Monthly Pulse Check

Polish Economy

FI&FX

September 14th 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 in economic data (both national accounts and labor market data), we are marching towards an economy growing close to its potential this year. The cloudy outlook effectively mitigates the risks that cost-driven inflation may become entrenched. The Fed's dual mandate provides more flexibility in this balancing act, particularly given the relatively robust labor market. The US remains both cyclically and structurally better positioned than the eurozone.
- **Euro Area**: Higher oil prices and uncertainty are putting the fragile recovery to the test. The 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 do much more than that. At the same time, an (over)reactive ECB may derail the ongoing steady recovery in credit markets. Therefore, slightly elevated cost-driven inflation is even less likely to become persistent. The EMU continues to be a drag on 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 and problems in the real estate sector). The authorities aim to keep CPI inflation at around 2%. Nevertheless, relatively subdued domestic demand makes it difficult for the PBoC to achieve its inflation goal in a sustainable manner. We do not expect this to happen in the coming months. Although the budget deficit remains elevated, the government is expected to step up its efforts to support the services sector.
- **Poland**: We expect GDP growth to reach 3.7% in 2026, marking the peak of the current business cycle. Investment is becoming the main engine of growth, supported by the ongoing absorption of EU funds and a recovery in business spending. However, this support is likely to fade within the next 6-9 months as the strongest phase of EU-funded investment activity passes. In 2027, GDP growth should moderate to 2.7%, with a mild post-absorption slowdown in investment.

MONETARY POLICY: FED, ECB, NBP

- **Fed (now 3.50-3.75%)**: The Fed finds itself in a difficult position. More contained inflationary pressures should argue for a steady policy stance. Recent inflation data came broadly in line with expectations, while the previous two months pointed to a clear moderation in the core inflation trend. At the same time, markets continue to price in a rate hike with relatively high conviction. Therefore, we believe the Fed will keep interest rates unchanged in September. A transition to policy tightening would be controversial, as it would likely weigh on the AI-driven growth momentum, for which there appears to be limited justification, as inflation is supply- rather than demand-driven.
- **ECB (now 2.50%)**: After delivering two consecutive 25bp rate hikes in response to the war in Iran, the ECB has not changed its hawkish stance. It remains concerned about second-round effects, a risk that increases with higher energy prices. Therefore, we expect the ECB to hike rates once again (October seems to be on the cards if energy prices do not decline notably by then). Either way, we believe the ECB will return to lower rates in the second half of 2027.
- **NBP (now 3.75%):** We expect the MPC to implement one additional rate cut in July next year. Beyond that, the room for further easing appears limited, given that inflation is projected to remain close to the NBP's target. Consequently, interest rates are likely to follow a broadly flat medium-term trajectory, with policymakers maintaining a cautious approach thereafter.

FX MARKET

- The Polish zloty slightly depreciated against the euro recently. However, a low current account deficit and a steady inflow of euros from the EU provide a stability anchor, which is why we do not expect the zloty to weaken much further. Nevertheless, as we enter an election cycle and fiscal policy is put to the test, we do not rule out some further depreciation of the local currency. Our base scenario still assumes no rate hikes by 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	3.9	3.7	3.8	3.3	3.0	2.5	2.2	3.6	3.7	2.7
Individual consumption y/y	%	2.6	4.5	3.5	4.3	3.3	2.8	3.2	3.0	2.9	2.7	2.6	2.5	3.7	3.0	2.7
Investment y/y	%	5.9	-2.5	6.8	6.6	2.4	8.4	8.5	8.5	7.8	5.2	1.1	0.4	4.4	7.1	3.5
Inflation rate	%	4.9	4.1	3.0	2.5	2.4	2.9	3.2	3.6	4.0	3.7	3.1	2.4	3.6	3.1	3.3
Unemployment rate (eop)	%	5.3	5.2	5.6	5.7	6.1	5.8	5.8	5.9	6.0	5.6	5.7	5.8	5.7	5.9	5.8
Employment y/y	%	-0.8	0.0	0.5	0.6	1.0	0.2	0.2	0.1	0.0	-0.1	-0.1	-0.1	0.1	0.4	-0.1
Wages y/y	%	10.0	8.8	7.5	8.5	6.7	5.5	5.3	5.3	5.2	5.3	5.4	5.5	8.7	5.7	5.4
Current account	% GDP	-0.4	-0.7	-0.8	-0.8	-0.9	-1.1	-1.4	-1.5	-1.3	-0.9	-0.8	-0.6	-0.9	-1.5	-0.6
GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-7.3	-7.0	-6.9
Primary GG budget balance	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	-4.8	-4.5	-4.4
GG debt	% GDP	-	-	-	-	-	-	-	-	-	-	-	-	59.7	67.5	69.0
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 continues to show resilience in the face of higher energy prices, as evidenced by robust labor market performance in August. Furthermore, GDP trackers continue to indicate further acceleration in GDP growth in Q3. While the August CPI was broadly in line with expectations (with a slight upside surprise in core inflation), the PCE inflation rate shows that inflationary momentum in goods has disappeared, while inflationary momentum in services has changed little since March. Although hawkish Fed rhetoric has increased the risk of a rate hike, we still expect the FOMC to keep interest rates unchanged at least until the end of H1 2027.
- The Eurozone economy grew by 0.6% QoQ in Q2 (up from the previous estimate of 0.4%, although this was due to Ireland's performance). GDP trackers are almost in line with the consensus. This positive surprise was mostly due to stronger foreign demand, while both consumption and investment only contributed marginally. Thus, domestic demand in the Eurozone remains fragile. This was confirmed by the core inflation release in August, which showed an unexpected decline to 2.4% from 2.5% (despite still high energy prices). Although core inflation is currently above the ECB's target, we doubt this will be enough to encourage the ECB to continue raising interest rates. It needs to keep in mind that higher rates will delay any economic recovery until later in 2027.
- **POLISH ECONOMY**
- GDP: July data suggest that economic growth in Q3 is likely to remain close to the strong pace recorded in Q2. Industrial production continued to expand at a solid 5.3% y/y, supported by machinery and electronics manufacturing. Retail sales growth moderated to 3.9% y/y, due mainly to temporary distortions in fuel sales, but demand for durable goods remained healthy, pointing to resilient consumer spending. At the same time, wage growth accelerated after several months of easing, providing additional support for household demand.
- Inflation: August CPI increased to 3.4%, well above expectations, driven by stronger core inflation, higher heating costs, and the lack of the anticipated CPN-related price decline. Looking ahead, inflation is likely to remain near the upper end of the NBP target range, with rising food and energy prices pushing CPI above 4% in Q1. While core inflation should stabilize, headline inflation is expected to peak in early 2027 before gradually declining.
- MPC: Ahead of the summer break, the NBP Governor signaled his willingness to propose rate cuts, but elevated oil prices and inflation close to the upper end of the target range have made such expectations premature. Rising core inflation is likely to keep the MPC from easing policy anytime soon. Still, we do not expect a hawkish shift, as market pricing of rate hikes appears too aggressive. The most likely outcome remains an extended period of unchanged interest rates, with rate cuts resuming only in July 2027. However, persistently high energy prices may prolong this pause even further.
- July budget execution, with a PLN 141.1 billion deficit (51.9% of the target), reflects strong CIT revenue and a promising improvement in VAT dynamics. Financing for 2026 progresses smoothly (75% of gross borrowing needs met). Poland's 2027 budget bill projects a general government deficit of 7.1% of GDP and an ESA debt-to-GDP ratio of 69.5%, though legal domestic limits will not be breached. The good news for the bond market is that the amount of planned POLGB issuance is to be lower than in 2026. On top of that, the government plans tax reforms - including a new 24% PIT bracket alongside higher CIT and solidarity levies - expected to net PLN 5 billion annually. Meanwhile, Fitch maintained Poland's rating at A- with a negative outlook due to fiscal consolidation concerns, though domestic investor backing shields the economy from external pressures.
- The EURPLN remained broadly stable in August, with just a brief increase toward 4.35 at the end of the month. Our fair value model suggests only marginal PLN overvaluation. Thus, any further upside from the current levels could be contained. However, we still believe that a fiscal premium will weigh on the Polish currency in the coming quarters, as the government does not plan any fiscal consolidation over the next year. Moreover, parliamentary elections to be held in the fall of 2027 pose another risk factor (more political promises might be on the cards). On the other hand, upside risks are offset by a relatively low current account deficit.

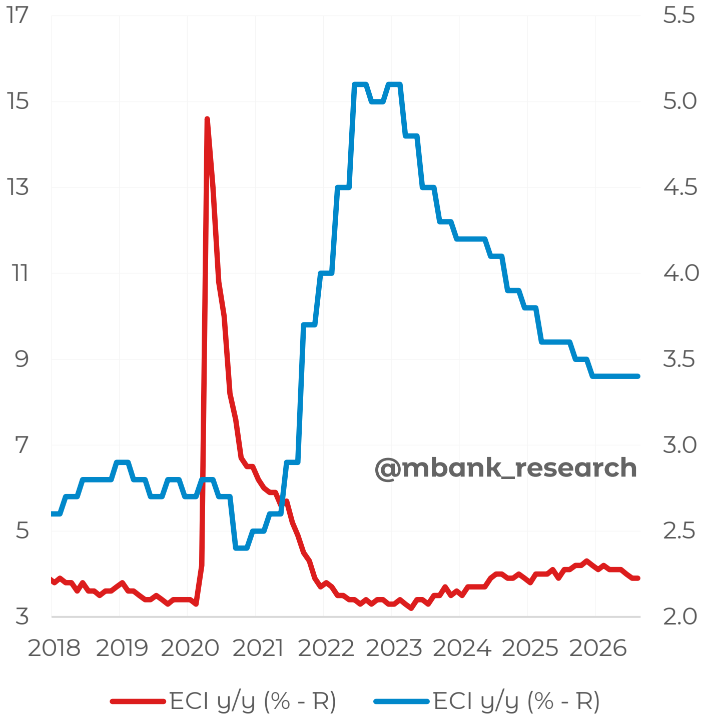
Global economy

USA: Economy health check

ISM PMI: manufacturing & non-manufacturing

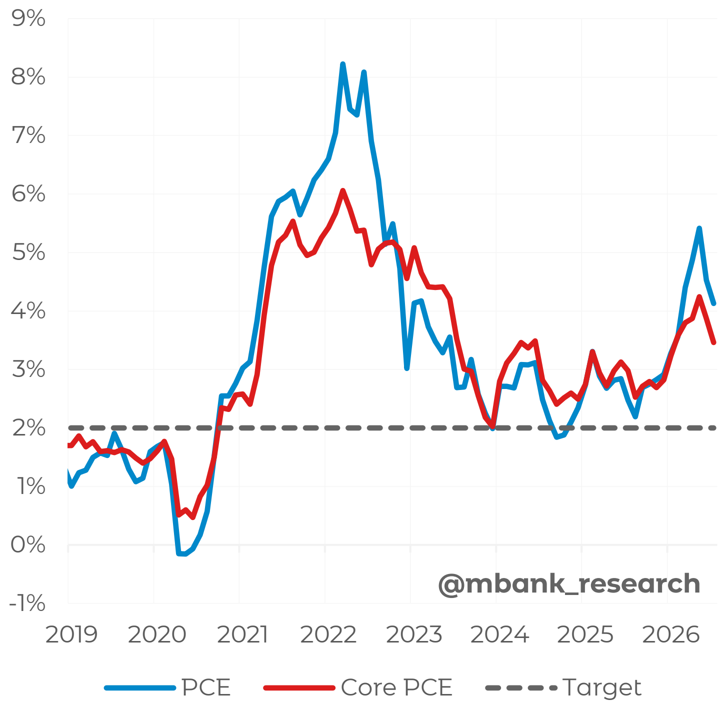
Source: ISM.

Labor market: wages & unemployment rate



Source: FRED.

Inflation: 6m saar



Source: Macrobond.

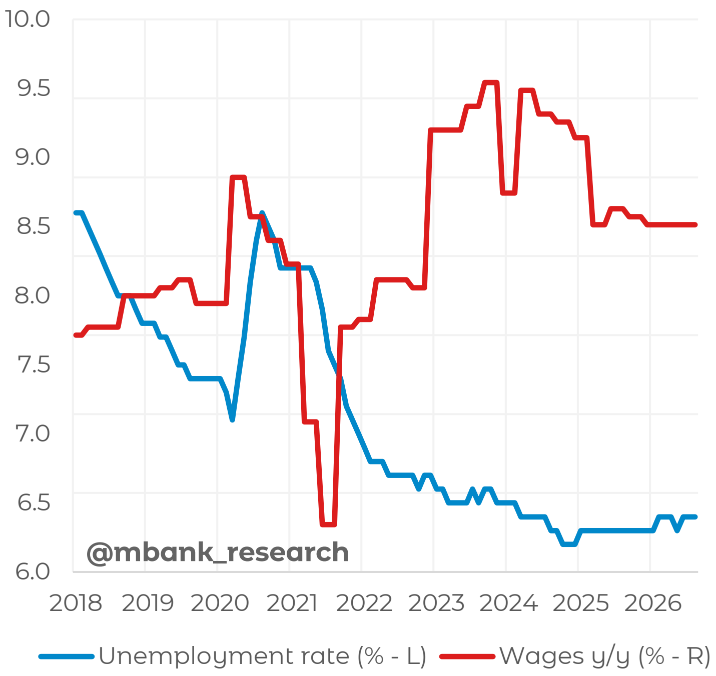
The latest data from the US economy were quite reassuring. This is particularly evident in the labor market, which saw a robust performance in August. Employment grew at roughly three times the expected rate, while the unemployment rate remained unchanged and the labor participation rate increased. At the same time, however, there was a continued discrepancy in wage growth between the goods and services sectors. Additionally, factory orders data came as a positive surprise, coinciding with an upward trend in industrial production. Furthermore, Warsh gave a speech in Jackson Hole that turned out to be quite hawkish. Therefore, it seems that all eyes are on inflation rather than employment. In terms of price growth, the August CPI was close to expectations, though there was a slight upward surprise in core inflation. Looking at PCE inflation, it can be seen that the momentum of goods inflation has disappeared, while the momentum of services inflation has not changed much since March. This is why we still expect the Fed to keep interest rates on hold for the time being.

Euro area: Economy health check

PMI: manufacturing & services

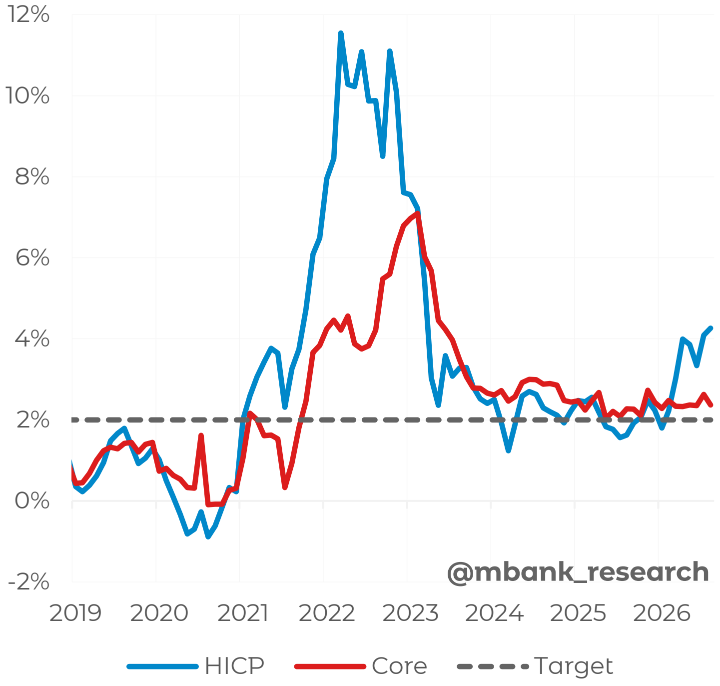
Source: Markit.

Labor market: wages & unemployment rate



Source: Eurostat.

Inflation: 6m saar

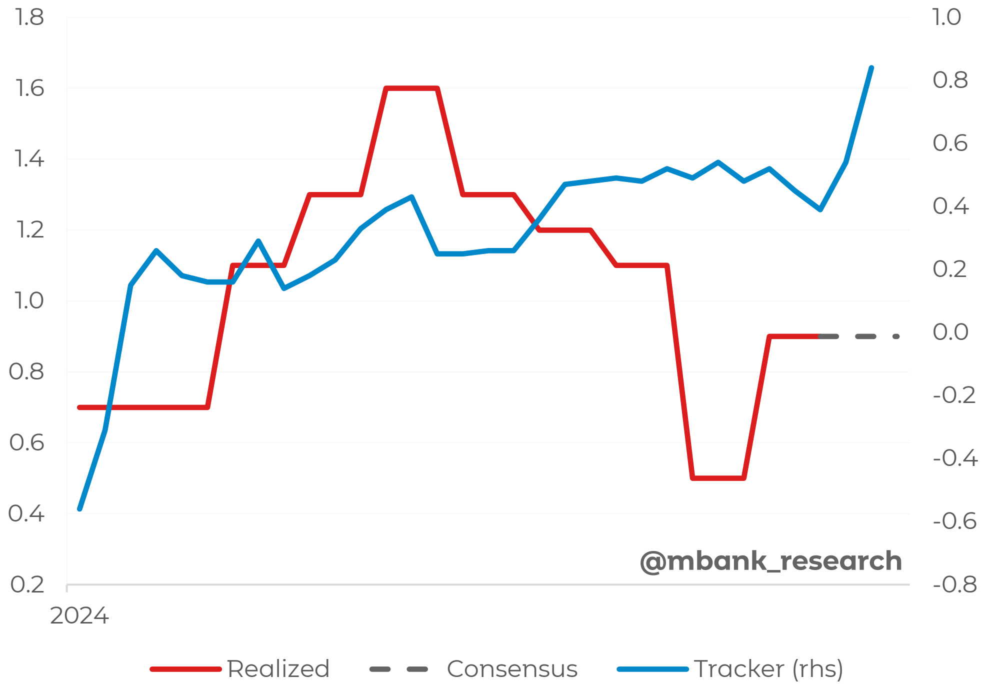


Source: Eurostat.

The Eurozone economy performed better than expected in Q2, growing by 0.6% QoQ and exceeding the ECB's expectations outlined in the June projection (though it was due to Ireland's stellar performance). This better-than-expected result was made possible by a stronger performance in foreign demand, with net exports adding 0.9 points and a change in inventories subtracting 0.5 points. Both consumption and investment made a slight positive contribution. Furthermore, we have recently received some promising data regarding the German economy. Specifically, Q2 GDP growth was revised upwards, and the manufacturing PMI accelerated to its highest level in 51 months in August (mainly due to improvements in military spending, data center development, and stock accumulation in the context of the war in Iran). Furthermore, core inflation in the Eurozone unexpectedly fell from 2.5% to 2.4% in August, suggesting that domestic demand is not strong enough to fuel higher price growth. Looking forward, while Q2 exceeded expectations, a downside surprise in Q3 cannot be ruled out due to the widespread drought in southern Europe coupled with elevated energy prices. We maintain our view that fiscal policy will only be able to keep the Eurozone economy afloat this year, whereas a broader recovery could come later in 2027, when the ECB lowers rates and energy prices fall.

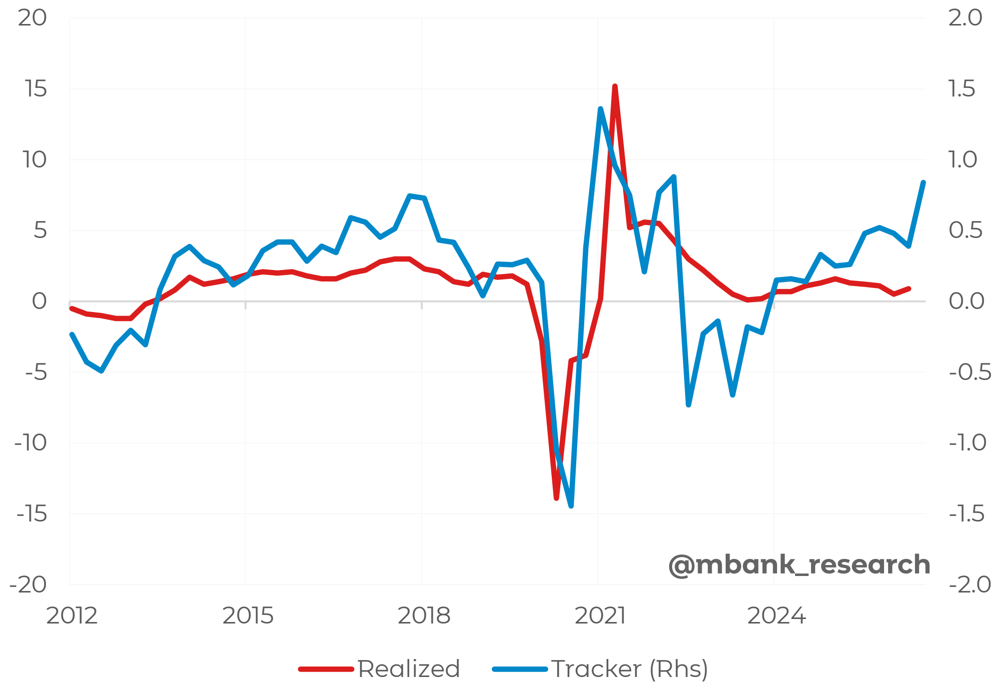
Euro area GDP Tracker

Euro area GDP growth, y/y – zoom in



Source: Banca d'Italia, Macrobond.

Euro area GDP growth, y/y – zoom out

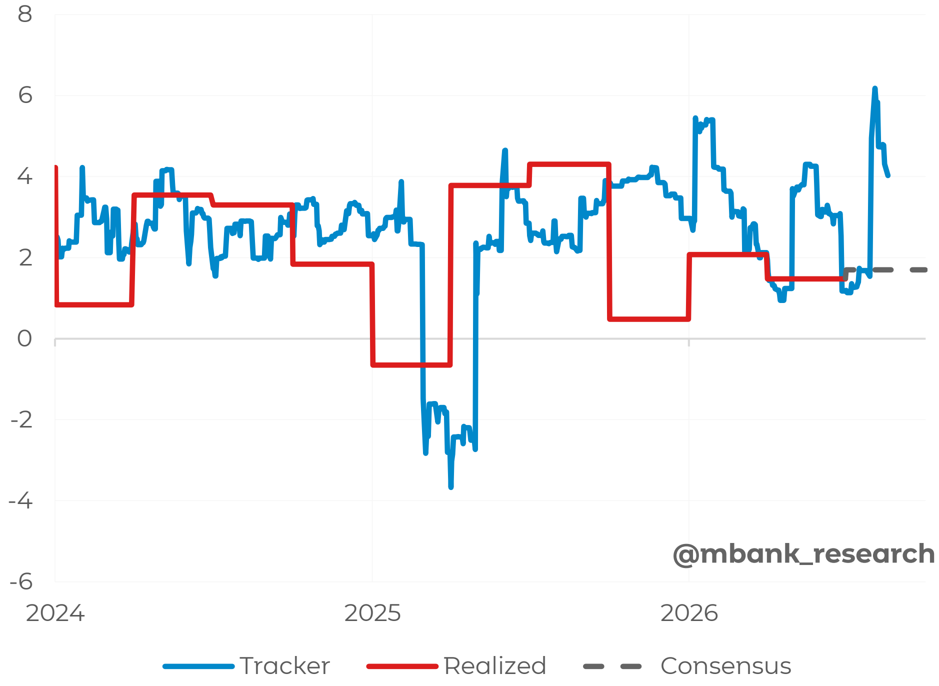


Source: Banca d'Italia, Macrobond.

Recent months have revealed a clear divergence between soft indicators and trackers based on monthly data, on the one hand, and actual economic outcomes, on the other. While survey-based measures and nowcasting models have pointed to a much weaker economy, realized activity data have remained considerably stronger. According to the Bloomberg consensus, GDP growth is expected to hover just below 1% y/y throughout the second half of the year.

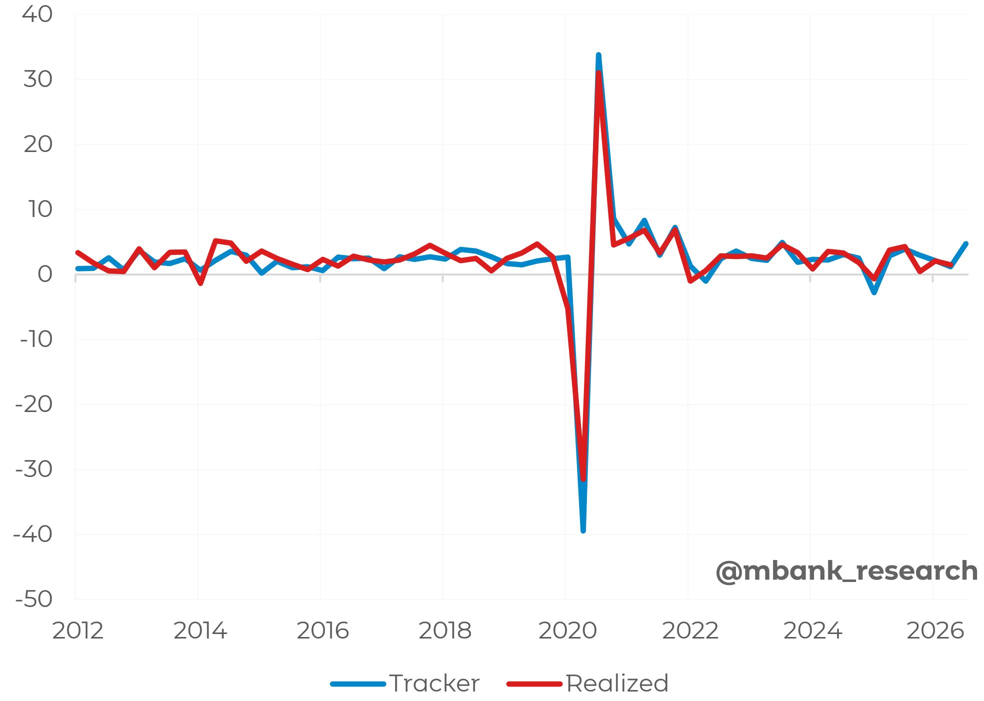
US GDP Tracker

US GDP growth, SAAR – zoom in



Source: Atlanta Fed GDPNow, Macrobond.

US GDP growth, SAAR – zoom out

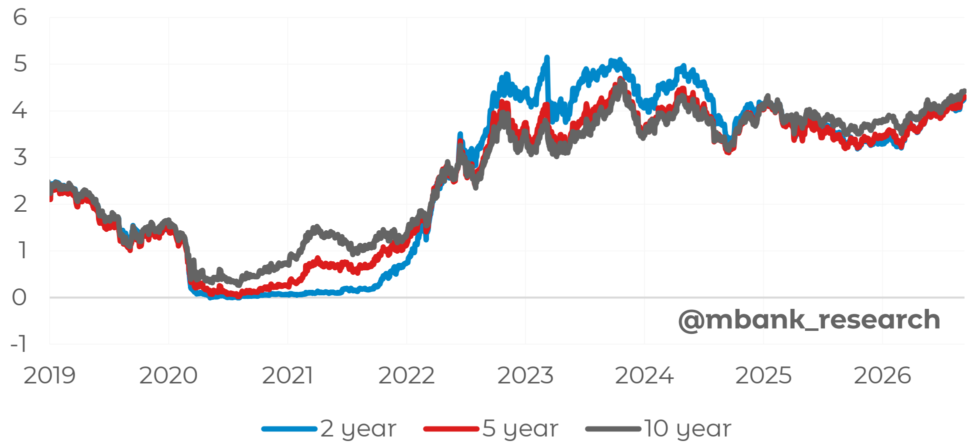


Source: Atlanta Fed GDPNow, Macrobond.

Similarly to the euro area, tracking models currently paint an overly optimistic picture of the economy. The main culprit is inventory accumulation, which contributes 1.9 percentage points to GDP growth according to the expenditure breakdown. After adjusting for this effect, the underlying growth rate is broadly in line with analysts' expectations, with consumption playing the leading role and investment growing at a moderate pace. The consensus is still pointing to growth close to 2%. Such an outcome would be broadly consistent with the US economy's estimated potential growth rate.

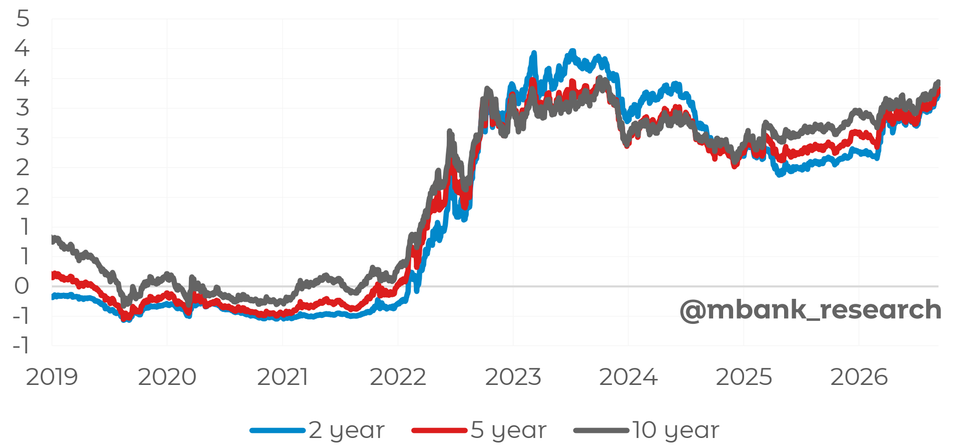
Global rates

US swap rates (%)



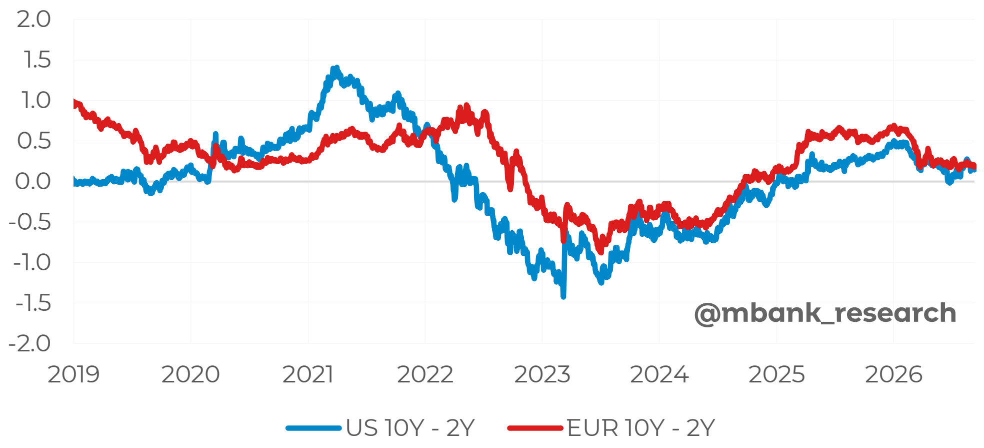
Source: Bloomberg.

EU swap rates (%)



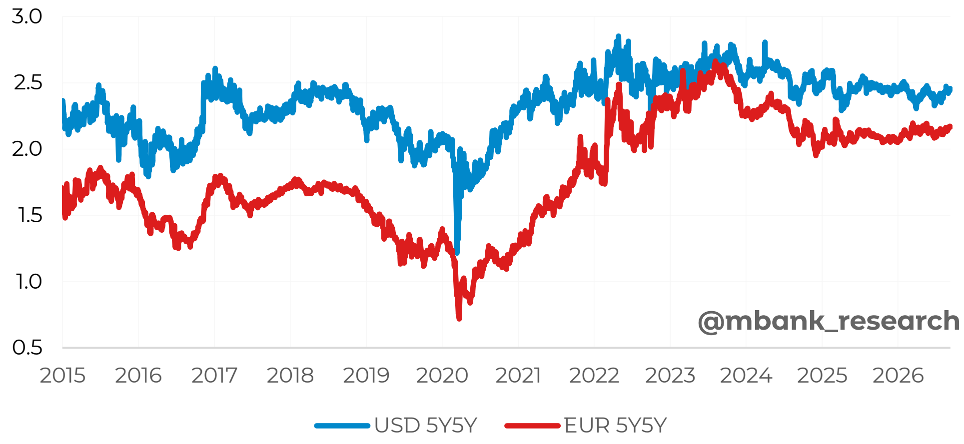
Source: Bloomberg.

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



Source: Bloomberg.

US and EZ inflation expectations (%)

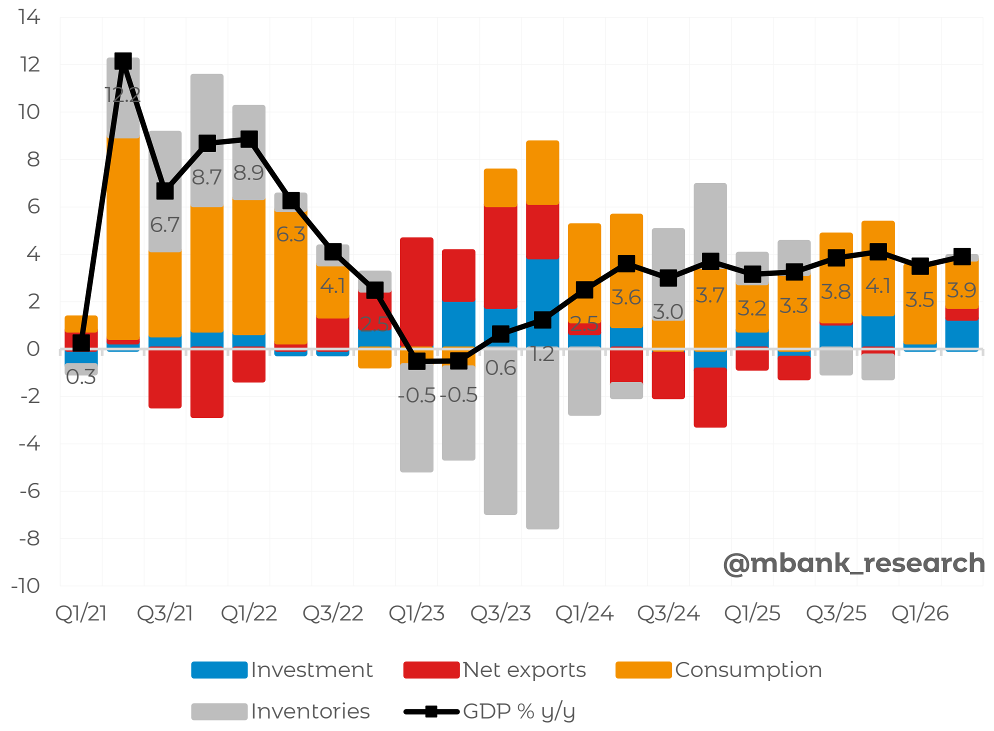


Source: Bloomberg.

Poland

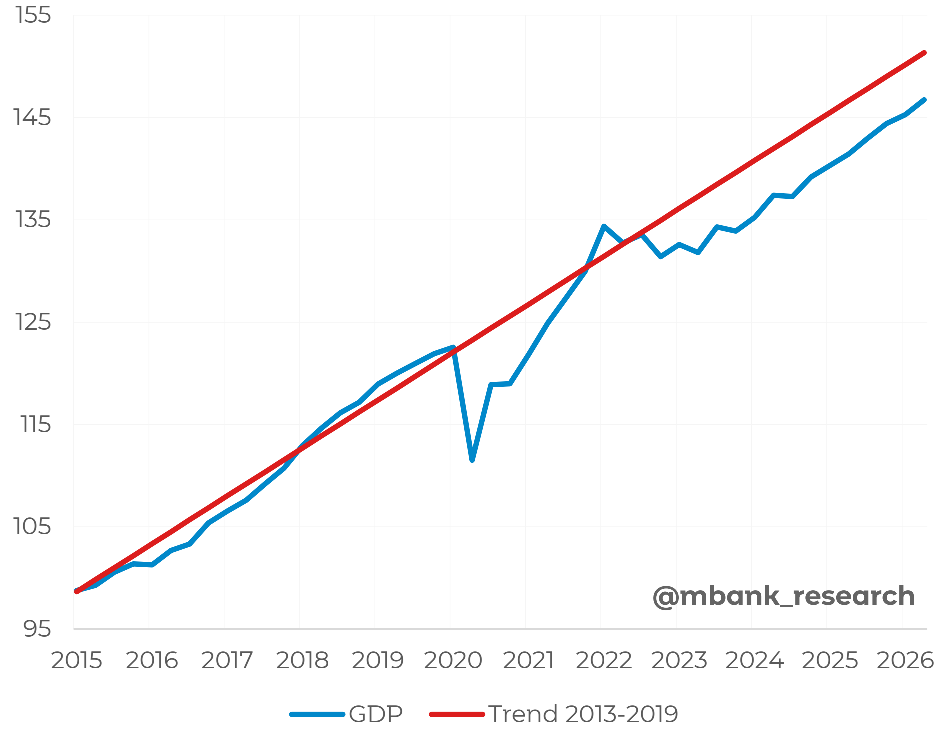
Poland: GDP, recently confirmed data & forecasts

Contributions to GDP growth (in pp.)



Source: Statistics Poland.

GDP (index 2015 = 100, sa)

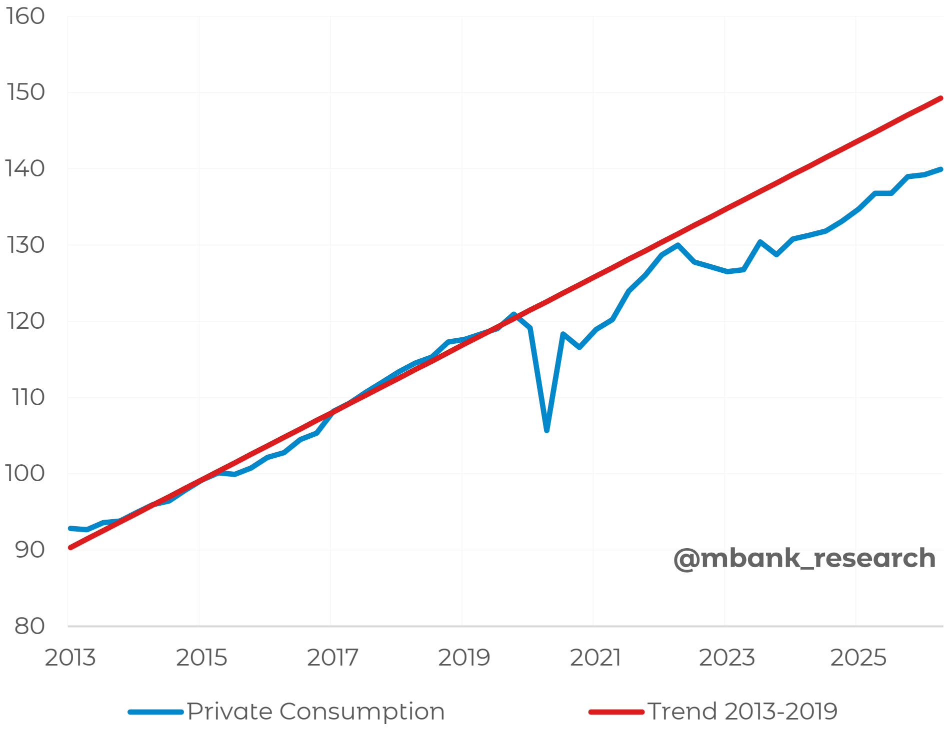


Source: Statistics Poland.

Economic growth in Q2 exceeded both market expectations and tracker estimates, reaching 3.9% y/y. The expansion was supported by strong contributions from private consumption (2.0 pp) and investment (1.3 pp), while net exports also provided a positive boost, adding 0.5 pp to growth. The coming quarters are likely to deliver broadly similar results, with GDP growth expected at around 3.7-3.8%. We anticipate relatively stable consumer spending, although moderating real wage growth should gradually weigh on consumption. Investment is expected to remain a key driver of activity, while external demand may continue to provide additional support. For 2026 as a whole, we forecast economic growth of 3.7%. The details on consumption (LINK), investment (LINK), foreign trade (LINK) can be found in the following three slides.

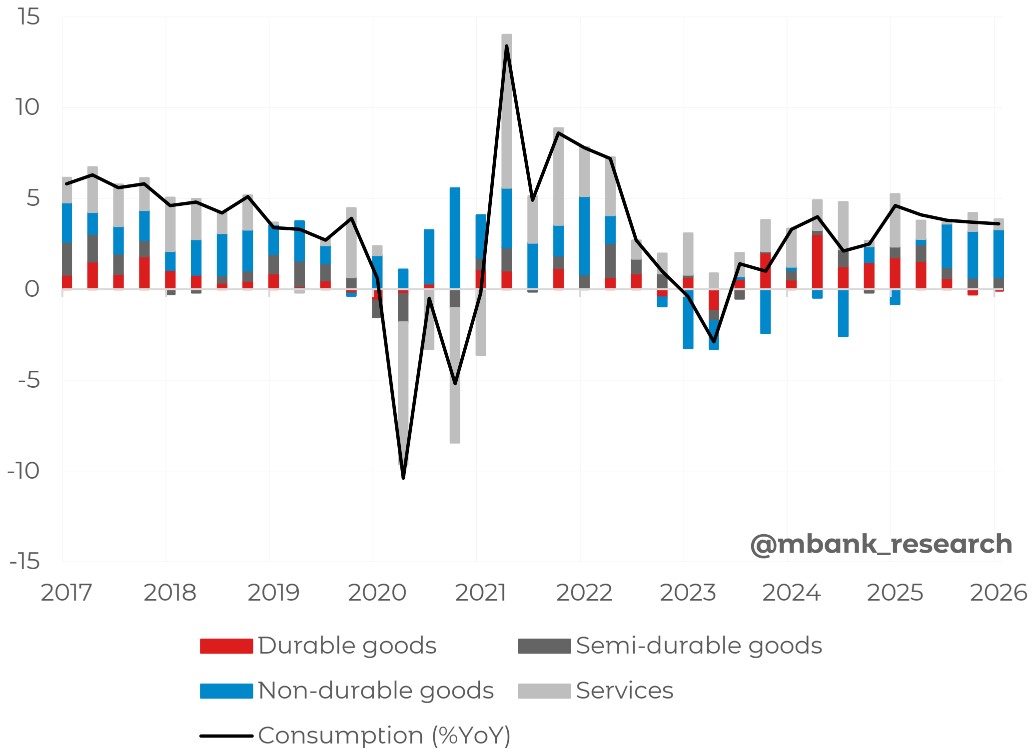
Poland: Consumption outlook

Private consumption (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland.

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

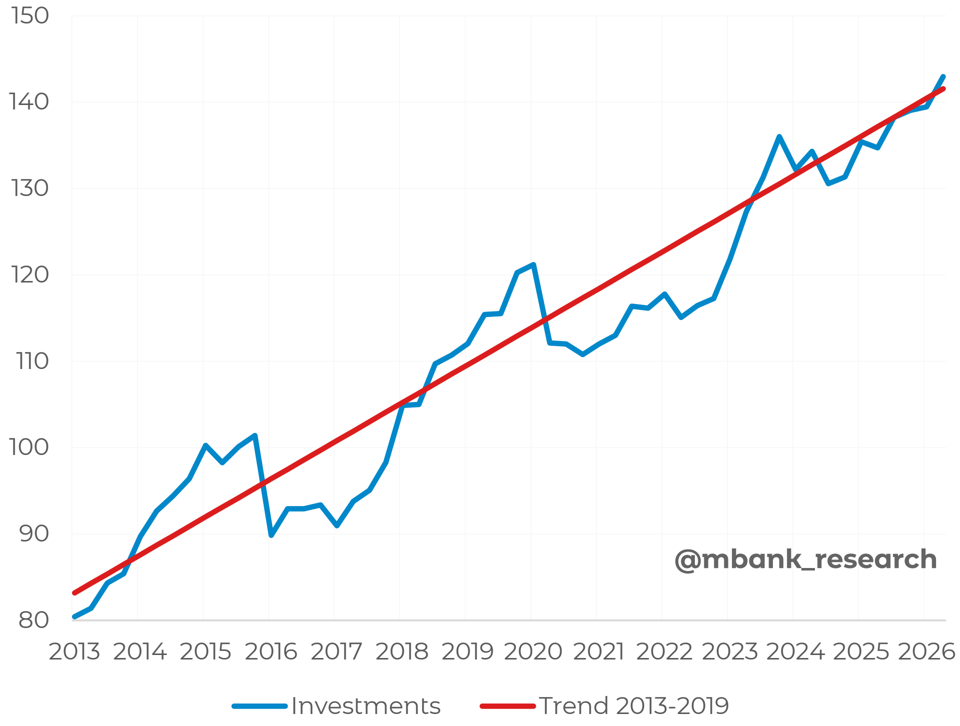


Source: Own elaboration based on Statistics Poland, NBP.

Private consumption showed two notable trends in Q2. First, household spending growth slowed moderately from 3.3% y/y to 2.8% y/y. While the full set of data is not yet available, monthly indicators continue to point to solid sales of durable goods. Labor market conditions remain broadly stable, with real wage growth still hovering around 3%, despite the recent increase in inflation. Overall, in 2026, consumption should achieve growth of around 3%. Second, public consumption performed considerably more weakly. Growth slowed sharply from 6.0% y/y in Q1 to 1.7% y/y in Q2, marking the weakest reading since 2023. However, this slowdown is likely to be temporary in nature. Government spending remains elevated, and past experience suggests that preliminary estimates of public consumption are often subject to significant revisions.

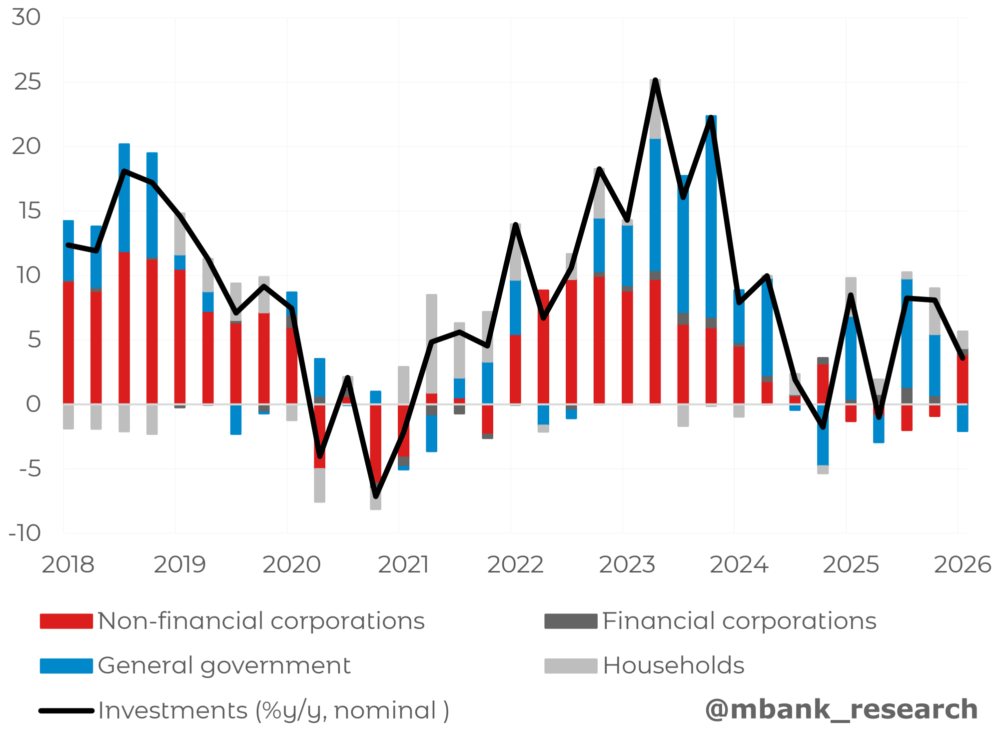
Poland: Investment outlook

Fixed capital formation (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland.

Fixed capital formation (%y/y)

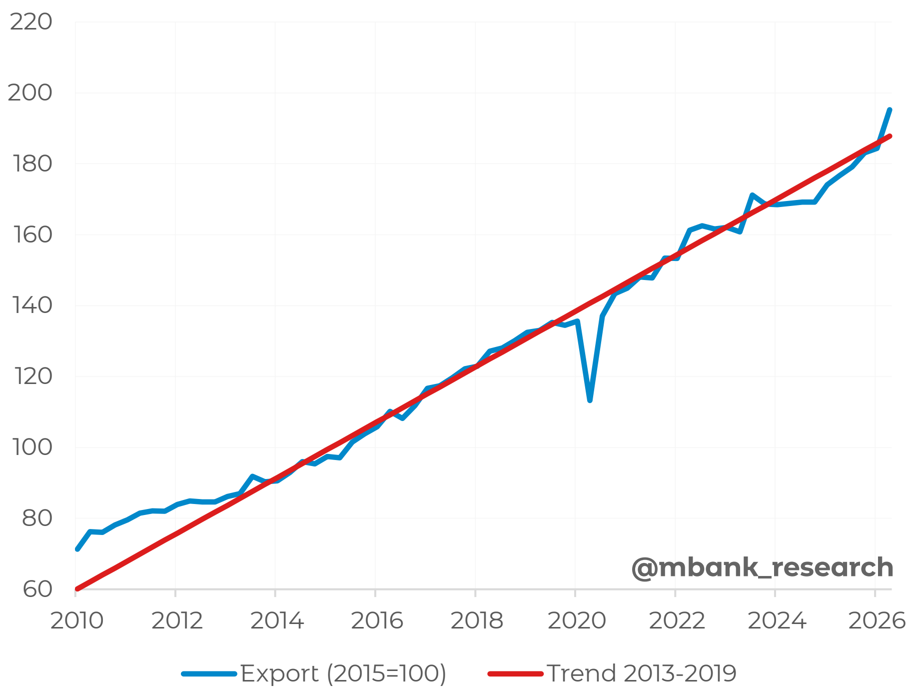


Source: Own elaboration based on Eurostat

Investment growth accelerated markedly in Q2 from 2.4% to 8.4% y/y. Publicly available data show that corporate investment spending was 13.7% higher after the first half of the year, implying even stronger growth during Q2 itself. According to Statistics Poland (GUS), the biggest contributions came from purchases of railway rolling stock in the transport sector and investment related to tourism. Strong activity was also recorded in energy and utilities, where projects financed under the Recovery and Resilience Facility (KPO) are becoming increasingly visible. At the same time, capital spending in more business-oriented sectors (manufacturing, trade) remains relatively weak, while residential investment continues to struggle. This raises questions about whether the economy will retain sufficient growth momentum once the KPO investment cycle peaks. Therefore, we expect a significant slowdown in growth, from 7.1% in 2026 to 3.5% in 2027. For now, we remain somewhat skeptical. While 2026 should still benefit from strong EU-funded investment, growth is likely to moderate thereafter as this support fades gradually.

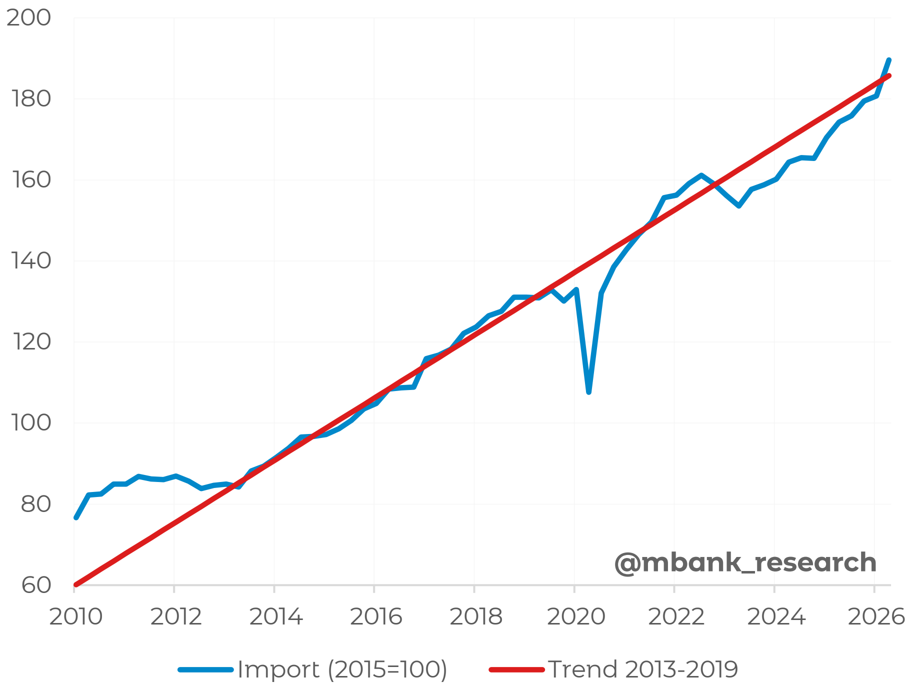
Poland: Foreign trade outlook

Export (index 2015 = 100, sa)



Source: Own elaboration based on Statistics Poland.

Import (index 2015 = 100, sa)

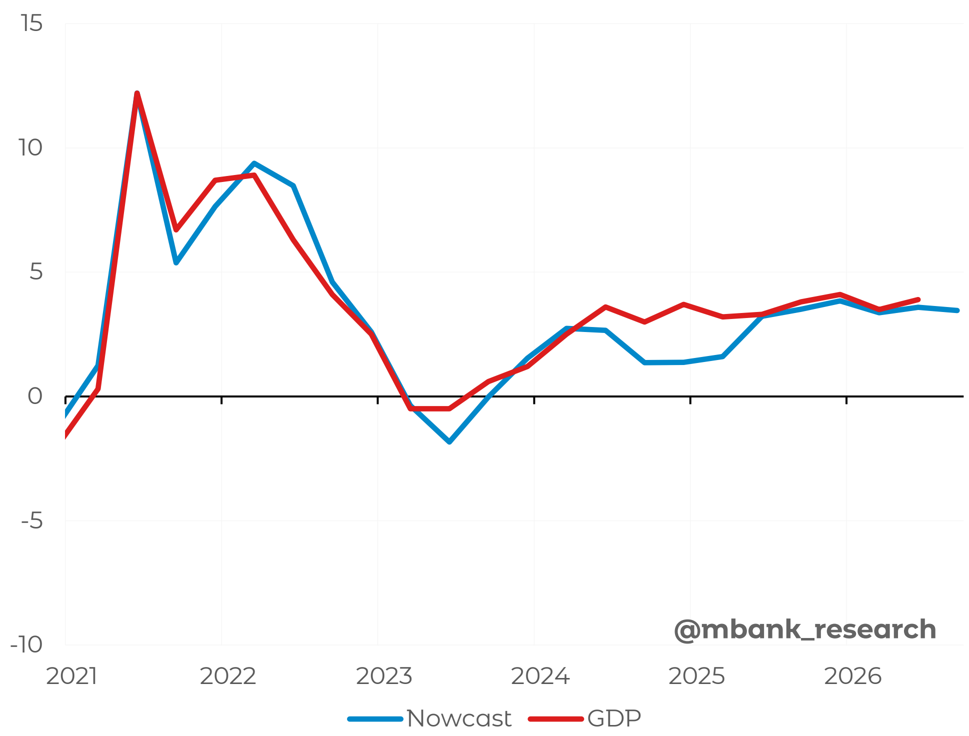


Source: Own elaboration based on Statistics Poland.

Foreign trade data in the Q2 GDP release came as a major surprise, with both exports and imports posting double-digit growth rates. However, these figures should be treated with some caution. Monthly trade data had pointed to much more modest nominal growth of around 5-6% in euro terms. As a result, the GDP figures imply deeply negative export and import price deflators. This is somewhat difficult to reconcile with other indicators, including rising producer prices (PPI), and suggests that revisions to the data are likely in the future. We expect growth in the coming quarters to remain only slightly above the pace of GDP expansion. Trade data suggests that the increase in activity is driven primarily by trade with EU member states. However, this is the only clearly promising direction at the moment, as trade with Ukraine and other countries in the region remains in decline.

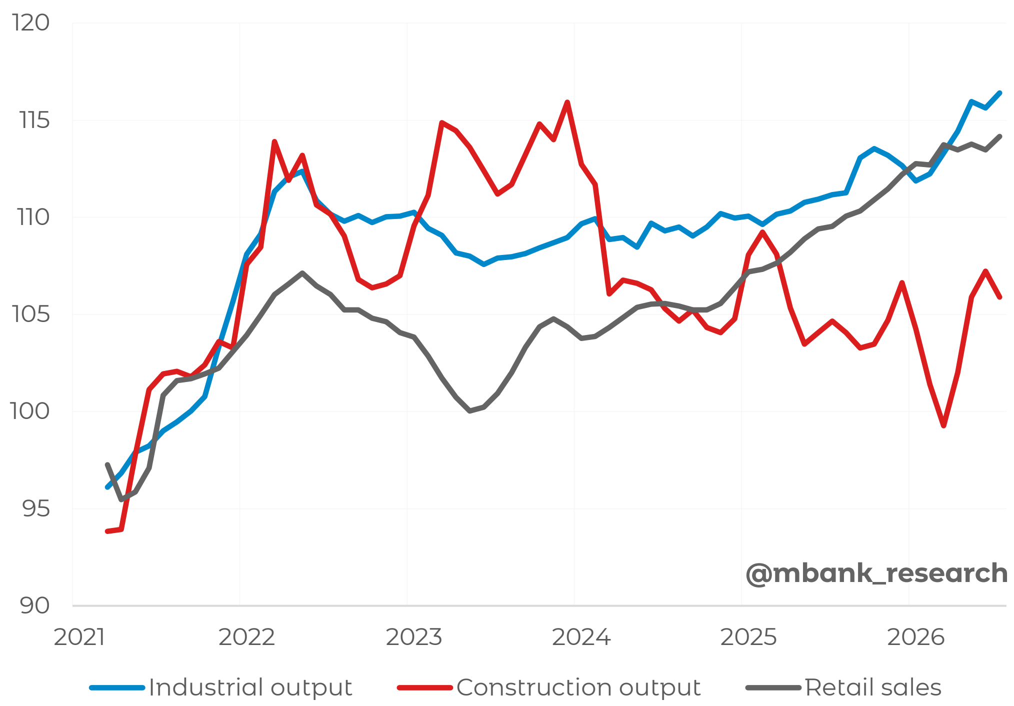
Poland: Real time (short-term) GDP tracking

GDP momentum nowcasting



Source: Own elaboration.

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

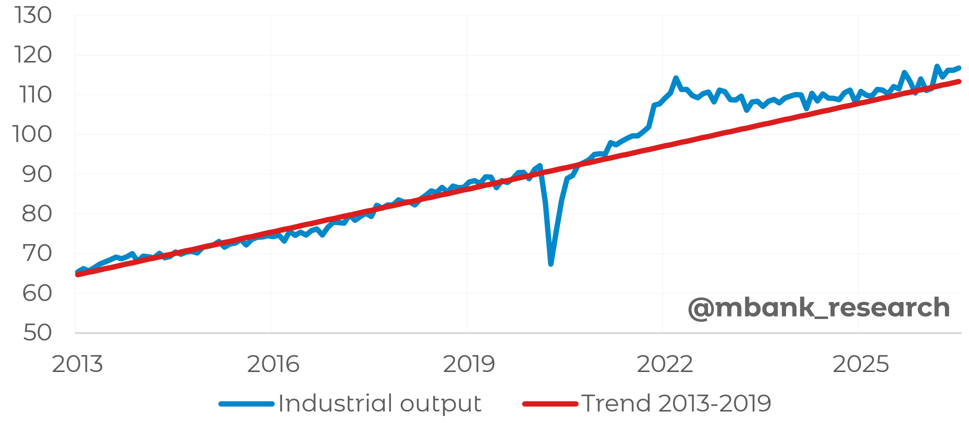


Source: Statistics Poland.

July data delivered relatively stable results. Industrial production (LINK) slowed to 5.3% y/y, although this still represents a solid performance. Machinery and electronics manufacturers continued to post particularly strong results. Construction output declined (LINK), but this appears to be a one-off anomaly rather than a change in trend. Data from the housing market and infrastructure investment point to robust growth in construction activity, even if this has not yet been reflected in the official output figures published in recent months. Retail sales (LINK) growth eased to 3.9% y/y, mainly due to weaker fuel sales. However, this is once again largely attributable to temporary distortions related to the CPN package. Sales of durable goods remain healthy and continue to signal resilient consumer demand. In addition, July brought a stronger increase in wages after several months of gradual deceleration.

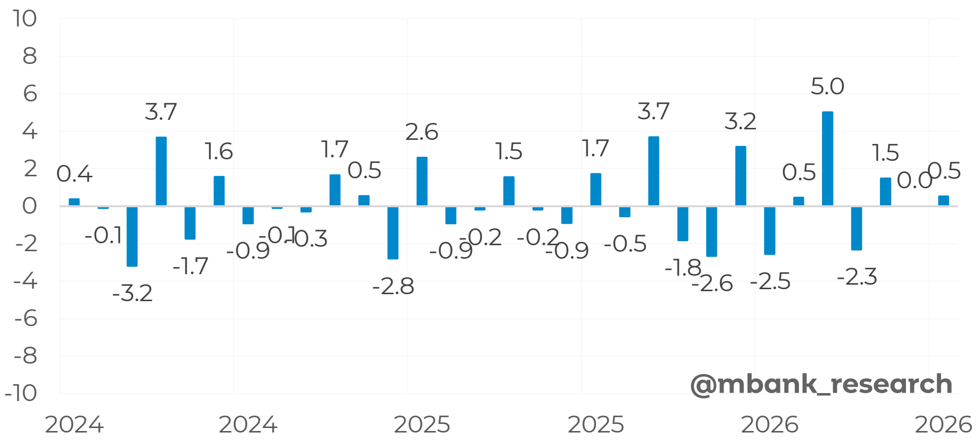
Poland: Industrial output

Industrial production (index 2021 = 100, sa)



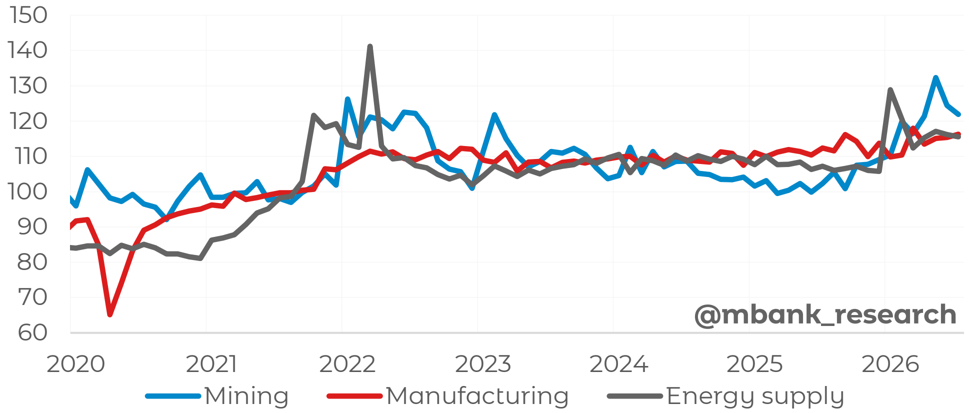
Source: Own elaboration based on Statistics Poland.

Momentum (%, m/m, sa)



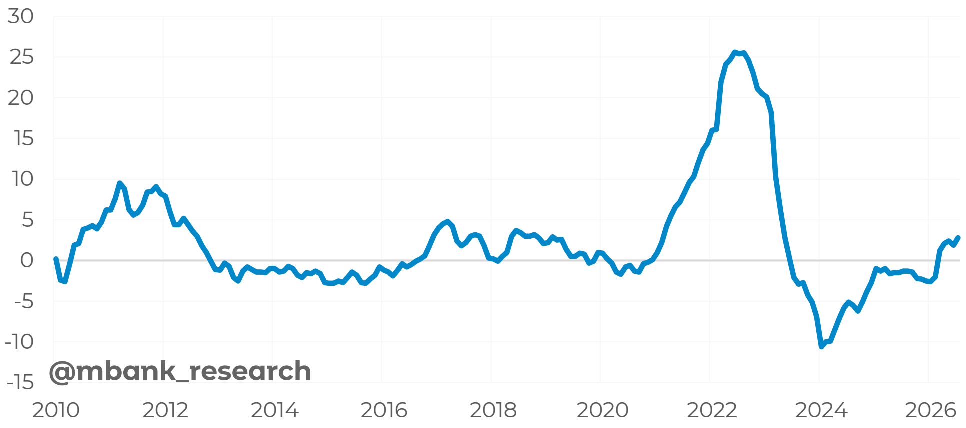
Source: Own elaboration based on Statistics Poland.

Main categories (index 2015 = 100, sa)



Source: Own seasonal adjustment based on Statistics Poland.

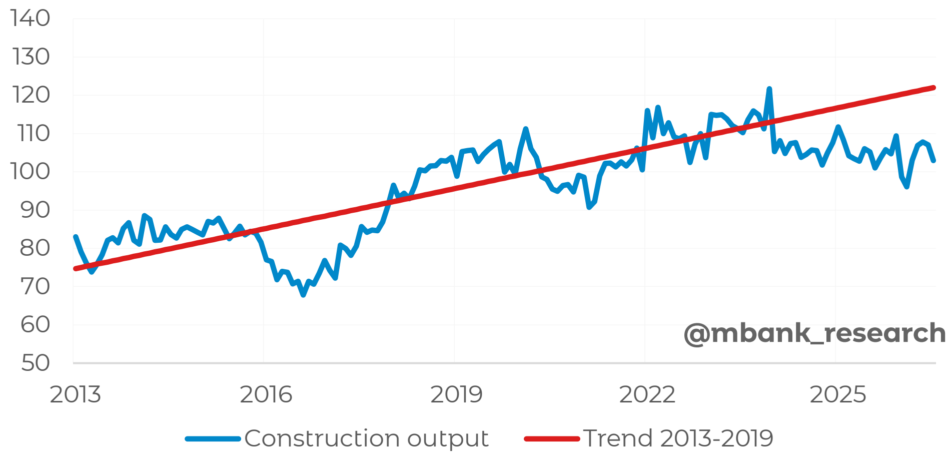
Producer prices (%, y/y)



Source: Own elaboration based on Statistics Poland.

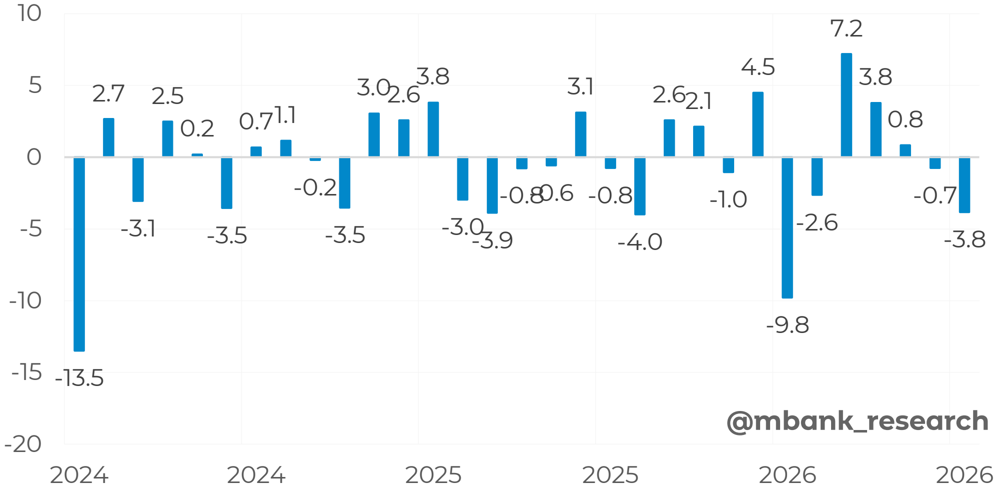
Poland: Construction

Construction output (index 2021 = 100, sa)

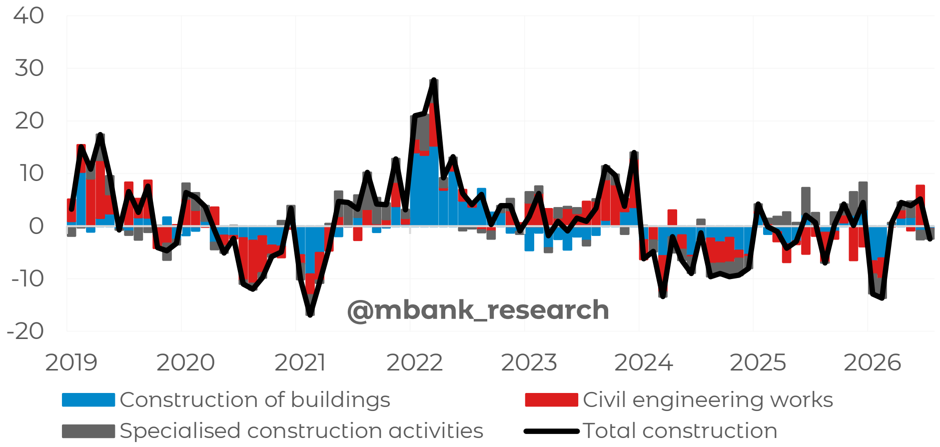


Source: Own elaboration based on Statistics Poland.

Momentum (%. m/m. sa)

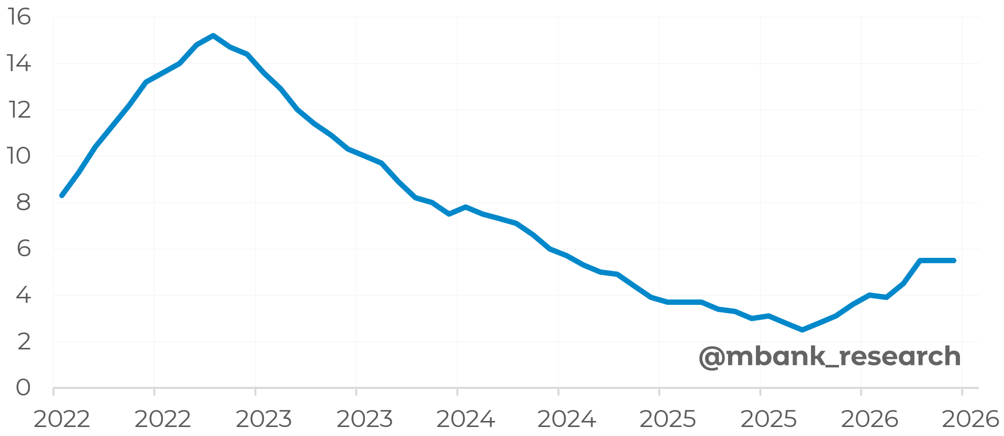


Contribution to y/y growth



Source: Own elaboration based on Statistics Poland.

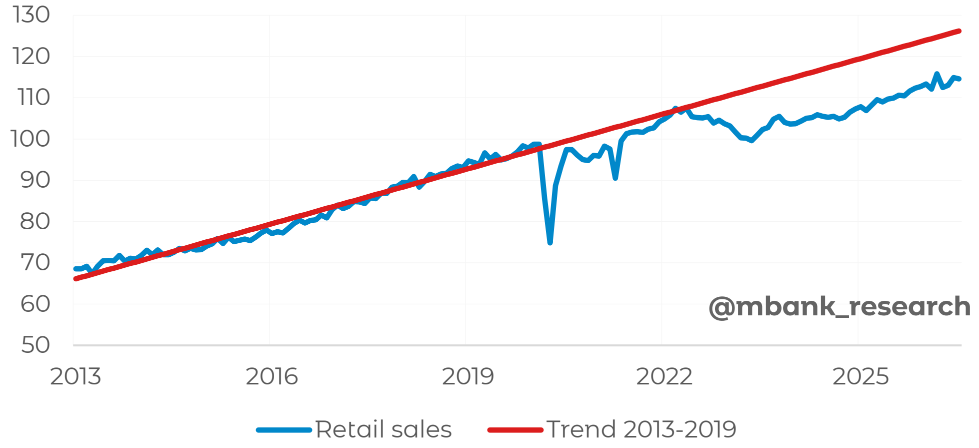
Construction prices (%, y/y)



Source: Statistics Poland.

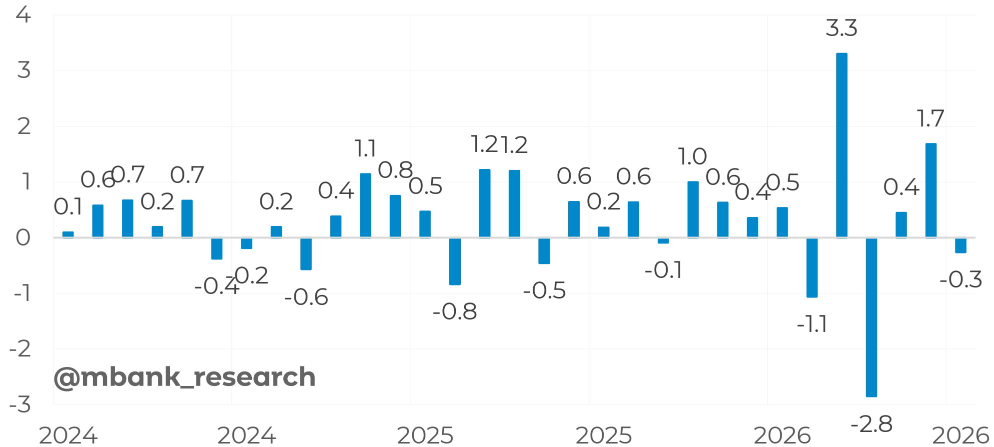
Poland: Retail sales

Retail sales (index 2021 = 100, sa)



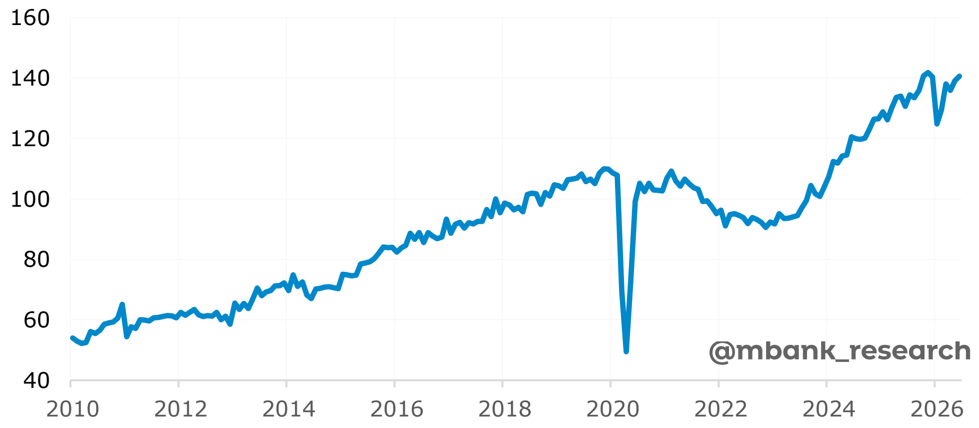
Source: Own elaboration based on Statistics Poland.

Momentum (%, m/m, sa)



Source: Own elaboration based on Statistics Poland.

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



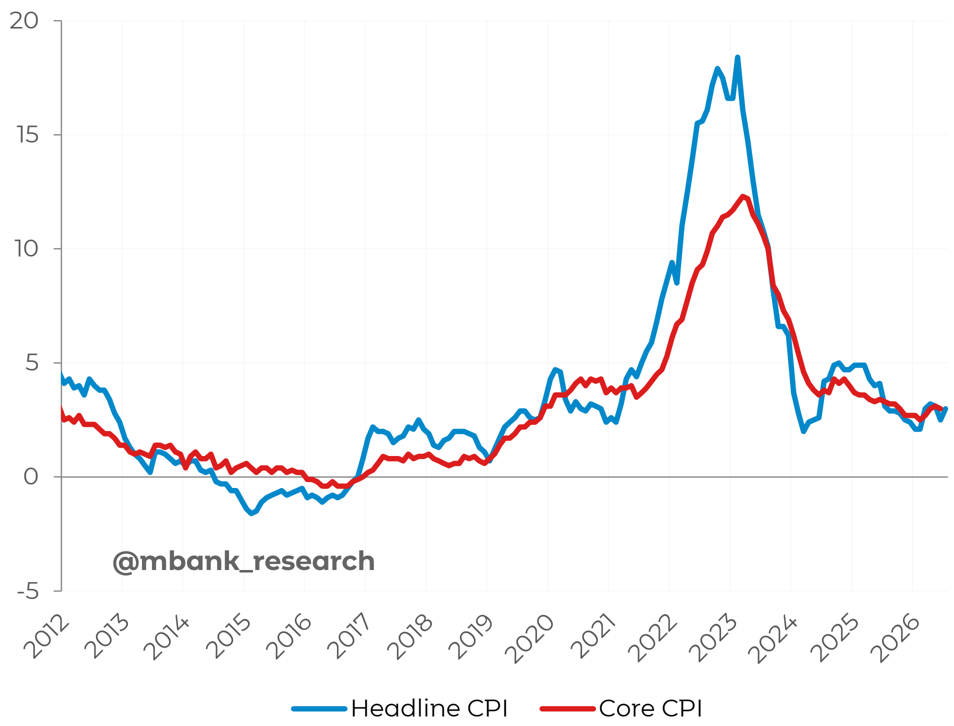
Source: Own seasonal adjustment based on Statistics Poland.

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

Source: Own seasonal adjustment based on Statistics Poland.

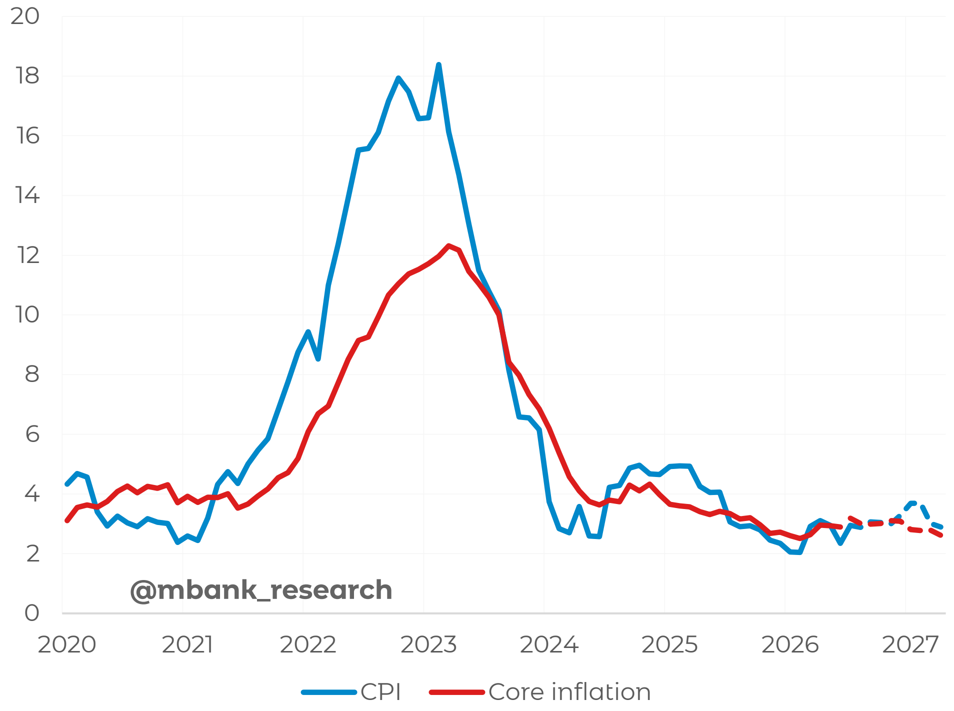
Poland: Inflation

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



Source: Own elaboration based on Statistics Poland.

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



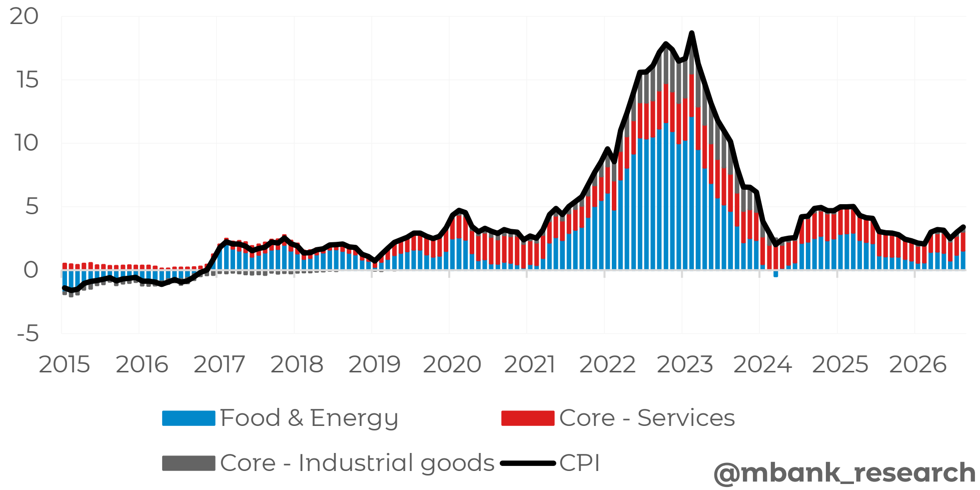
Source: Own elaboration based on Statistics Poland, NBP.

August inflation rose to 3.4%, significantly above market expectations. The upside surprise was driven by several factors: stronger growth in core inflation and heating costs, both of which appear persistent, as well as differences in the assessment of the CPN package's impact, with Statistics Poland (GUS) not recording the expected price decline in the second half of the month. As a result, some price changes that analysts had anticipated for September were effectively brought forward.

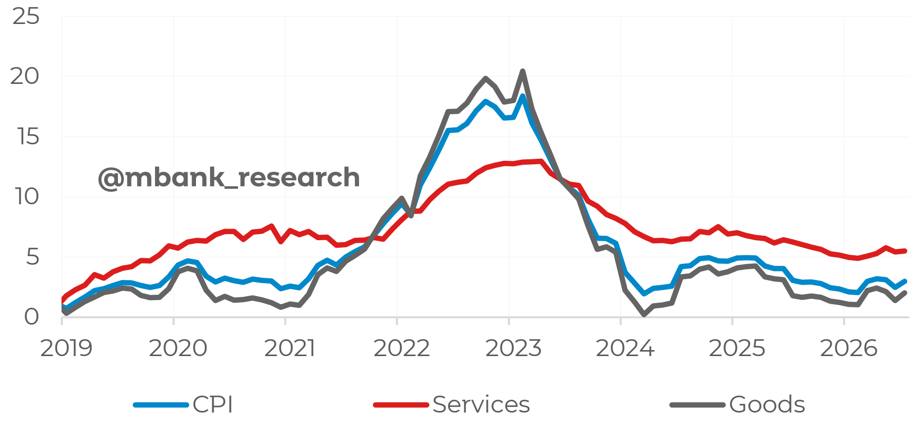
Over the coming months, inflation is likely to hover close to the upper bound of the NBP's target range (3.5%), mainly due to rising food and, most likely, energy prices. Core inflation, however, should no longer accelerate. Even so, this will not be enough to prevent headline CPI from moving higher, with inflation expected to exceed 4% in Q1. That said, this should mark the peak, after which the trend is likely to turn downward.

Poland: Inflation tracker (additional measures)

Contribution to inflation (pp.)

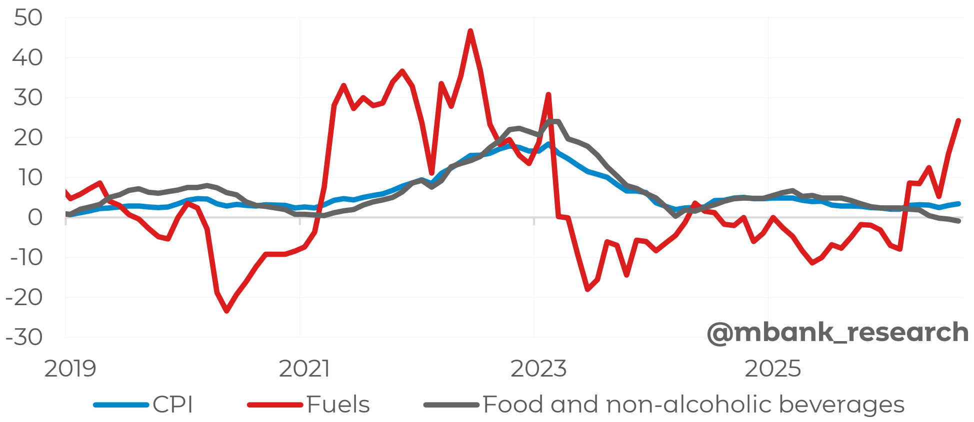


Goods and services prices (%, y/y)



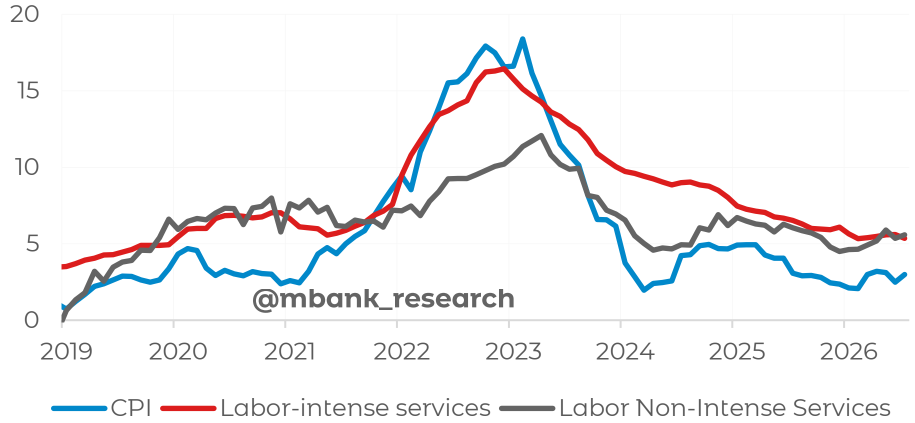
Source: Own elaboration based on Statistics Poland.

Food and fuel prices (%, y/y)



Source: Own elaboration based on Statistics Poland.

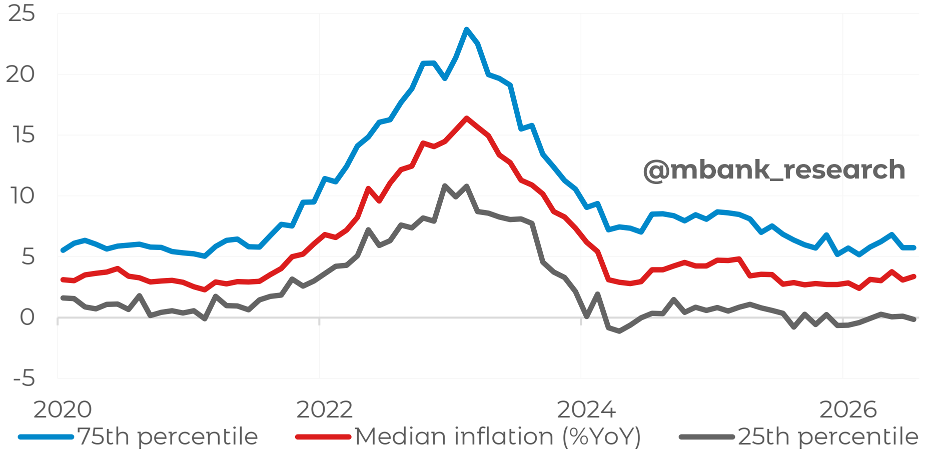
Services (%, y/y)



Source: Own elaboration based on Statistics Poland.

Poland: Inflation tracker (additional measures)

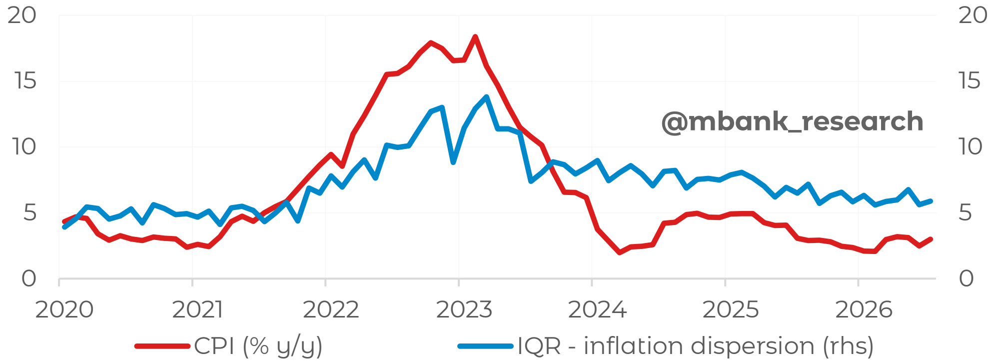
Median inflation (%y/y) and selected percentiles of the distributions



Source: Own elaboration based on Statistics Poland.

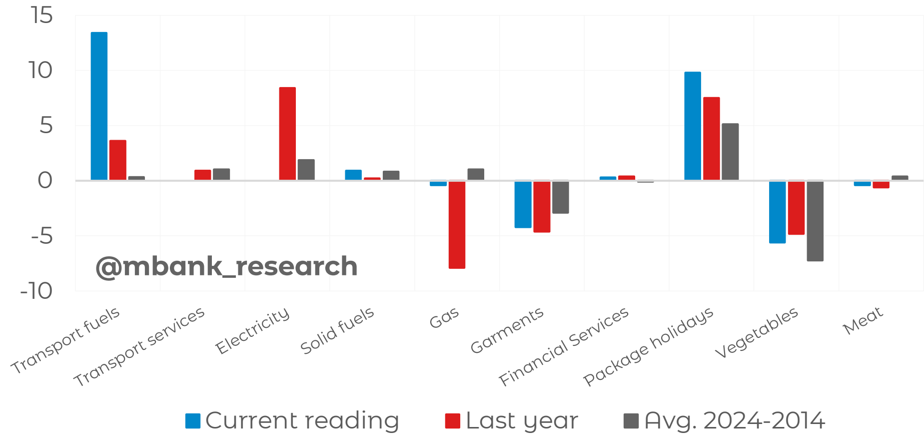
Inflation IQR: diff between the 75th and 25th percentile (y/y rates)

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)



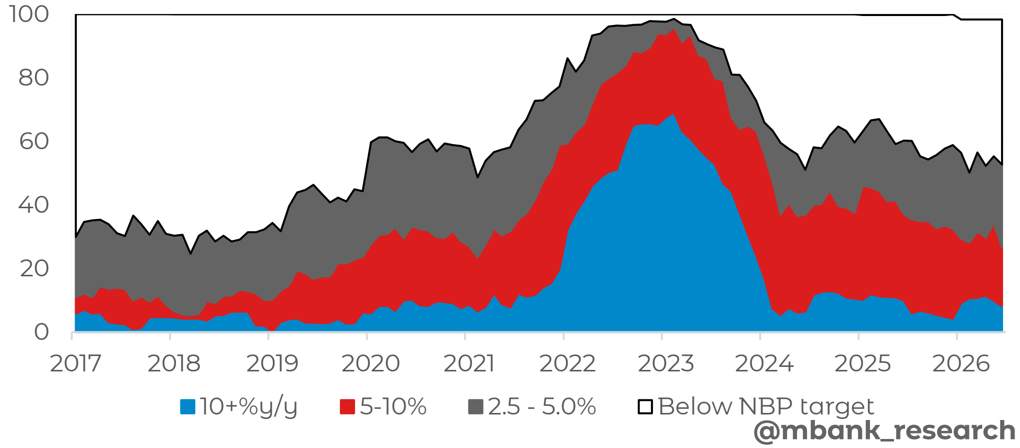
Source: Own elaboration based on Eurostat

***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".

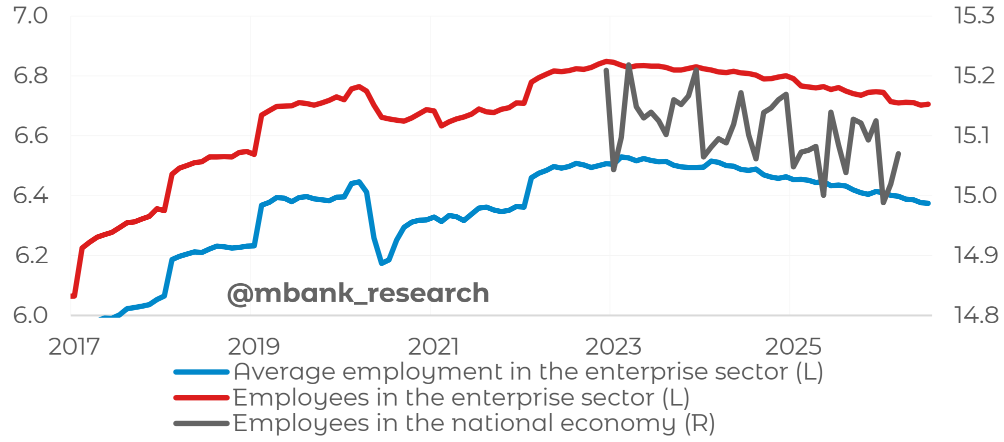
Share of expenditures where prices increase by (%):



Source: Own elaboration based on Eurostat.

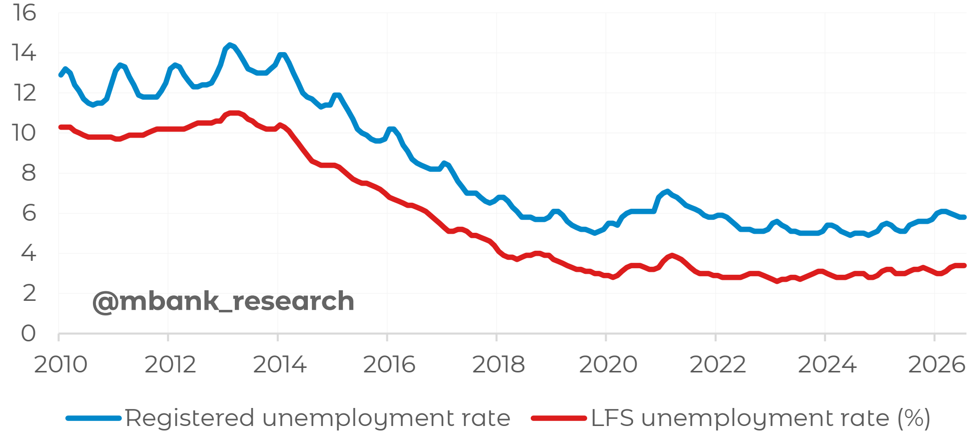
Poland: Labor market tracker (employment)

Employment (in millions)



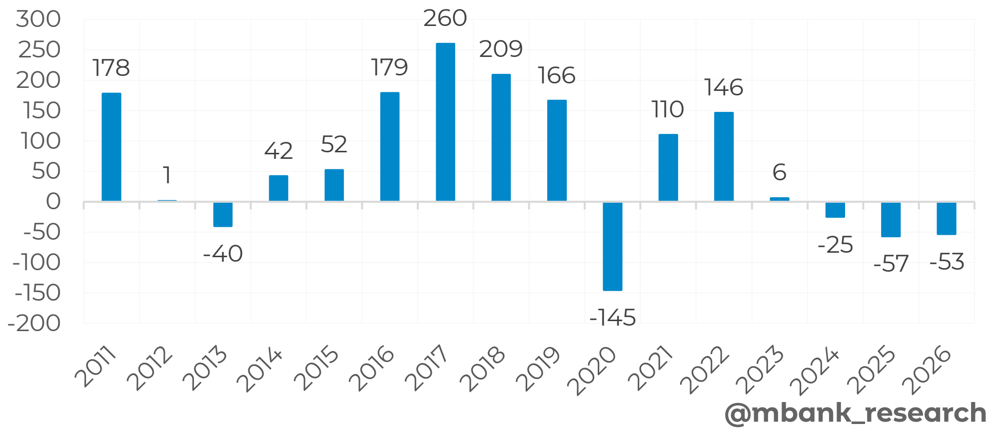
Source: Own elaboration based on Statistics Poland

Unemployment rate (%)



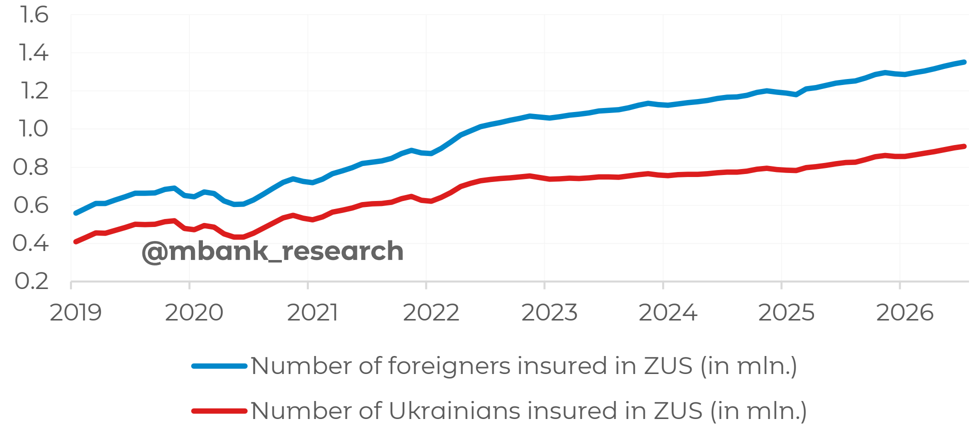
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

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



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

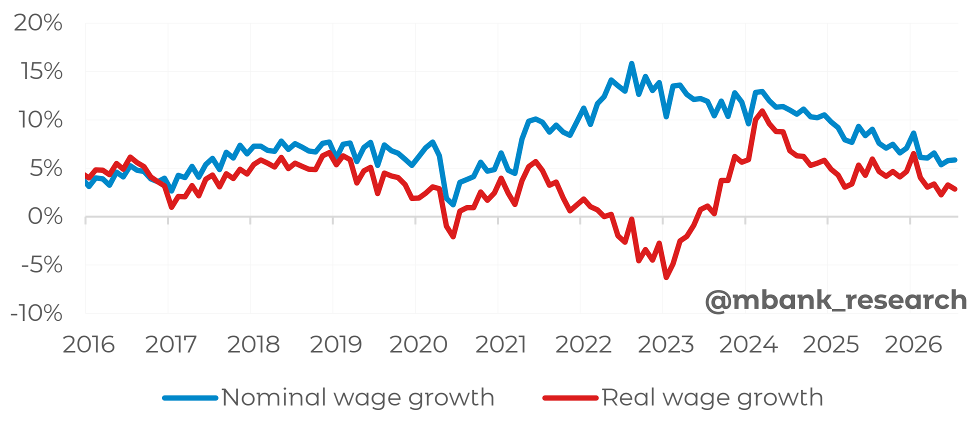
Immigration in the labor force



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

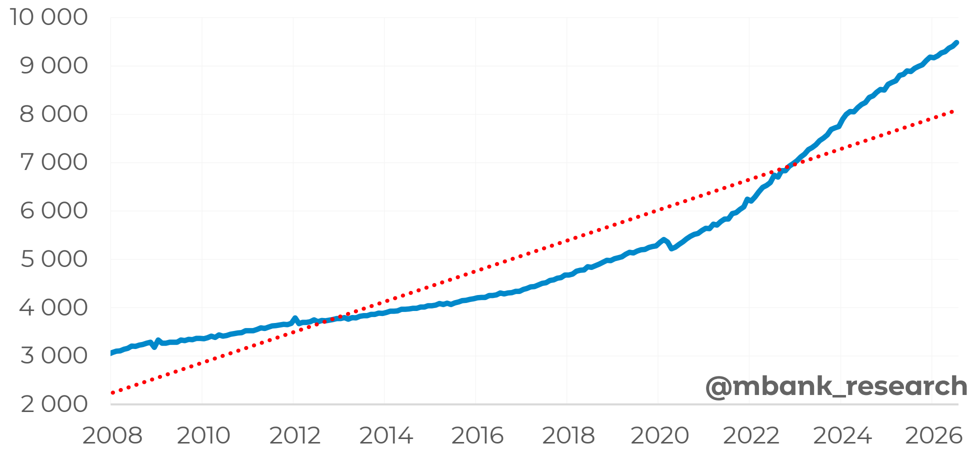
Poland: Labor market tracker (wages)

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



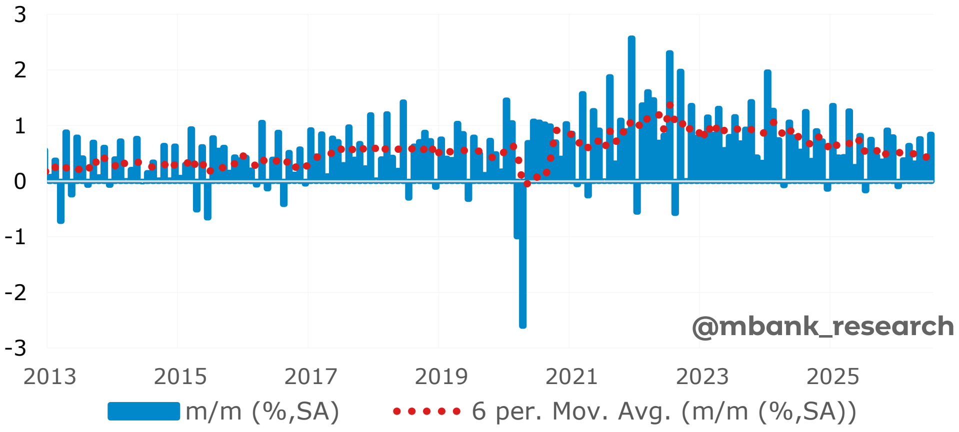
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

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



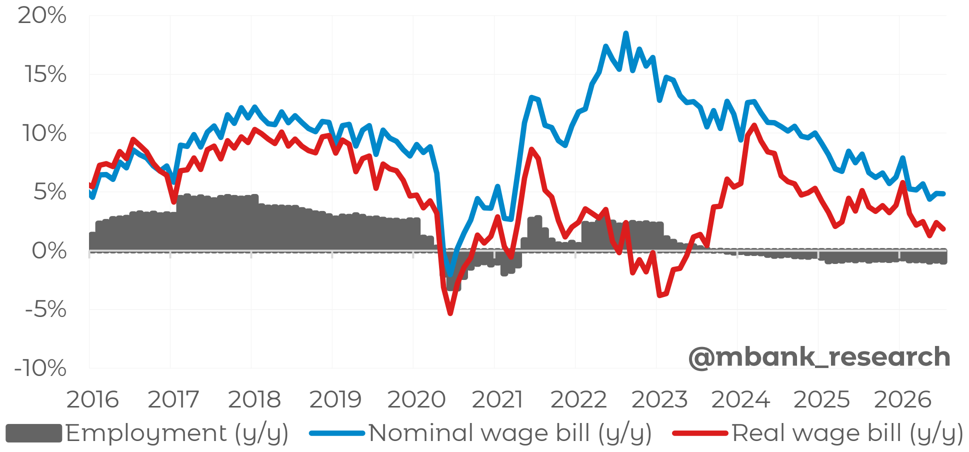
Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

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



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

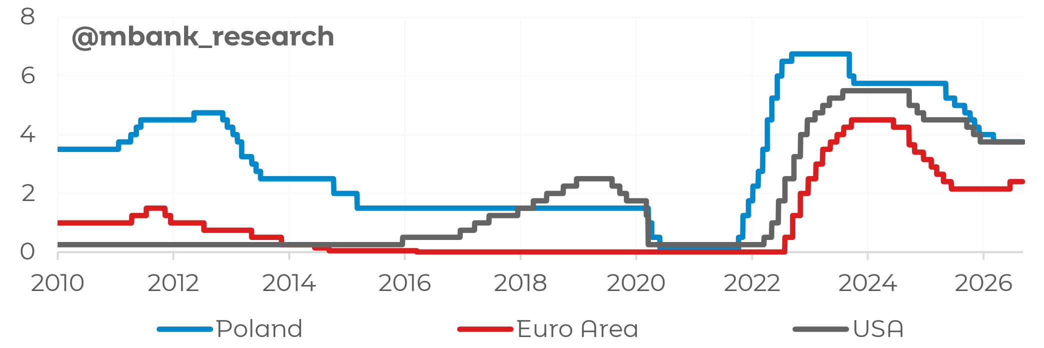
Wage bill, enterprise sector (%, y/y)

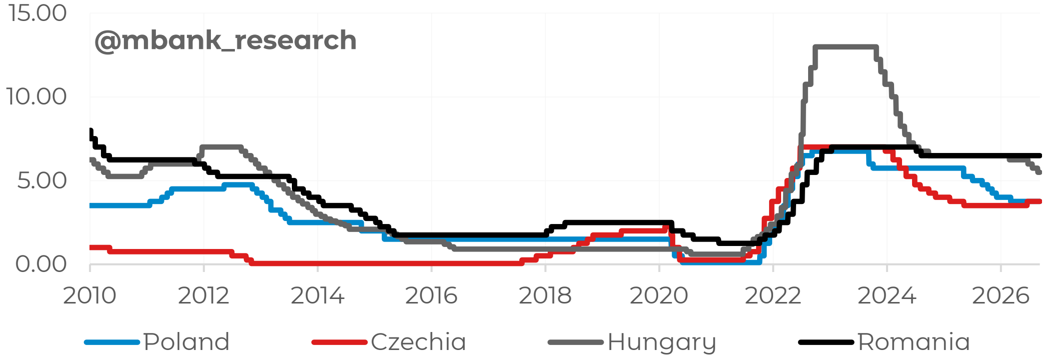


Source: Own elaboration based on Statistics Poland, ZUS Statistical Portal.

Poland: Interest rate outlook

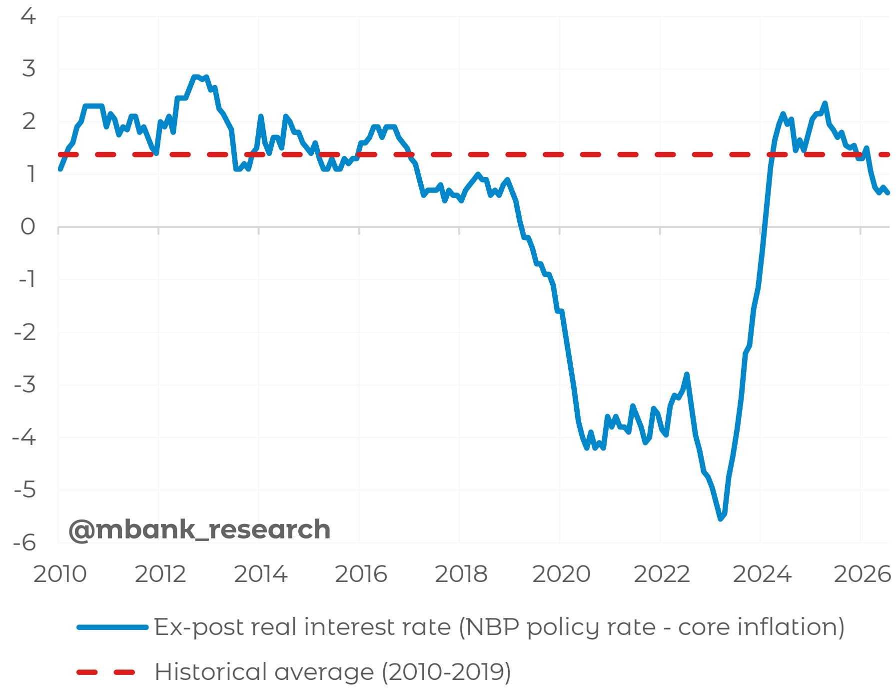
Central banks' policy rates (%)





Source: Macrobond.

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

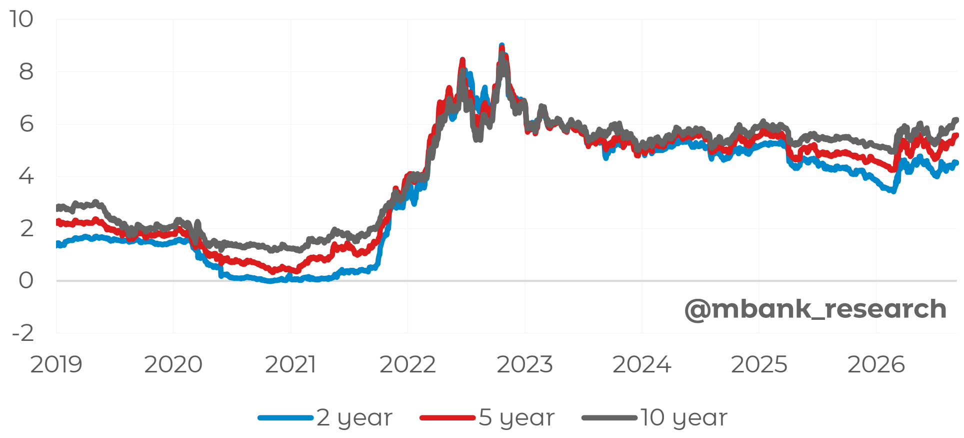


Source: Statistics Poland, NBP.

Ahead of the summer break, the NBP Governor suggested that he would put forward a proposal for interest rate cuts. Given persistently high oil prices and inflation running close to the upper end of the target range, that signal now appears premature. Nonetheless, the MPC's overall stance remains relatively dovish. Higher inflation has reduced policymakers' willingness to consider rate cuts in the near term. Core inflation is edging higher, and its strength cannot be explained solely by temporary supply-side pressures. However, we do not believe this persistence will result in a hawkish shift in policy. Market expectations for future rate hikes appear excessively aggressive. Instead, the most likely outcome is a prolonged period of unchanged interest rates, with rate cuts returning only in July 2027. By that time, core inflation should be closer to the inflation target, while energy and food-related shocks are expected to gradually dissipate. However, elevated energy prices remain a key risk and could delay the return of monetary easing.

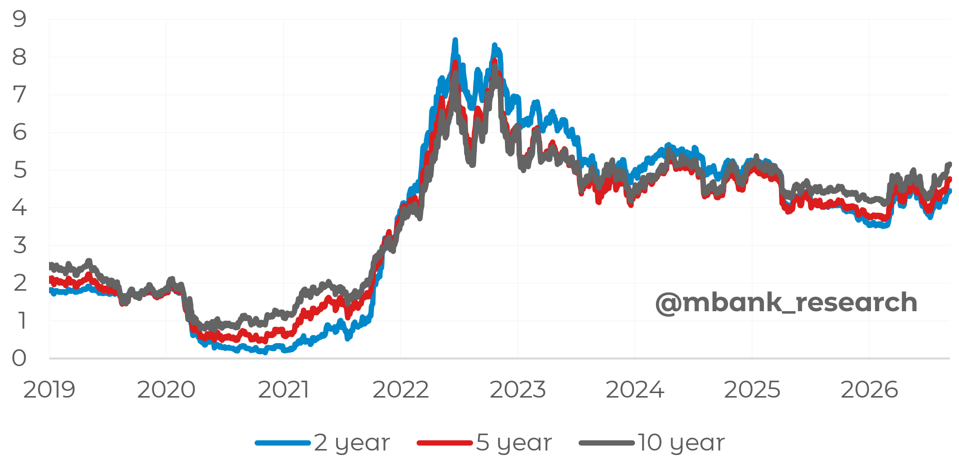
Poland: Market interest rates

POLGBs (%)



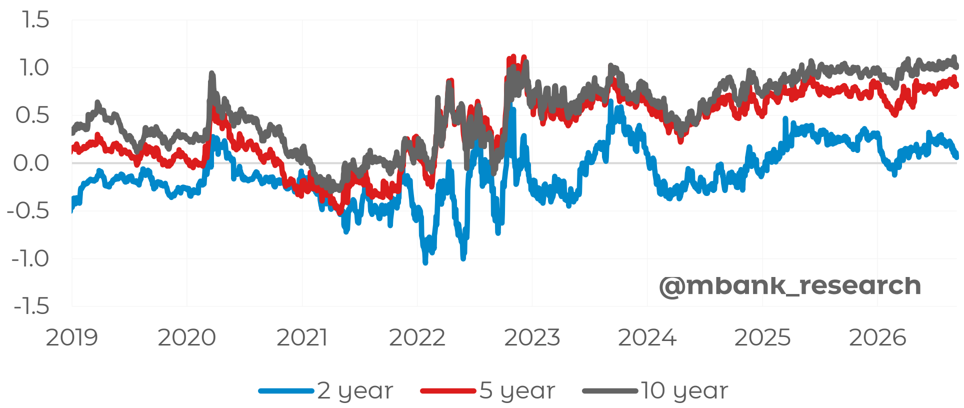
Source: Bloomberg.

PL IRS (%)



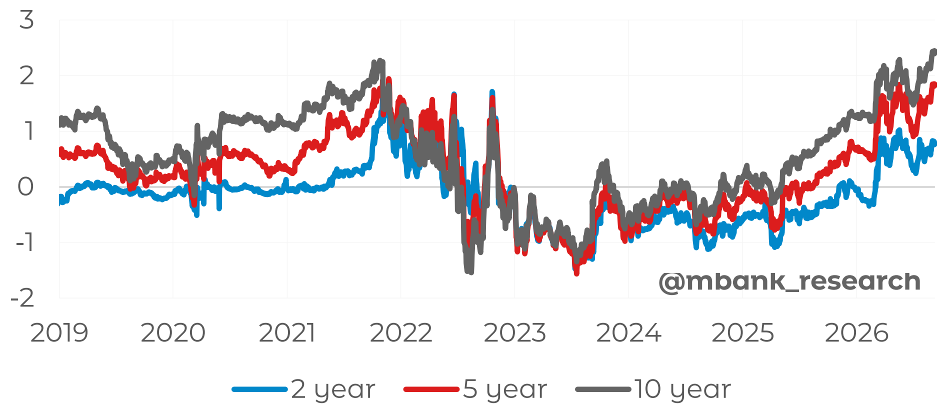
Source: Bloomberg.

ASW spread (pp)



Source: Bloomberg.

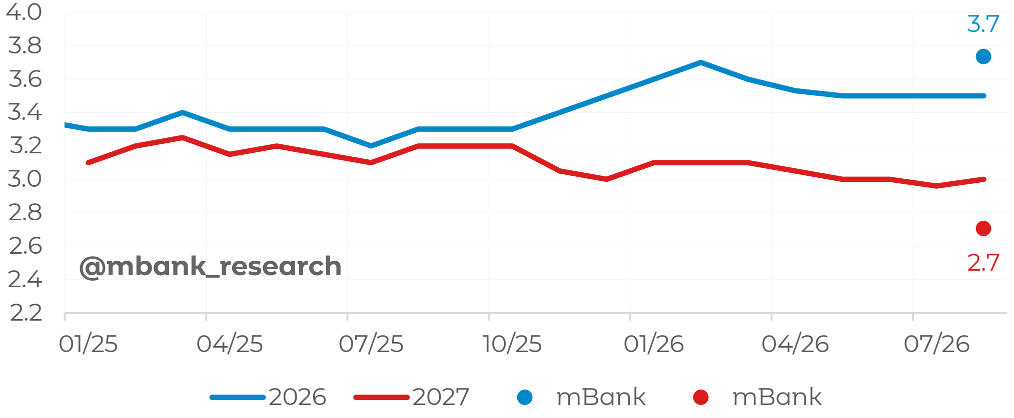
POLGB yield minus 3m WIBOR (pp)



Source: Bloomberg.

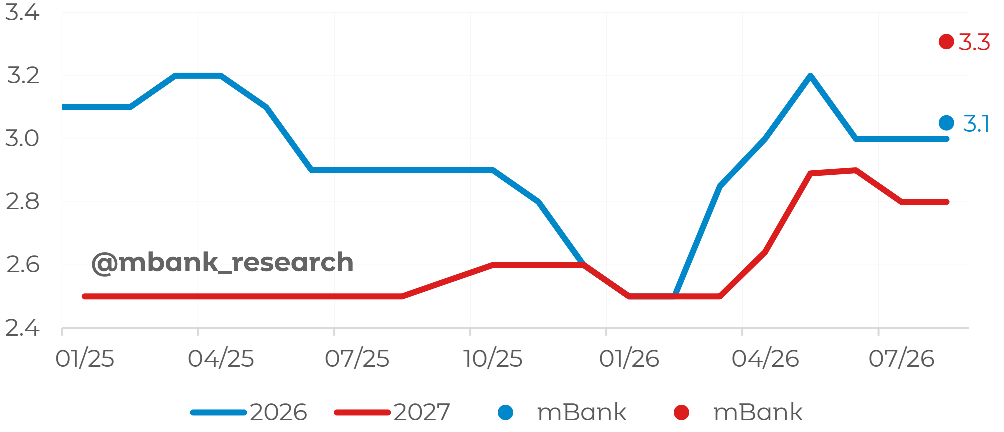
Poland: Expectations vs our forecasts

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



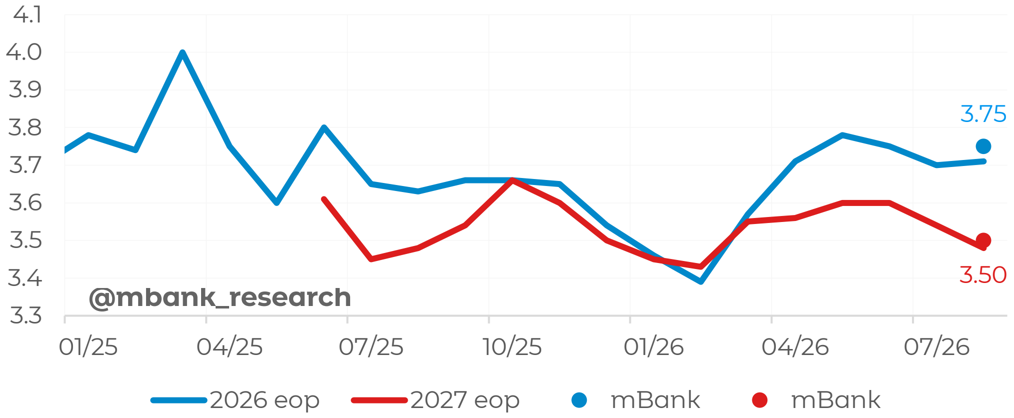
Source: Bloomberg.

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



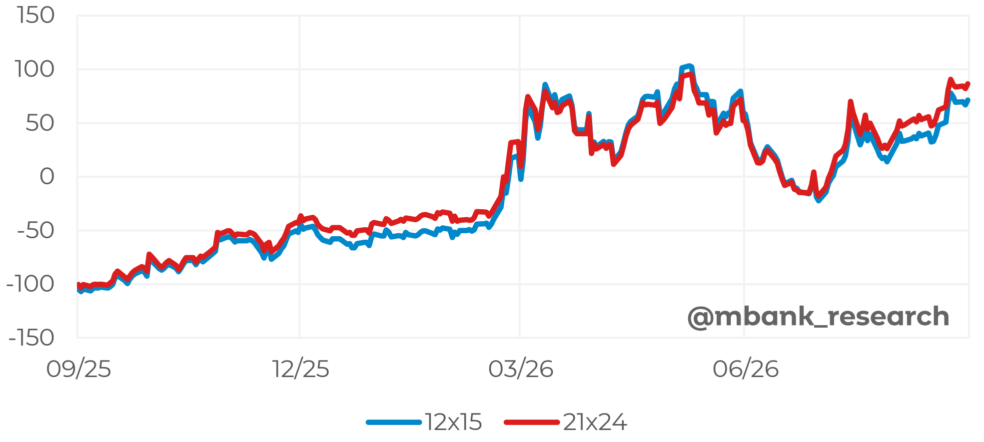
Source: Bloomberg.

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% of GDP after June, 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 (-1.4% of GDP), while the services balance surplus deteriorated as well (it stands at 4.1% of GDP). Any near-term improvement is unlikely - we expect a slightly higher deficit in the coming months.
- **FDI-adjusted CA** remains in surplus (0.4% of GDP after June). The capital account also posted a surplus of 1.1% of GDP after June. This results in a current account surplus of 1.4% 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.

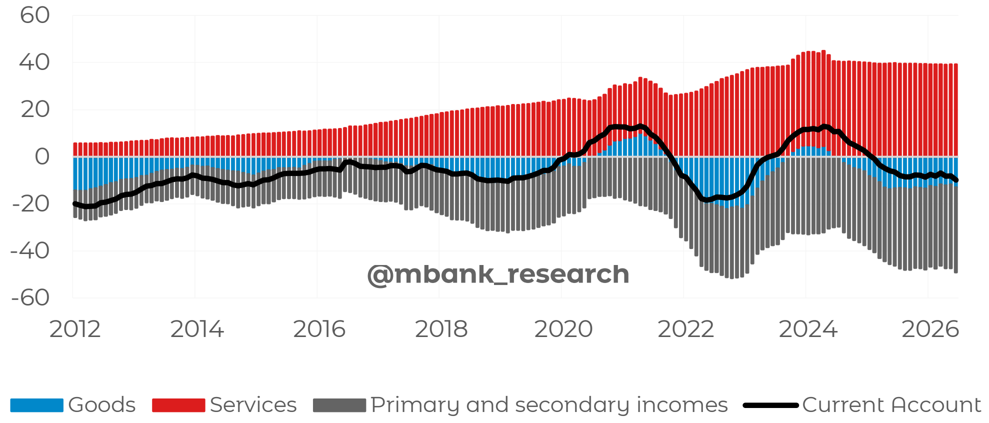
Graphical summary can be found on the next page. Exports & imports (national accounts perspective) are covered separately here.

FX PERFORMANCE

- **Background & global.** The EURUSD increased in August, and the pair appears keen to rise further. Despite rising odds for an interest rate hike, concerns over US debt may have weighed on the US dollar. A more hawkish speech by Warsh in Jackson Hole provided only temporary relief. Looking forward, we continue to expect the EURUSD to move higher, as we do not believe that the amount of monetary tightening priced in by the US market will ultimately be delivered. Doubts over the independence of the Fed constitute another risk factor for the US currency. However, Trump has recently stopped calling for rate cuts and has even said that he is not opposed to raising rates due to inflationary pressures. Nevertheless, he still claims that rates are too high.
- **Recent movements.** The EURPLN has been quite stable of late, with just a brief increase toward 4.35 at the end of the past month.
- **Fundamentally**, we continue to anticipate the zloty to stay relatively weak owing to diverging monetary policies between the ECB and the NBP, as well as fiscal risks given Poland's current high deficit and no chance to see substantial consolidation in the near term (the 2027 budget bill does not point to such a scenario at all). The 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.

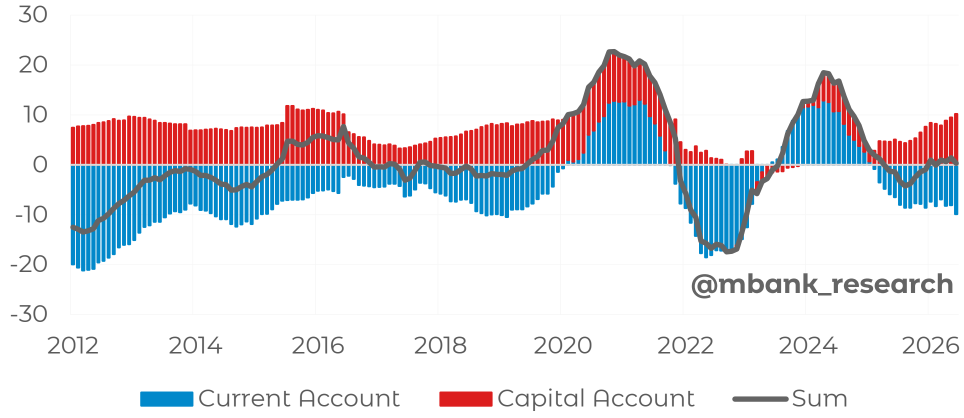
Poland: External balance

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



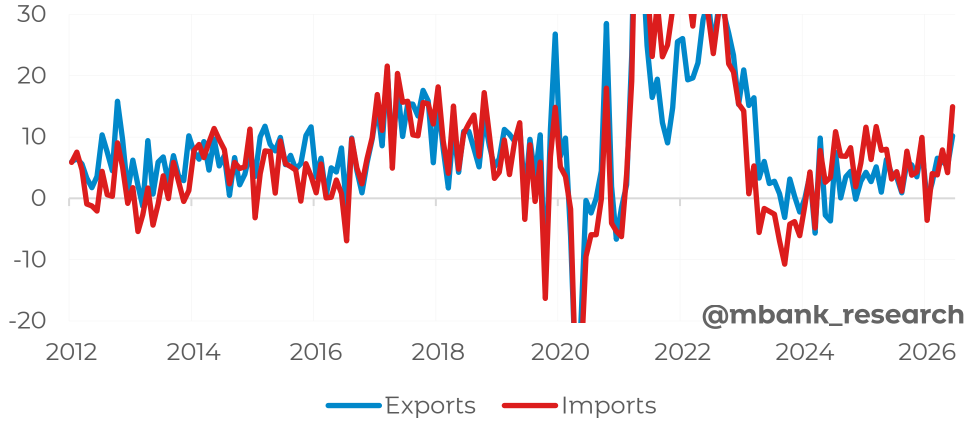
Source: Own elaboration based on NBP.

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



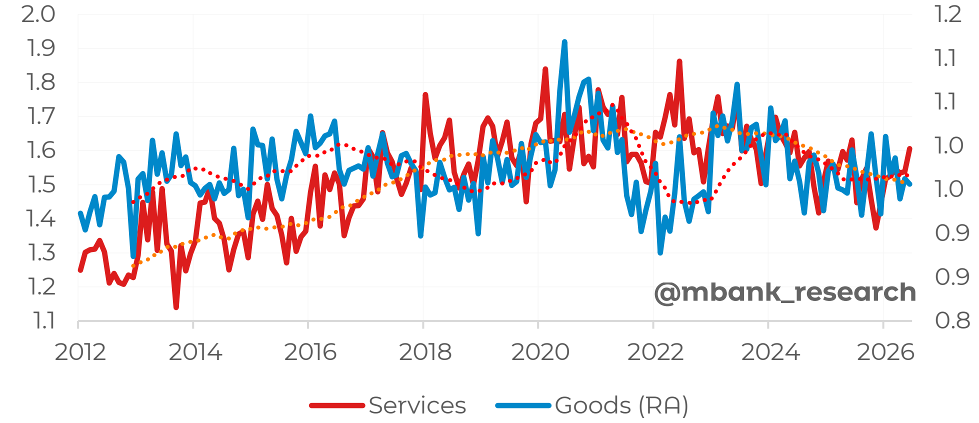
Source: Own elaboration based on NBP.

Exports and imports growth (%, y/y)



Source: Own elaboration based on NBP.

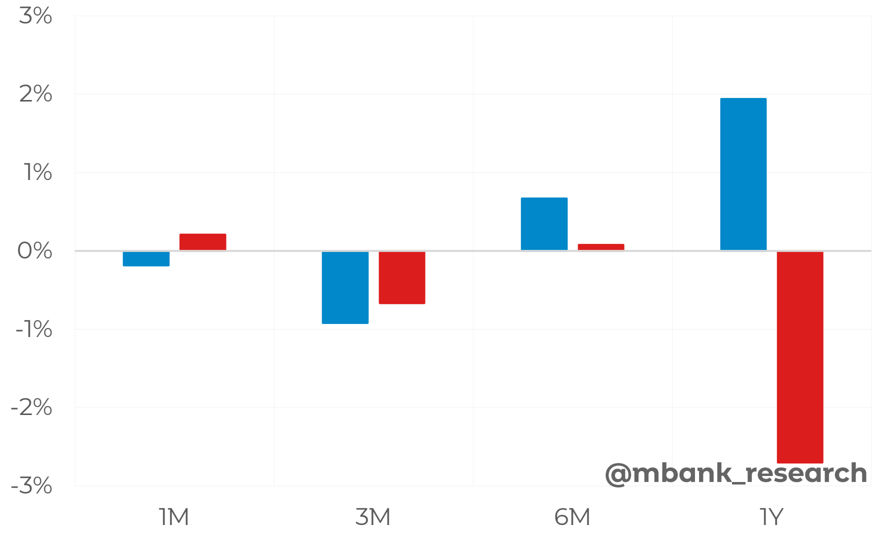
Exports to imports ratio



Source: Macrobond.

PLN: recent movements + REER

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

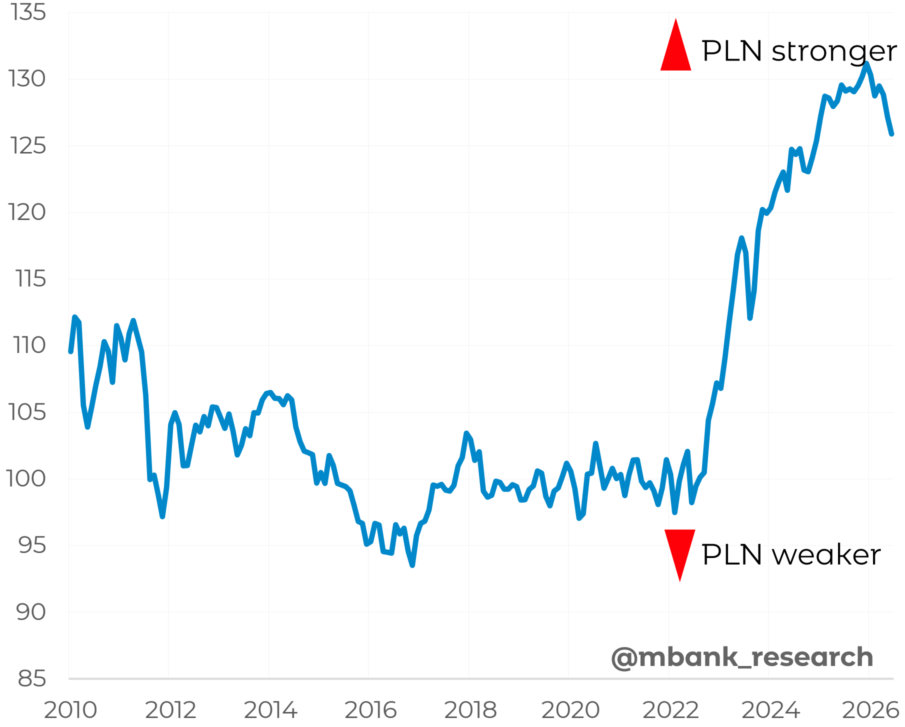


Note: Increase = appreciation to dollar, decrease = depreciation to dolar

EM FX PLN

Source: Bloomberg.

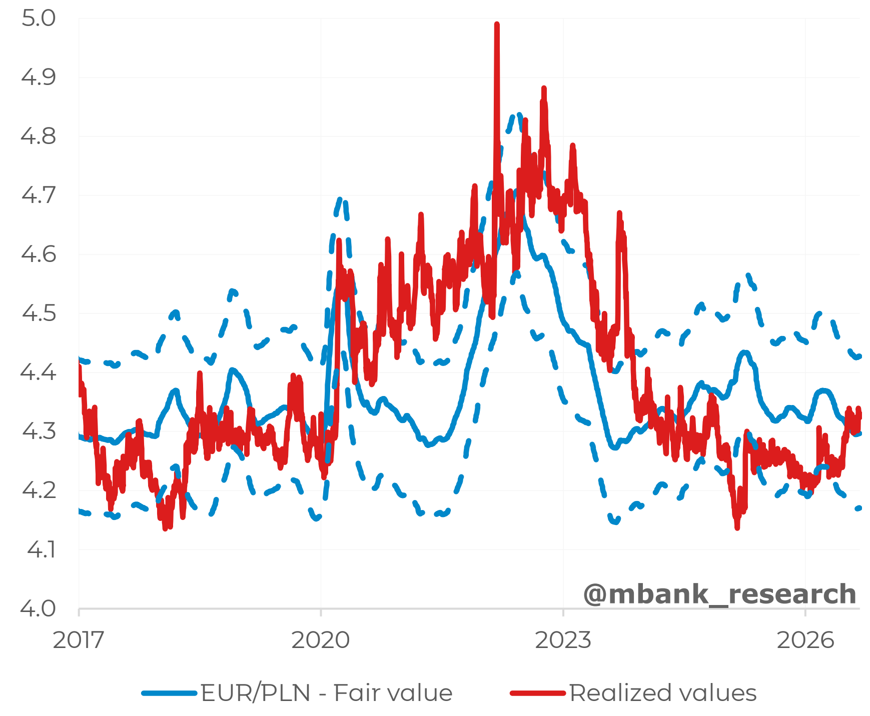
Real effective exchange rate (mind the time frame)



Source: BIS.

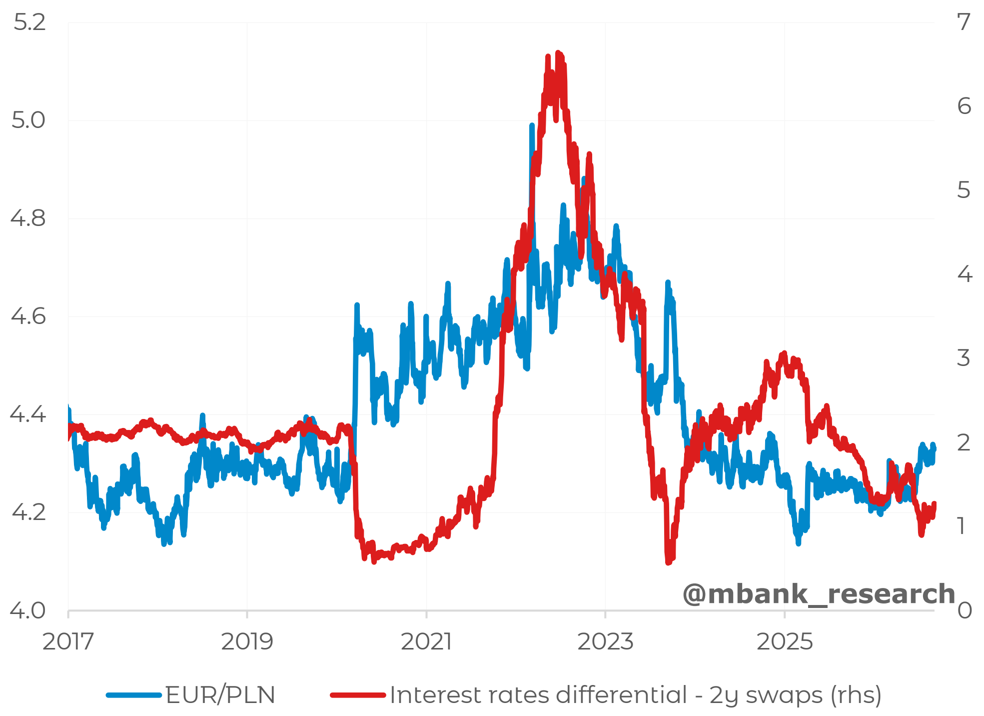
PLN: Relative valuation

The EUR/PLN relative valuation



Source: Our model* .

Interest rate differentials - Poland vs. Eurozone (%)



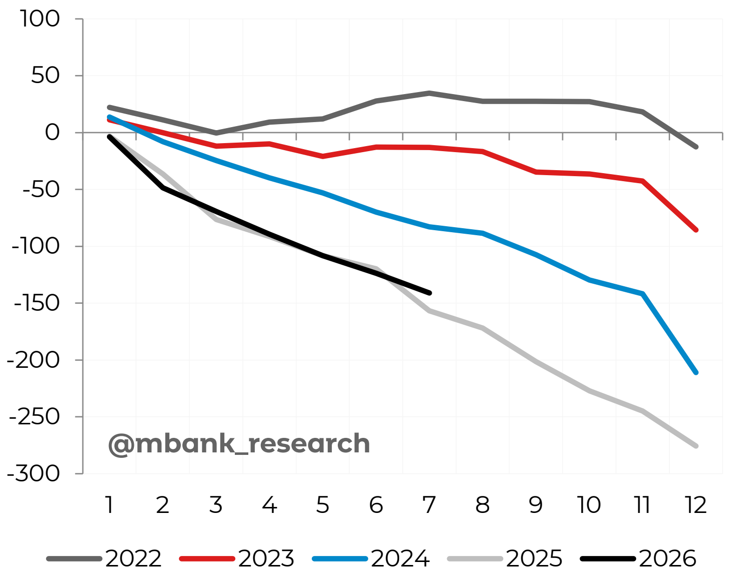
Source: Macrobond.

* **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

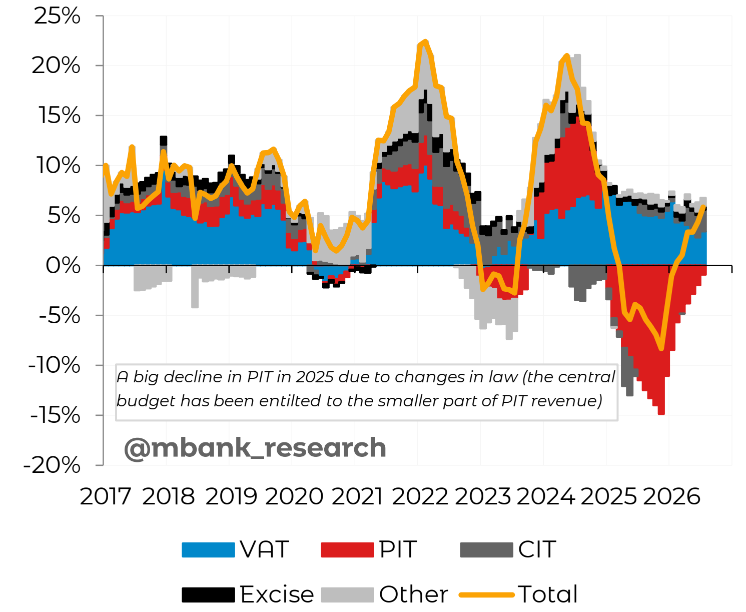
Graphical summary of planned & realized budget deficit, current budget performance, debt servicing costs and the (basic) structure of the public debt can be found on the next pages.
If you need a deep dive into Polish sovereign debt, please check our recent Polish Debt Monitor.

Cumulative central budget balance, billion PLN



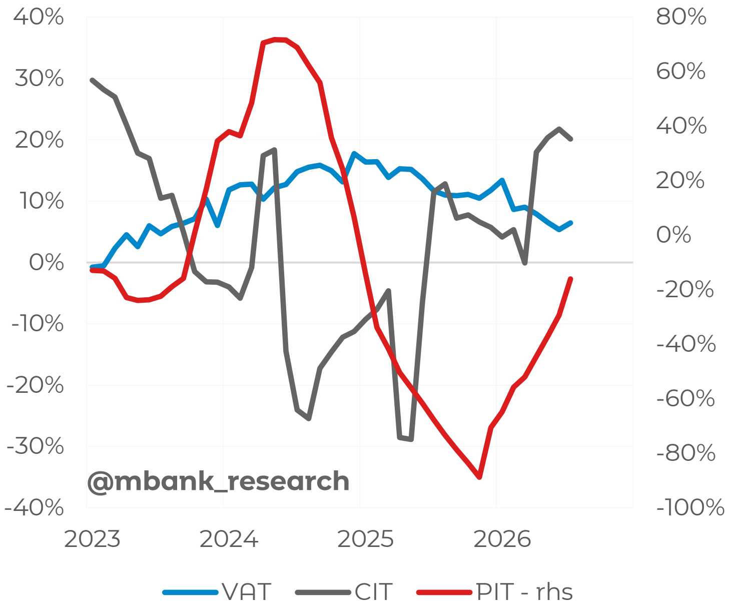
Source: Own elaboration based on Macrobond.

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.

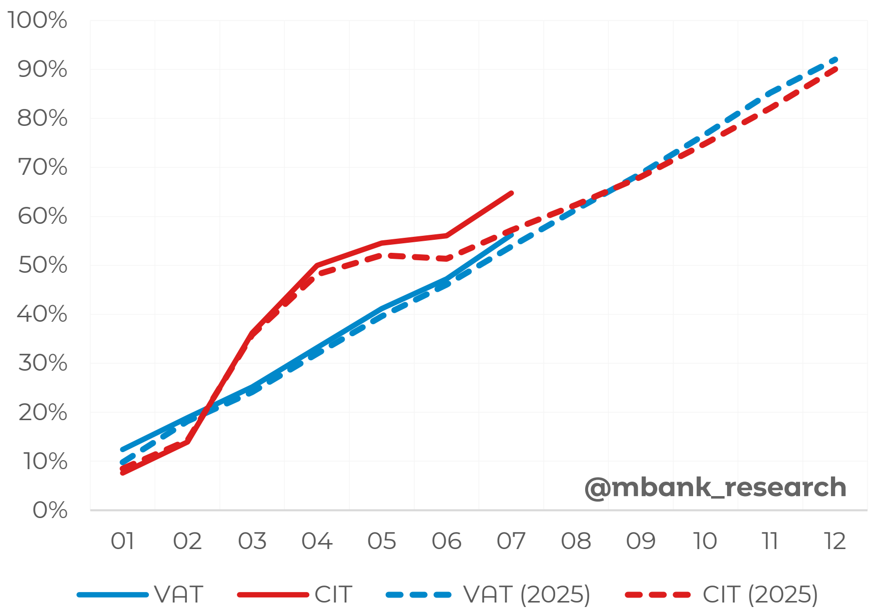
Budget performance after July. At the end of July 2026, the central budget deficit reached PLN 141.1 billion (51.9% execution). The underlying economy remains strong, driven by robust corporate profits that pushed CIT revenues up by ~20% y/y. This, to some extent, stems from increased CIT rates on banks, but the overall improvement in the profitability of Polish companies also played its role. Apart from that, VAT growth has been slowing down steadily since the start of the year, though it could improve going forward once the impact of the CPN program passes (notice the uptick in July). However, slower consumption growth in the coming quarters (our forecast assumes private consumption growing between 2.5% and 3%) might limit the extent to which the VAT growth rate picks up.

Recent issuance. The Ministry of Finance successfully placed bonds in the domestic market. After two outright bond auctions held in August the MoF raised over PLN 26 billion. As a result, the level of gross borrowing needs for 2026 stands at 75%. There was no Treasury bill issuance last month.

The European Commission approved Poland's 8th payment request under the Recovery Fund, meaning Poland will receive approximately PLN 33 billion in early October. This was the second-to-last disbursement application under the facility. According to the Ministry of Funds and Regional Policy, the final application - worth up to PLN 54 billion - will be submitted in September.

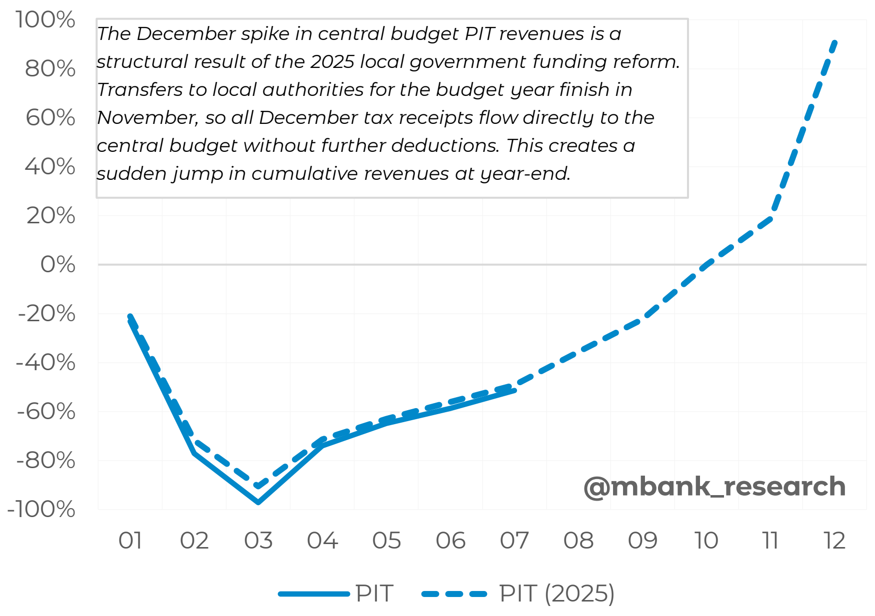
Poland: Fiscal policy – plans & ad hoc measures

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



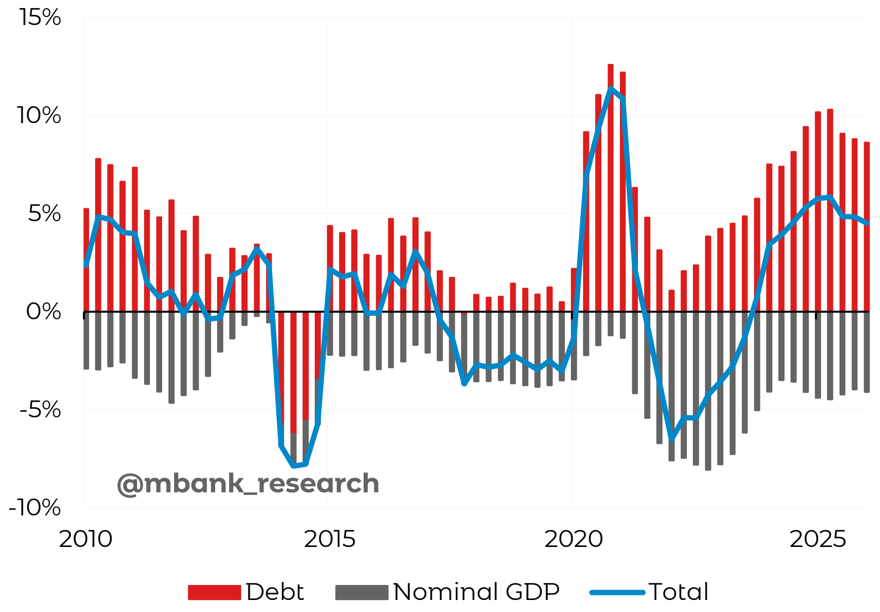
Source: Own elaboration based on Macrobond.

The 2027 budget bill. The government plans a sizeable general government deficit of 7.1% of GDP for 2027, matching this year's expected level. The debt-to-GDP ratio, according to ESA methodology, is projected to reach 69.5%. On the other hand, Poland will not breach the 55% or 60% debt limits stipulated in the Public Finance Act and the Constitution. The government assumes GDP growth of 3% and CPI inflation at 2.8% (almost in line with our forecasts). Net borrowing needs are set to reach PLN 317 billion, virtually unchanged from this year's downward-revised figures. From a market perspective, POLGB issuance is expected to reach PLN 198 billion, compared to PLN 241 billion planned for this year, while debt service costs will remain stable at roughly 2.4% of GDP. This means that a fiscal premium is likely to still be embedded in the POLGB curve. Overall, we believe that any fiscal consolidation is unlikely ahead of the 2027 elections, leaving a new government to grapple with brewing fiscal challenges.

PIT tax cut and CIT changes to be budget-positive. The government plans to introduce a new 24% PIT rate between the existing 12% and 32% rates. The lowest threshold will rise to PLN 130k from PLN 120k, while the new 24% rate will apply to income between PLN 130k and PLN 150k. This change is to be financed through three options. First, the government intends to raise the CIT rate to 22% from 19% for companies with annual revenue exceeding EUR 50 million. Second, the revenue limit for companies eligible to choose the lump-sum tax will be lowered to EUR 250k from EUR 2 million. Third, the surcharge tax for individuals earning over PLN 1 million a year will be increased to 5% from 4%. According to the government's calculations, all of these changes are expected to bring roughly PLN 5 billion a year to the budget. Last but not least, PM Tusk ruled out raising the tax allowance over the next 18 months (a very expensive proposal).

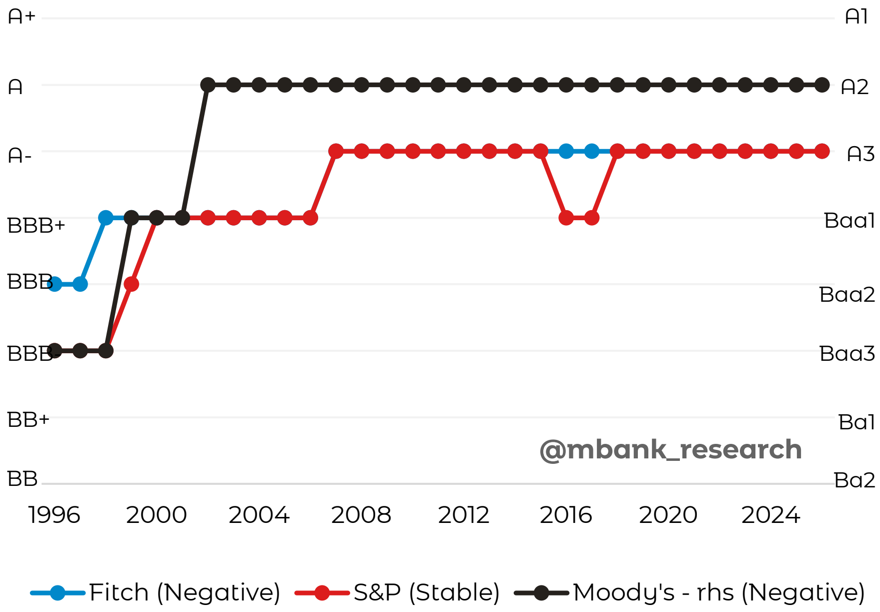
Poland: Fiscal policy - ratings

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-). The 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 0.4 pp 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 (comments made before the 2027 budget bill was laid out), warning that primary deficits will substantially exceed the levels required to stabilize Poland's debt/GDP ratio.

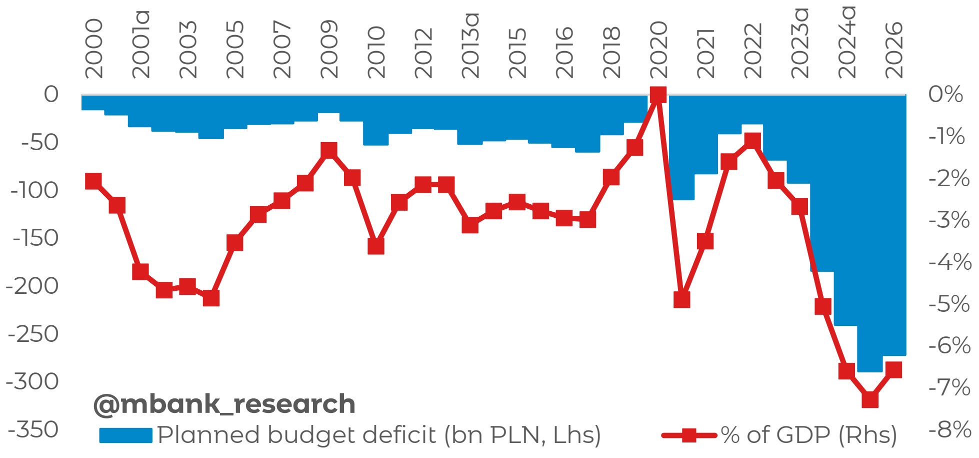
Fitch (A-). Fitch maintained Poland's rating at A- with a negative outlook, reflecting a lack of a credible fiscal consolidation path, political challenges, and pre-election risks. The agency forecasts Poland's GDP growth at 3.3% in 2026 and 2.9% in 2027, while expecting the general government deficit to reach 6.7% of GDP in 2027 (the govt's budget bill was not known then). At the same time, Fitch emphasized that Poland is shielded from external market pressures by a stable base of domestic investors and a low share of debt owned by non-residents.

Moodys (A2). Latest remarks from the agency suggest that the government has to implement more substantial fiscal consolidation; otherwise, it risks less effective policy measures than currently projected. Primary risks to fiscal policy, listed by the agency, stem from a political deadlock between the govt and the president, alongside the likelihood of increased government spending ahead of the 2027 parliamentary elections and beyond. Given the fact that the agency keeps the highest rating, it could mean the largest downside risks in terms of a possible downgrade if Poland does not embark on a true fiscal consolidation.

Poland: Fiscal monitor #1

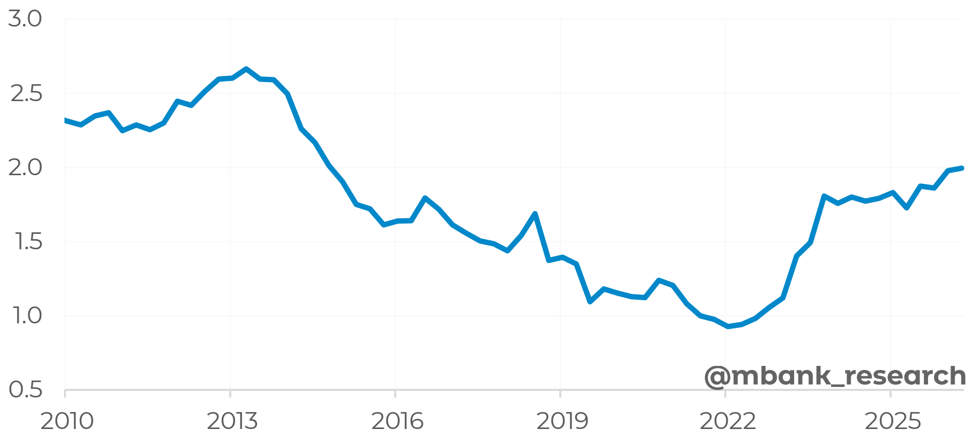
Need more? See our Polish Debt Monitor -> LINK

Planned budget deficit



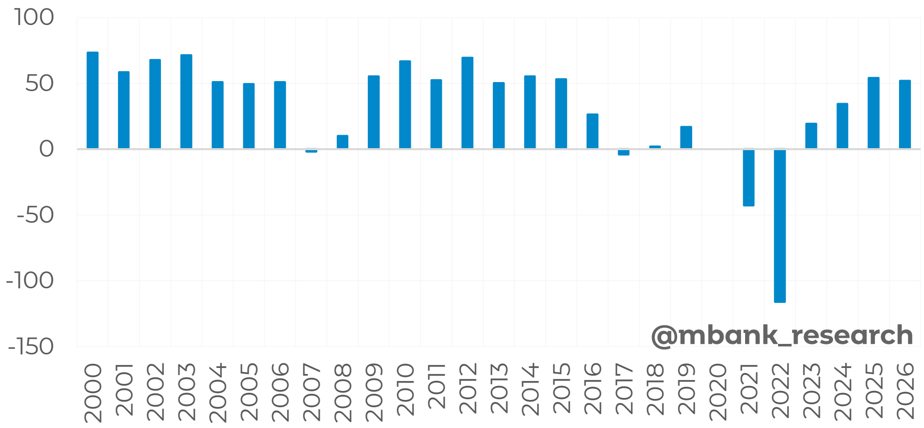
Source: Ministry of Finance, a – budget novel.

State debt servicing costs (% GDP, quarterly)



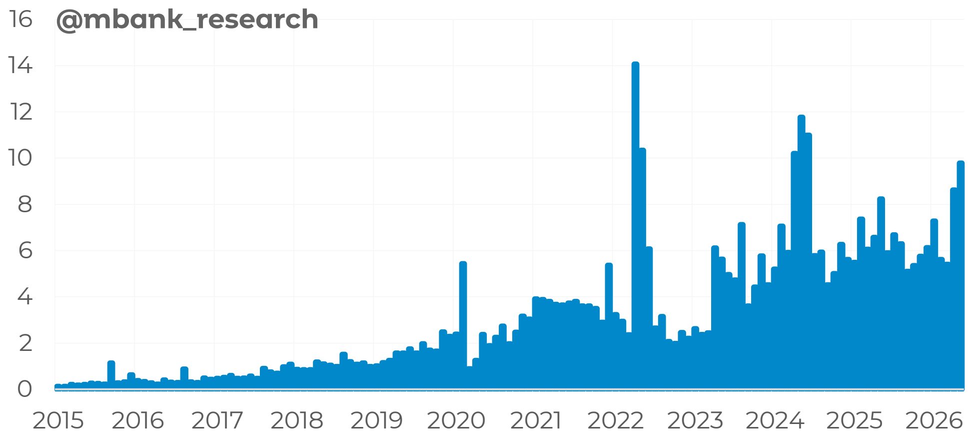
Source: Macrobond.

Central budget deficit after July 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)

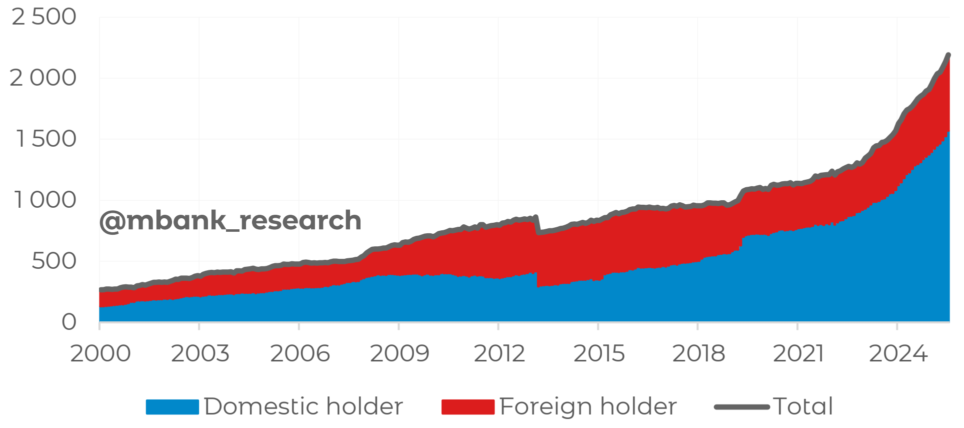


Source: Ministry of Finance.

Poland: Fiscal monitor #2

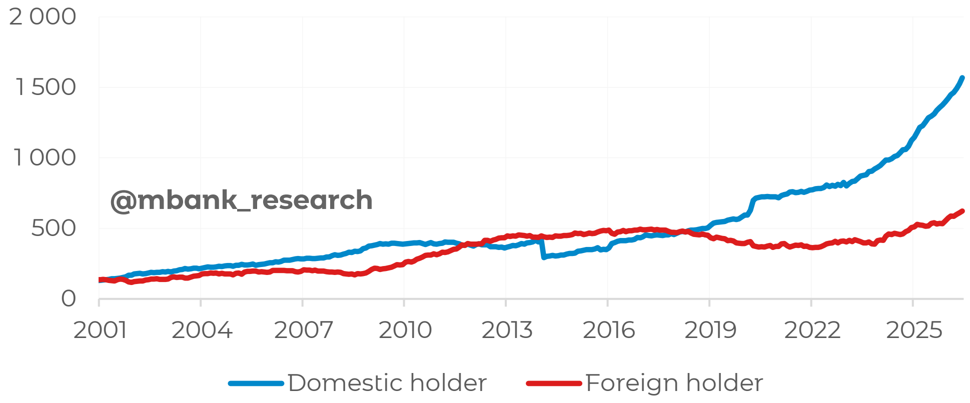
Need more? See our Polish Debt Monitor -> [LINK]

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



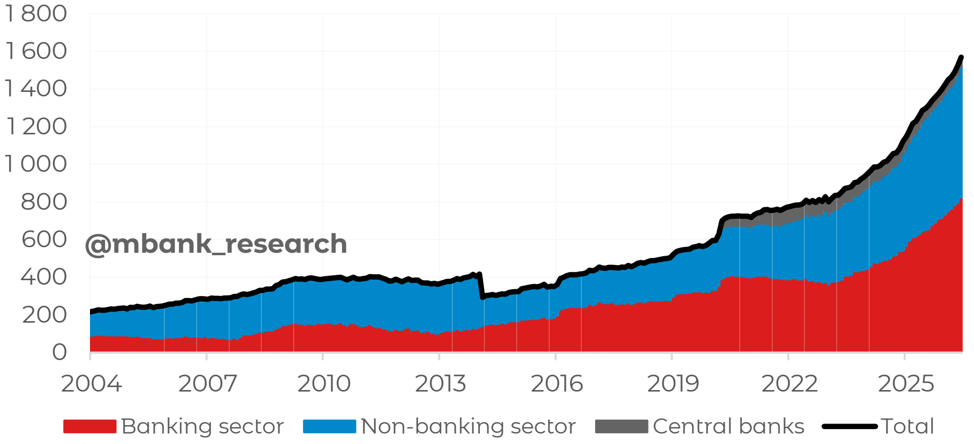
Source: Macrobond. *Last reading: October 2025

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



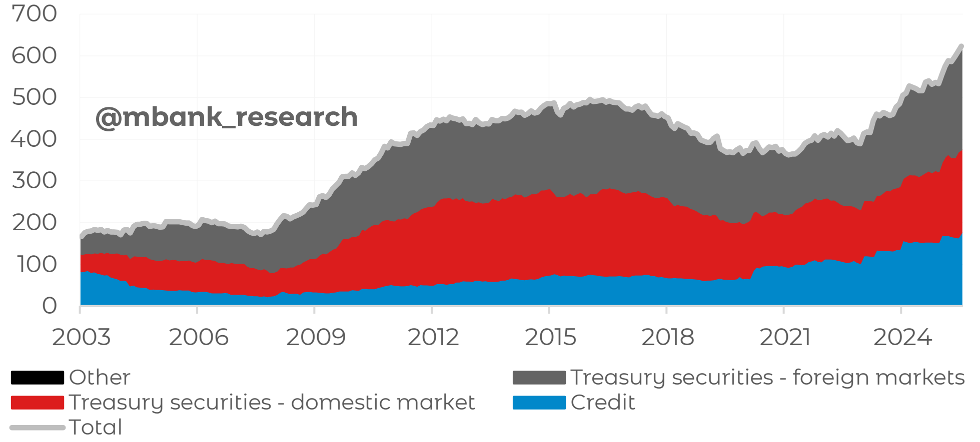
Source: Macrobond. *Last reading: October 2025

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

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