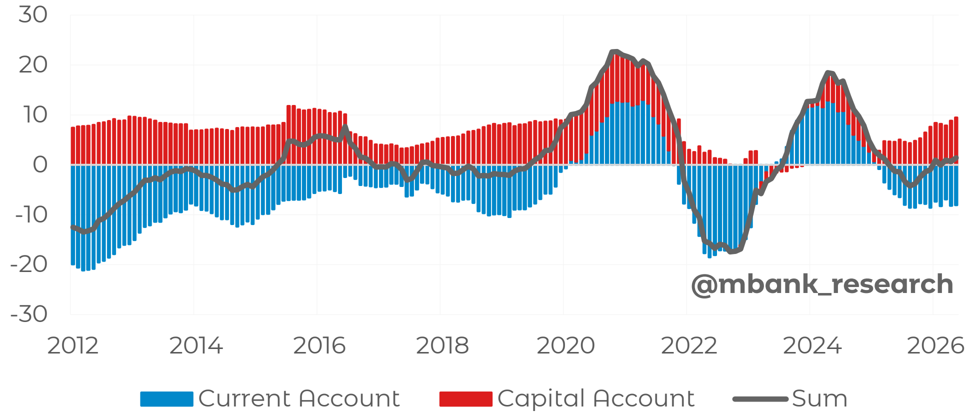
Poland: External balance

C/A decomposition – 12m rolling sum (bln EUR)



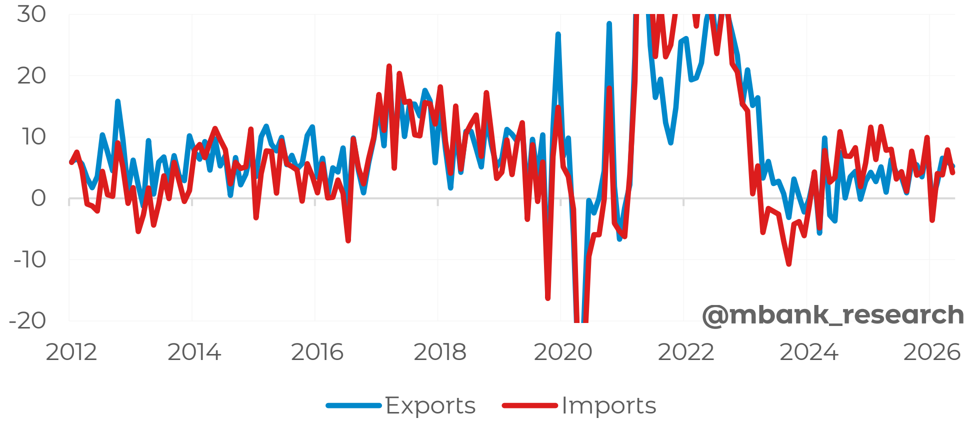
Source: Own elaboration based on NBP.

Current and Capital Account – 12m rolling sum (bln EUR)



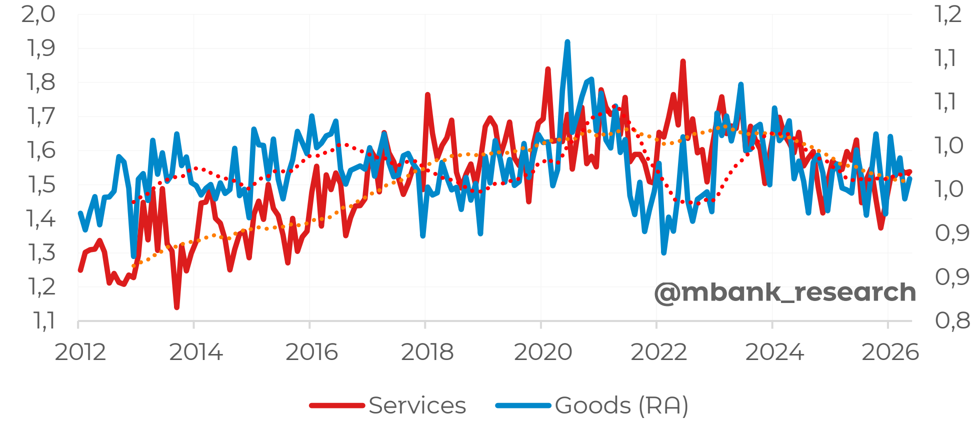
Source: Own elaboration based on NBP.

Exports and imports growth (%, y/y)



Source: Own elaboration based on NBP.

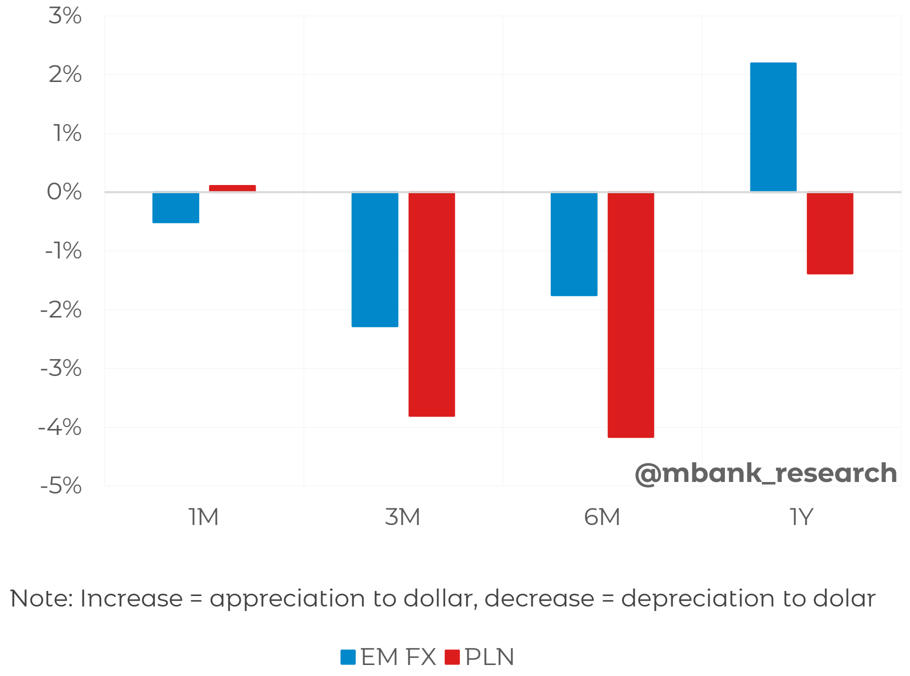
Exports to imports ratio



Source: Macrobond.

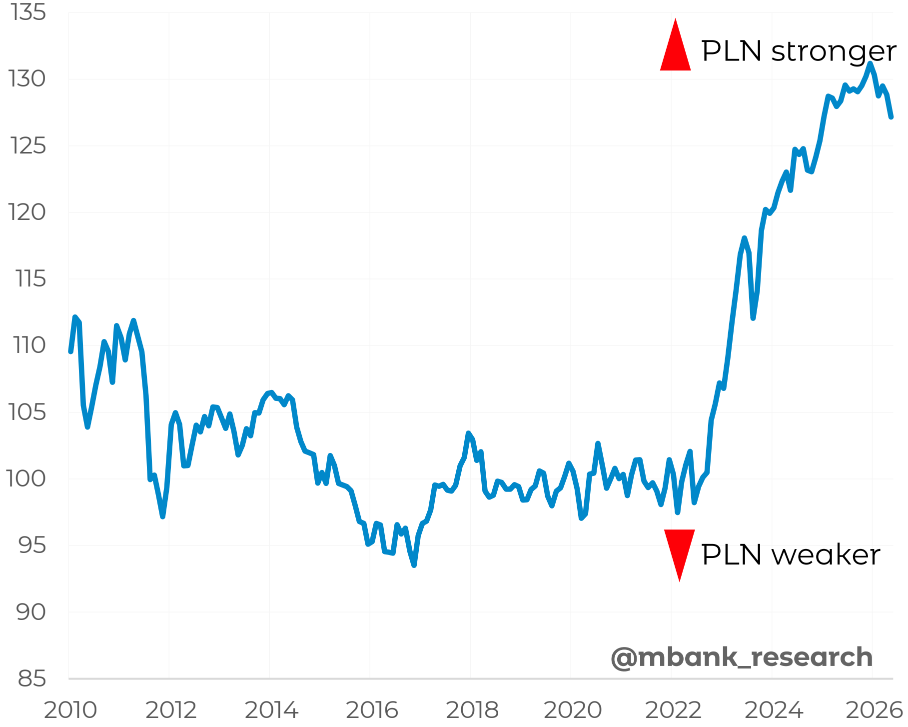
PLN: recent movements + REER

The zloty has underperformed its peers in recent months (%)



Source: Bloomberg.

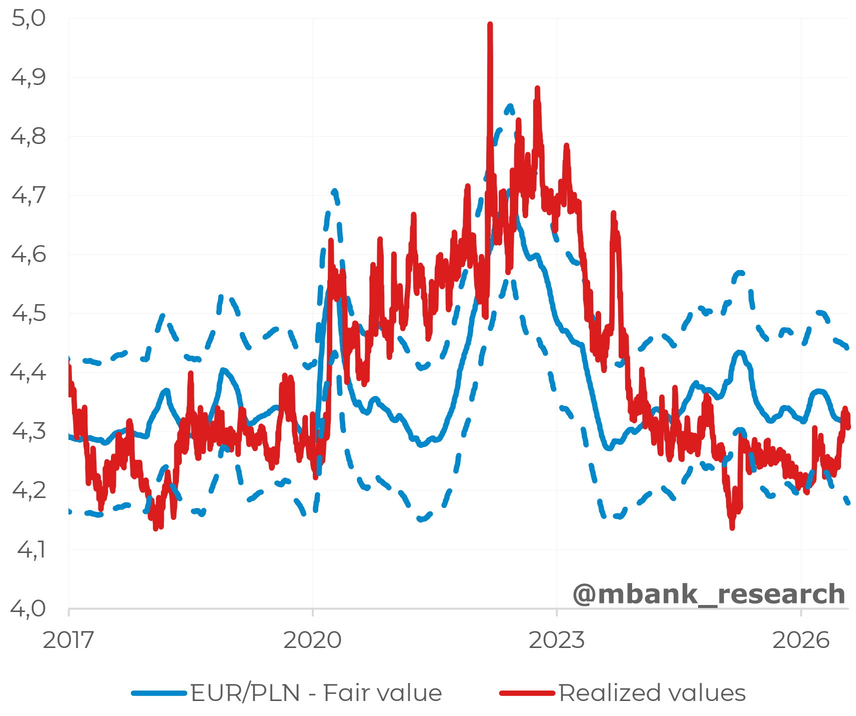
Real effective exchange rate (mind the time frame)



Source: BIS.

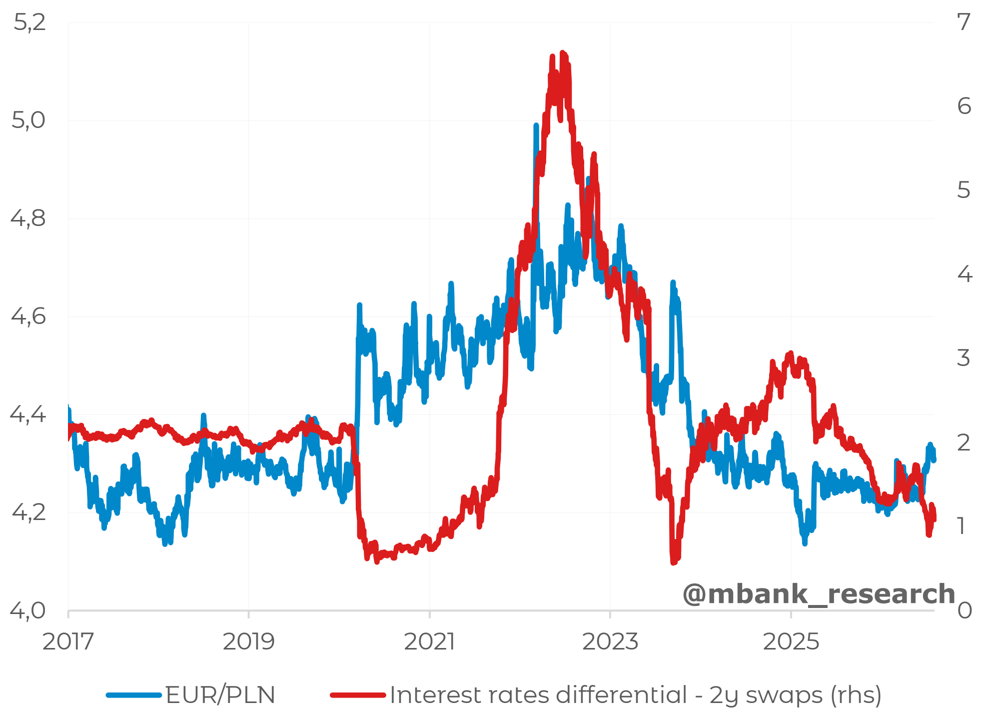
PLN: Relative valuation

The EUR/PLN relative valuation



Source: Our model* .

Interest rate differentials - Poland vs. Eurozone (%)



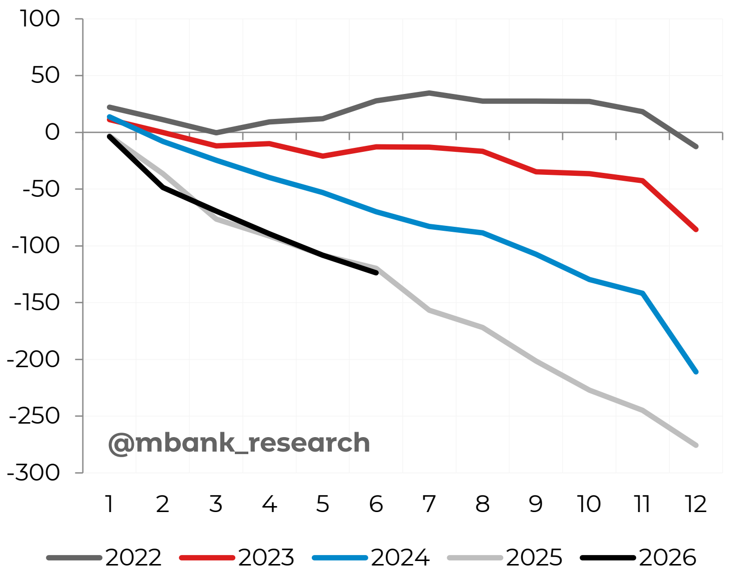
Source: Macrobond.

*** Our Model** is based on Macrobond data. It uses 2Y rate differentials, VIX, equity indices, ASWs and commodity prices.

Poland: Fiscal policy – current data & financing

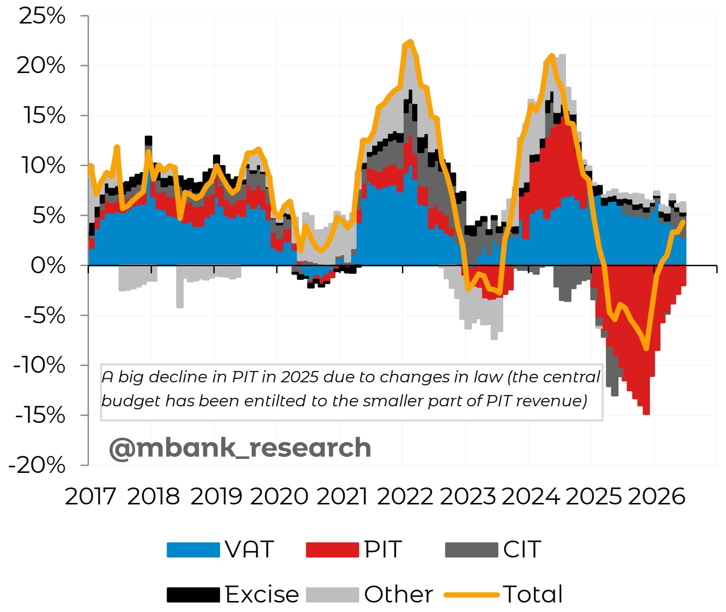
Graphical summary of planned & realized budget deficit, current budget performance, debt servicing costs and the (basic) structure of the public debt can be found on the next pages.
If you need a deep dive into Polish sovereign debt, please check our recent Polish Debt Monitor.

Cumulative central budget balance, billion PLN



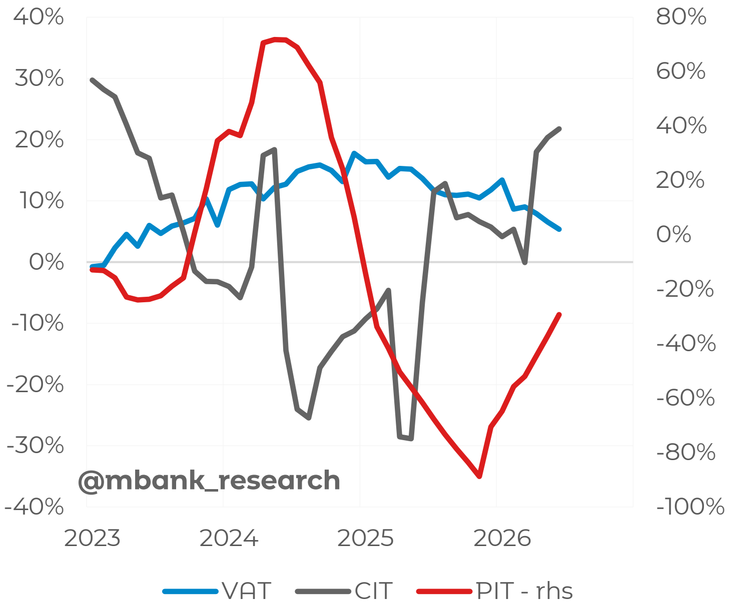
Source: Own elaboration based on Macrobond.

Decomposition of central budget revenue (contributions), 12m sum, y/y



Source: Own elaboration based on Macrobond.

Tax revenue, 12m sum, y/y



Source: Own elaboration based on Macrobond.

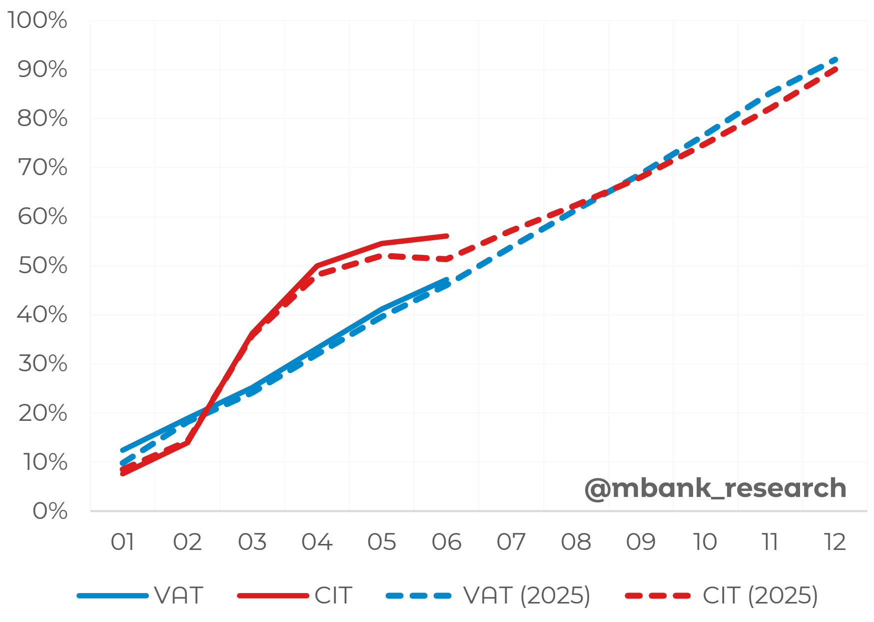
Budget performance after June. At the end of June 2026, the central budget deficit reached PLN 123.7 billion (45.5% execution). The underlying economy remains strong, driven by robust corporate profits that pushed CIT revenues up by almost 22% y/y. This, to some extent, stems from increased CIT rates on banks Apart from it, VAT growth has been slowing down steadily since the start of the year, which was additionally depressed by the CPN program (lower VAT on fuel prices). Apparently, the introduction of KSeF has yet to bring an additional boost of VAT revenue as the VAT growth rate is currently below nominal GDP growth. Finally, slower consumption growth in the coming quarters can also limit the VAT growth rate.

Recent issuance. The Ministry of Finance successfully placed bonds in the domestic market. After three outright bond auctions held in July the MoF raised over PLN 33 billion. On top of that, the MoF also sold Treasury bills worth almost PLN 4.4 bilion (the first T-bill auction since the start of May). The level of gross borrowing needs for 2026 stands at 70%.

Excessive fiscal consolidation could turn out counterproductive as it might limit public investment and weaken GDP growth, according to Polish vice finance minister. This is another argument behind a thesis that the government will not aim to deliver quick fiscal consolidation anytime soon. We believe that any stronger fiscal consolidation is unlikely before 2028.

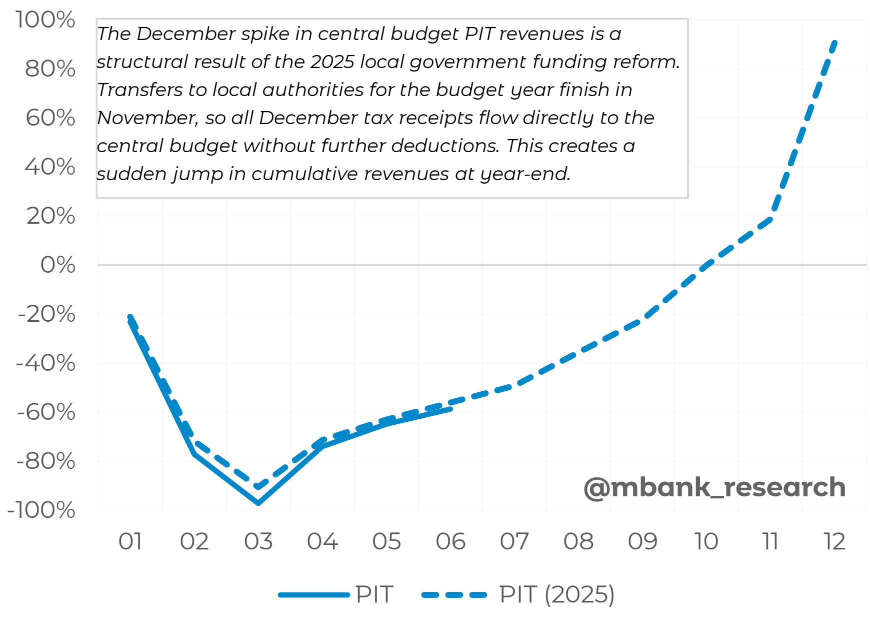
Poland: Fiscal policy – plans & ad hoc measures

Realization of VAT and CIT revenue compared to the budget bill



Source: Own elaboration based on Macrobond.

Realization of PIT revenue compared to the budget bill



Source: Own elaboration based on Macrobond.

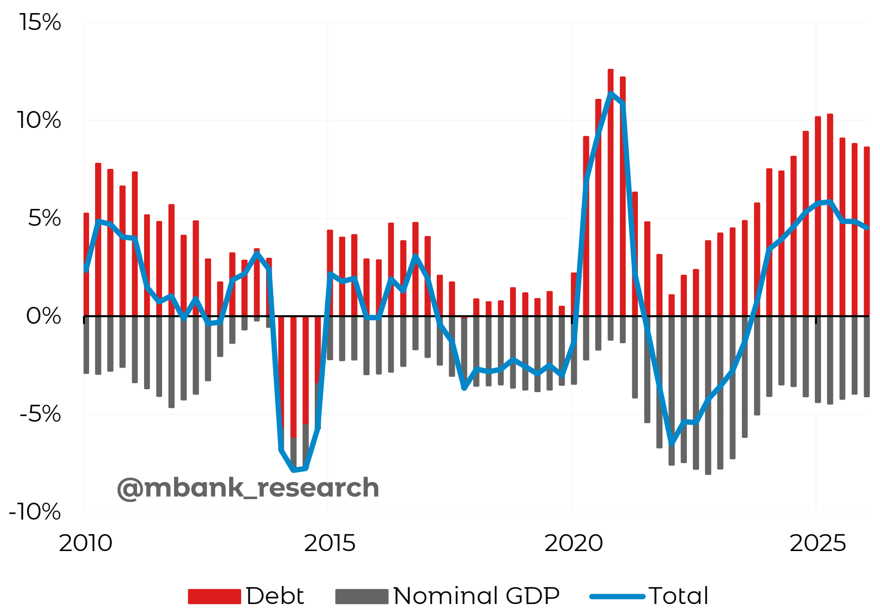
Budget assumptions for 2027 under revision. Public sector wage growth is proposed at 3% (costing PLN 7 billion). The MoF is currently updating macro forecasts for the 2027 budget bill to reflect Middle East geopolitical risks and a cooling domestic demand trajectory. Downside risks to 2027 GDP growth remain, as Q1 data confirms a slowdown in private consumption driven by weaker real disposable income growth and higher propensity to save.

Potential lower VAT on fuel and clashes over higher excise. The Ministry of Energy signaled a possible temporary VAT reduction on fuels for the final 2 weeks of summer holidays to cushion potential retail price spikes. Note that the president has yet to sign the bill imposing additional taxes on petrol stations to fund the CPN program. Instead, he directed it to the Constitutional Tribunal. Meanwhile, inter-ministerial friction emerged as the Ministry of Agriculture called on the MoF to abandon the proposed 2027 alcohol excise hike (roughly 20%), warning of a severe impact on domestic agricultural suppliers.

Systemic windfall tax on fuel sector and 2 new govt proposals. Ministry of Energy is considering a systemic tax on extraordinary profits targeting fuel and gas companies from 2027. It added that it could be a similar solution to CIT on banks. Apart from it, the govt is reportedly considering raising the 2nd tax bracket from 120k to 140k PLN (cost of PLN 12 billion) as well as introducing some form of higher tax allowance. If the tax allowance is increased from 30k to 60k as promised some time ago, it would cost almost PLN 59 billion. We think that such a huge increase is unlikely, but some changes could happen before the election.

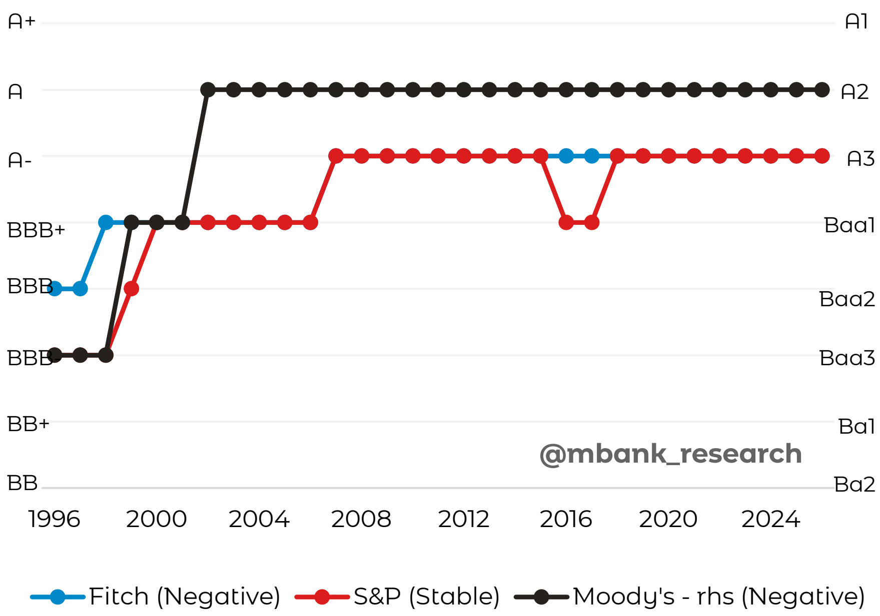
Poland: Fiscal policy - ratings

Annual GG debt change decomposition, % GDP



Source: Own elaboration based on Eurostat.

Poland's ratings and outlooks



Source: Own elaboration based on rating agencies data.

S&P (A-). Agency claims that a weak fiscal position and the absence of medium-term consolidation prospects represent the primary credit risks for the CEE region (2026 GDP growth forecast for the region has recently been cut by 0.4pp to 2%), with Poland facing the most significant challenges, even when compared to peers like Romania. Furthermore, S&P sees virtually no room for fiscal consolidation before the 2027 parliamentary elections, warning that primary deficits will substantially exceed the levels required to stabilize Poland's debt/GDP ratio.

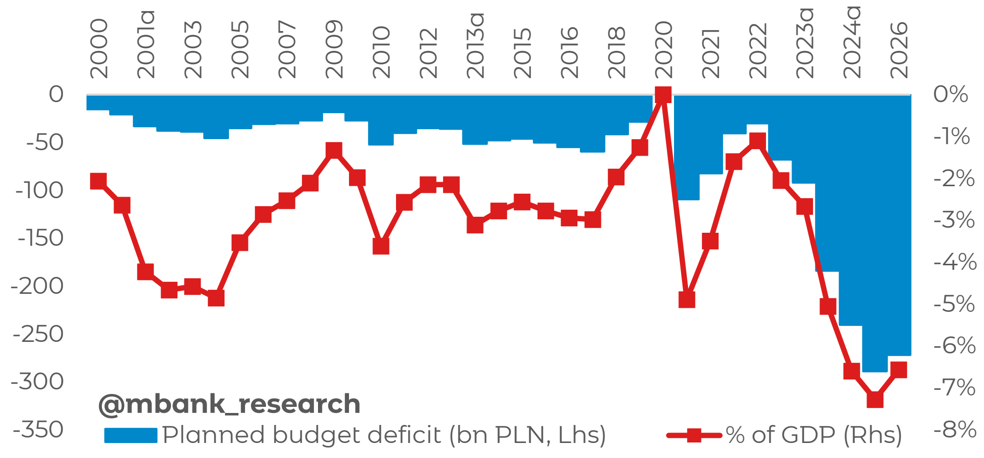
Fitch (A-). Poland's 2026 GDP growth forecast stands at 3.3% (quite conservative) while the agency sees Poland growing 2.9% in 2027 (slightly above our forecast). Latest comments suggest that debt servicing costs are becoming a more important indicator than its absolute level. It also added that a transition of debt from the 60% level toward 90% of GDP rarely occurs without rating downgrades along the way, which is why the challenge for the government in the post-election cycle will be to put forward a credible path for fiscal consolidation.

Moodys (A2). Latest remarks from the agency suggest that the government has to implement a more substantial fiscal consolidation, otherwise it risks less effective policy measures than currently projected. Primary risks for fiscal policy, listed by the agency, stem from a political deadlock between the government and the president, alongside the likelihood of increased government spending ahead of the 2027 parliamentary elections and beyond.

Poland: Fiscal monitor #1

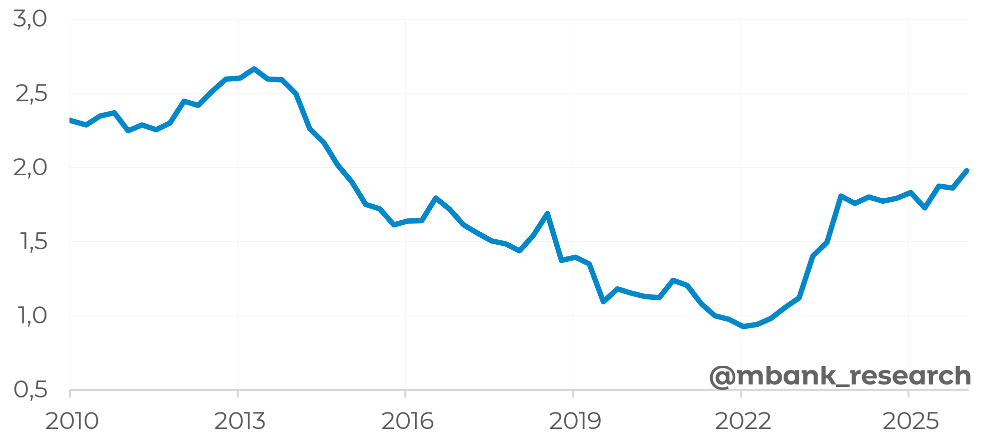
Need more? See our Polish Debt Monitor -> [LINK]

Planned budget deficit



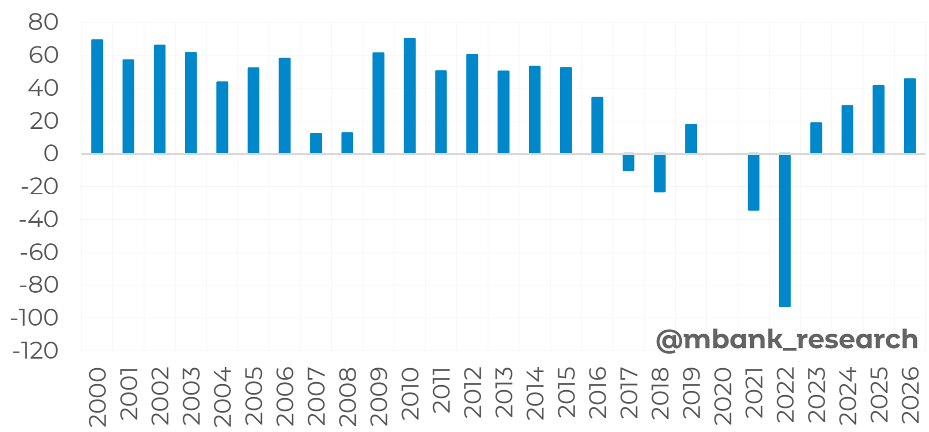
Source: Ministry of Finance, a – budget novel.

State debt servicing costs (% GDP, quarterly)



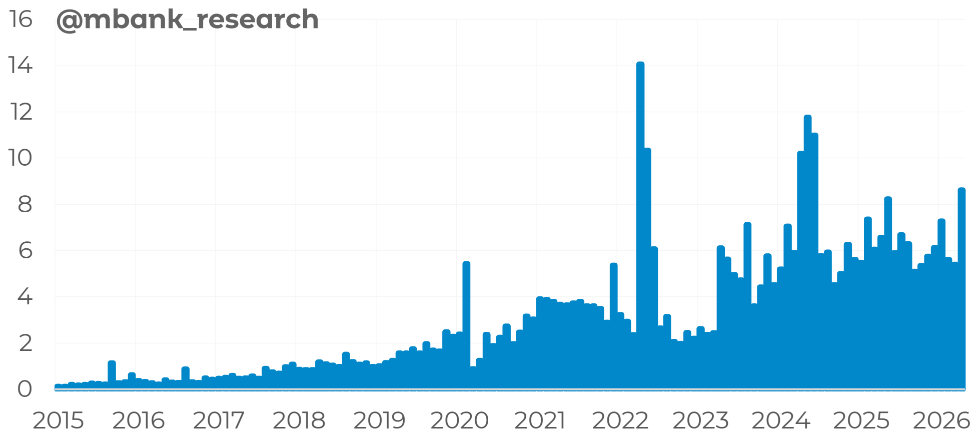
Source: Macrobond.

Central budget deficit after June as % of yearly planned deficit



Source: Macrobond, * in 2020 there was 0 budget planned, negative value means surplus.

Retail bonds sold per month (bln PLN)



Source: Ministry of Finance.

Poland: Fiscal monitor #2

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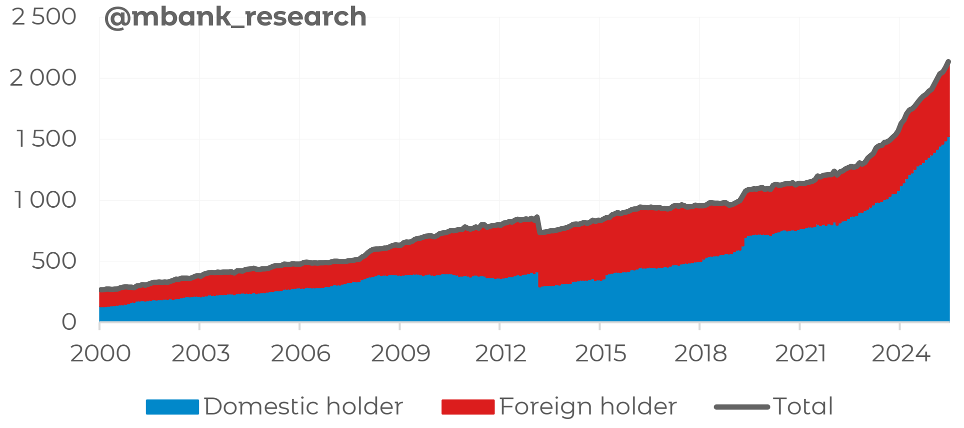
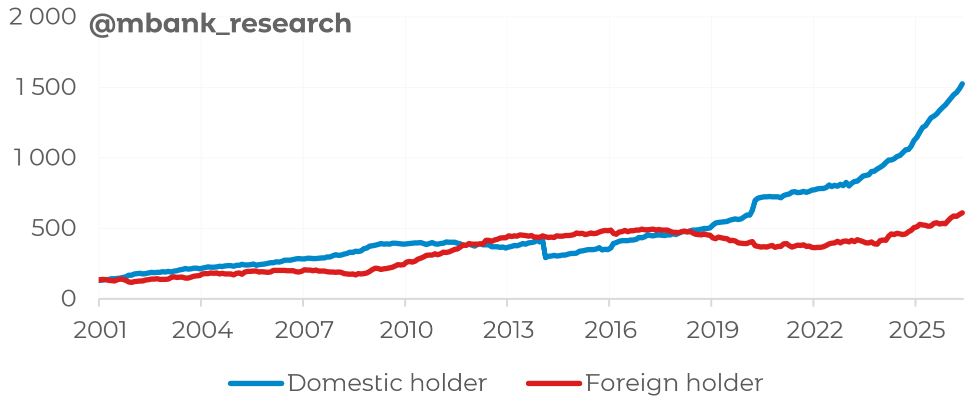
State treasury debt by holder #1* (bln PLN)



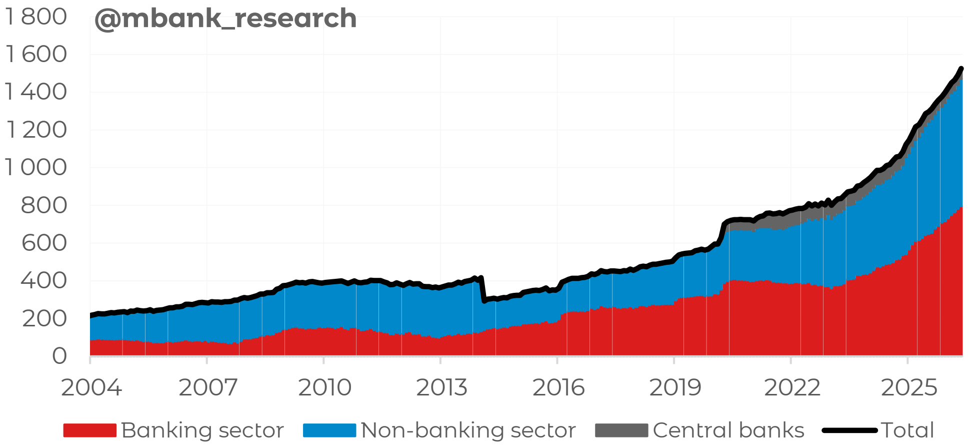
Source: Macrobond. *Last reading: October 2025

State treasury debt by holder #2* (bln PLN)



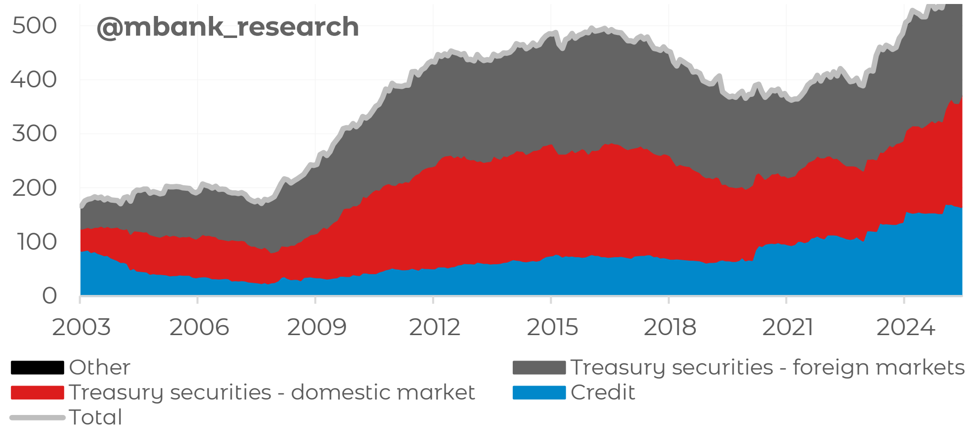
Source: Macrobond. *Last reading: October 2025

State treasury debt – domestic holders* (bln PLN)



Source: Macrobond. *Last reading: October 2025

State treasury debt – foreign holders* (bln PLN)



Source: Macrobond. *Last reading: October 2025

Disclaimer and contact details

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