28 July 2026 | 4 pages

Poland Economics View

Poland Monthly Economic Outlook

OUR TAKE

Inflation is likely to increase significantly over the coming months, possibly above 3.5% YoY by the year-end. The dovish tone from the July policy meeting is unlikely to be followed through with a rate cut, given renewed pressure from oil prices. We expect rates to remain steady in the near-term. Economic growth remains solid as we expect 3.5% growth in full year, with investments set to increase on the back of EU funds flow.

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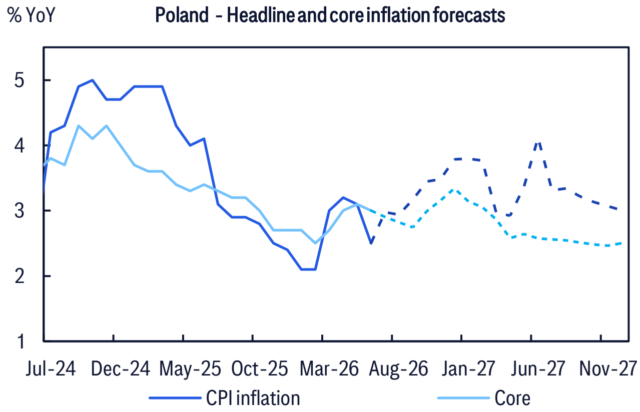
Headline inflation in Poland hit 2.5% target in June, but it is likely to rise significantly in the next couple of months. We see CPI hitting ~3% already in July owing to over 15% increase in fuel prices on a month-over-month basis. Headline inflation is likely to rise above 3.5% (upper band of permissible fluctuations around the target) by the year-end, though further rise in fuel prices could prompt the inflation rate to move even above 4%. However, we note that government may consider re-introduction of the mechanism to cap fuel prices (which comprised of lower excise duties and VAT tax as well as setting maximum price for diesel and gasoline), which would limit the extent of oil driven inflationary pressure. Nevertheless, the authorities may be hesitant to fully re-implement this solution, given the high cost impact on the central budget.

In our view the Monetary Policy Council is likely to remain in wait-and-see mode, preferring to keep rates on hold. The dovish tone presented by the Governor Glapinski in July has somewhat caught the market off-guard with FRA rates even temporarily beginning to price-in the possibility of a rate cut in 2026. The dovish sentiment, however, proved short-lived as the market-implied interest rate is some ~25bps above the money market rate in the 12-month horizon. We think that the Monetary Policy Council will be hesitant to raise rates and is unlikely to be significantly impacted by tightening of the monetary policy in the Eurozone. Majority of the rate setters seem to be convinced that the next move would be rather a cut than a hike. In our view, while a rate cut cannot be ruled out, we believe it would require the inflation outlook to improve considerably.

Despite several months of high oil and fuel prices, the Polish economy remains resilient, with GDP growth likely to hover around 3.5% in 2026. The monthly activity data in Q2 proved robust, especially ending on a strong footing in June. We expect that GDP growth in 2Q26 was close to 3.5% recorded in Q1, though we note that our proxy based on monthly data is suggesting even stronger growth, around 3.9%. The inflow of EU funds remains an important factor for Poland in 2026, especially in regards to investments. We estimate that Poland is set to receive further net transfers of roughly EUR 20bn before the year-end, which could also provide some support for the PLN vs. EUR. Despite still robust consumption, some weakening is noticeable in the labour market, as nominal wages growth is normalizing with trend edging closer to ~6%.

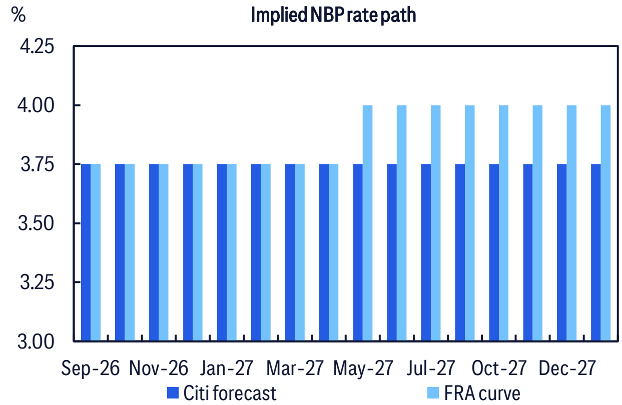
Fiscal outlook remains the key risk in near- and medium-term. The general government deficit is running close to 7% of GDP and the most recent data is providing little hope for significant improvement (other than stemming from nominal GDP growth or lack of increase in personal income tax brackets. The revenue side of the central budget is disappointing as VAT and excise proceeds declined as compared to last year by 2.2% and 6.4% respectively. The Prime Minister Tusk has already signaled that *"Poland cannot keep subsidizing low fuel prices from state budget indefinitely"*. Given the tense budget stance, we believe the room for fiscal stimuli ahead of parliamentary election next year is very small.

Figure 1. Inflation is likely to increase significantly over the coming months…



Source: Citi Handlowy, Statistics Poland

Figure 2. …which could prove problematic for monetary policy easing



Source: Citi Handlowy, LSEG

Figure 3. Poland Economic Indicators

	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity									
Nominal GDP, USD bn	596	600	690	697	813	918	1,038	1,106	1,173
Population, mn	38.4	38.1	37.9	37.8	37.6	37.5	37.4	37.4	37.4
Real GDP, yoy avg	4.4	-2.0	6.9	5.3	0.2	3.0	3.6	3.5	2.9
Private consumption growth % yoy	3.5	-3.6	6.2	5.0	-0.3	2.9	3.7	2.9	3.5
Real investment growth % yoy	0.5	-7.5	19.4	7.7	-16.6	4.7	4.8	6.0	4.9
Real export growth, % yoy	5.3	-1.1	12.3	7.4	3.7	2.0	4.5	5.0	4.7
Real import growth, % yoy	3.2	-2.4	16.3	6.8	-1.5	4.5	5.6	5.8	6.9
Net export contribution to growth	1.7	0.8	-1.9	0.8	4.1	-1.7	-0.5	-0.3	-1.4
Unemployment, % of labour force	5.2	6.8	5.8	5.2	5.1	5.1	5.7	5.8	5.7
External (US$bn)									
Current account	-1.6	14.4	-9.2	-15.7	12.5	2.8	-8.9	-17.1	-22.3
% of GDP	-0.3	2.4	-1.3	-2.2	1.5	0.3	-0.9	-1.5	-1.9
Trade balance	-4.9	7.9	-9.1	-23.2	5.1	-6.7	-15.2	-24.8	-28.9
FDI, net	13.7	14.8	27.3	29.3	23.3	10.6	12.6	13.0	13.0
External debt	355.8	378.1	367.0	375.2	432.1	461.4	544.2	590.3	635.3
Short-term debt	57.0	61.3	62.4	66.6	74.9	82.1	78.8	83.0	88.0
International reserves	128.4	154.2	166.0	166.7	193.8	223.1	271.1	287.4	301.7
Public Finances, % of GDP									
Consolidated government balance	-0.7	-6.9	-1.7	-3.4	-5.2	-6.5	-7.3	-6.9	-6.7
Consolidated gov primary balance	0.6	-5.6	-0.6	-1.8	-3.1	-4.3	-4.8	-4.1	-3.8
Public debt	42.8	47.1	43.2	39.0	38.9	44.1	49.1	52.9	56.7
External public debt	21.8	22.3	17.4	17.1	17.5	17.9	24.0	25.7	27.2
Prices									
CPI, %yoy, eop	3.4	2.4	8.6	16.6	6.2	4.7	2.4	3.8	3.0
CPI, %yoy, avg	2.3	3.4	5.1	14.3	11.5	3.6	3.6	3.0	3.3
PLN/EUR, eop	4.25	4.56	4.59	4.69	4.34	4.28	4.22	4.31	4.30
PLN/EUR, avg	4.30	4.44	4.57	4.68	4.54	4.31	4.24	4.31	4.30
Policy Interest Rate, % eop	1.50	0.10	1.75	6.75	5.75	5.75	4.00	3.75	3.75
Long-term yield, %, eop	2.07	1.25	3.71	6.88	5.25	5.89	5.18	5.30	4.90
Nominal wages, % yoy	6.5	4.7	8.8	13.0	11.9	11.0	8.1	6.3	5.7
Quarterly Economic Indicators									
	2025 Q4	2026 Q1	2026 Q2F	2026 Q3F	2026 Q4F	2027 Q1F	2027 Q2F	2027 Q3F	2027 Q4F
GDP, % yoy	4.1	3.5	3.5	3.4	3.4	3.3	3.1	2.8	2.5
CPI, %yoy, avg	2.6	2.4	2.9	3.0	3.6	3.5	3.5	3.3	3.1
PLN/EUR, eop	4.22	4.29	4.23	4.33	4.31	4.30	4.30	4.30	4.30
Policy interest rate, %, eop	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75

Source: Citi Handlowy Forecasts, National Sources

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