

More or less cautious doves

TOP MACRO THEME(S):

- **Poland's housing market stabilizing at a lower equilibrium (p.3)** – Although transaction prices for residential properties in Poland's major cities remained largely unchanged y/y in 1q26, we expect a modest increase in average transaction prices over a one-year horizon.

WHAT ELSE CAUGHT OUR EYE:

- **POL: Poland's Monetary Policy Council left interest rates unchanged (the reference rate at 3.75%), in line with both our expectations and market consensus.** The Council reviewed updated projections of NBP staff for GDP and inflation. According to the central scenario, average CPI inflation will reach 2.9% in 2026 and 2.8% in 2027. In the near term, inflation will remain relatively high but stay within the target tolerance band. Starting from 3q27 it should be back at around 2.5%. During the press conference, NBP Governor A.Glapinski described sentiment within the MPC as moderately dovish. He added that he is personally less cautious than most of Council members and did not rule out a 25bp interest rate cut this year. **In our view, the MPC might underestimate the scale of inflation rise in 2026, and the expected inflation path creates room for rate cuts only in mid-2027.**
- **ROM: The National Bank of Romania left interest rates unchanged, in line with expectations. The key policy rate stands at 6.50%** and has been kept at that level since August 2024. Interest rates in Romania remain the highest in the CEE region, but the still-elevated level of inflation – which stood at 10.85% y/y in May – continues to preclude rate cuts for the time being. The central bank expects inflation to ease slightly in June and to decline more markedly in 3q26, mainly due to base effects – namely, the fading impact of the removal of electricity price caps and the increase in indirect taxes introduced as part of fiscal consolidation. **We expect the NBR to keep interest rates unchanged in the coming months, with limited room for a 25bp cut emerging in 4q26, provided that underlying inflationary pressures indeed moderate.**
- **POL: The registered unemployment rate fell to 5.8% in June from 5.9% in May.** The preliminary estimate from the Ministry of Labour was in line with market expectations. The number of unemployed persons in June stood at 903k, down by 13.2k compared with May. Last year, the number of unemployed increased at this time of the year due to the reform of labour offices, but this year's decline was slightly smaller than that usually observed in June in previous years. The increase in the seasonally adjusted unemployment rate observed since the beginning of 2026 reflects a significant reduction in financing for activation programmes and does not indicate a deterioration in labour market conditions.

THE WEEK AHEAD:

- **This week, the key releases will be the June inflation data from the CEE region** – Poland's final CPI reading and inflation figures from Romania. In the former case, we expect confirmation of the decline in inflation to the 2.5% target, while in the latter inflation may also have eased, but is likely to have remained in double digits.
- Regional **balance of payments data** for May will show the impact of the sharp rise in crude oil prices on the countries' external balance.

Macroeconomic Research Bureau

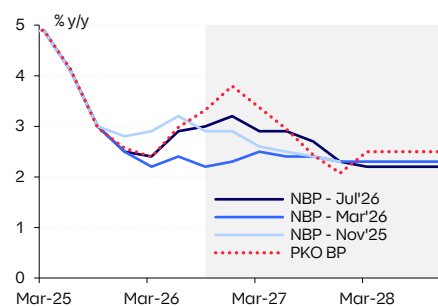
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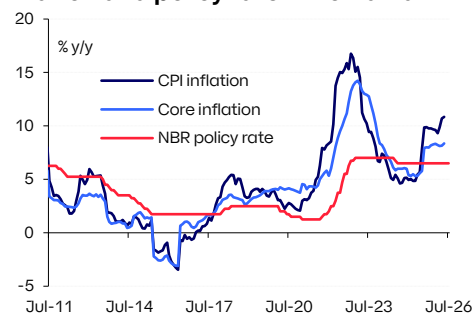
Chart(s) of the week:

Projected inflation path in Poland



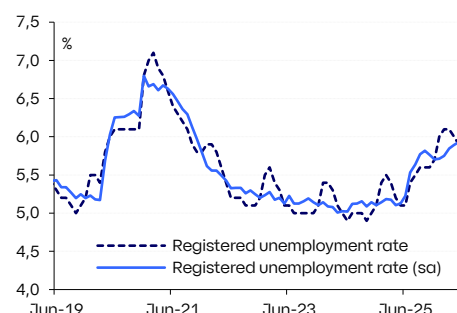
Source: NBP, PKO Bank Polski.

Inflation and policy rate in Romania



Source: Macrobond, PKO Bank Polski.

Registered unemployment rate in Poland

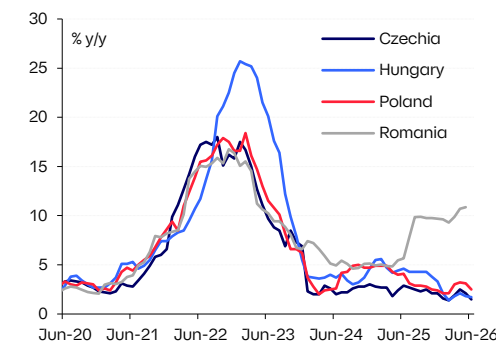


Source: Statistics Poland, PKO Bank Polski.

CEE macro review

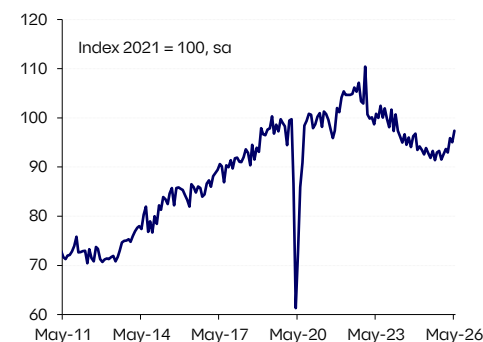
- CZE: CPI inflation eased to 1.5% y/y in June from 2.1% y/y in May**, coming in well below expectations (1.8% y/y). The decline was driven primarily by a slowdown in fuel prices (+14.9% y/y % y/y vs 26.3% y/y) and deeper decline of food prices (-3.4% y/y % y/y vs. -1,9%/y/y). Core inflation moderated to 2.8% y/y from 2.9% y/y in May. **The data do not determine the future path of interest rates, although they reduce the likelihood of further rate hikes.** We expect interest rates to remain unchanged in the coming months, although the prospect of monetary tightening in the autumn remains, as inflation is expected to pick up.
- HUN: CPI inflation slowed to 1.7% y/y in June from 1.8% y/y in May**, coming in below expectations (1.8% y/y). Core inflation remained unchanged at 2.0% y/y, the level it has hovered around for the fifth consecutive month. The slowdown in inflation was broad-based – food price deflation deepened to 2.4% y/y from 2.1% y/y in May, while fuel and energy prices declined by 2.3% y/y compared with a 2.0% y/y fall in May. **The data support expectations of further monetary policy easing by the MNB.** The bank signalled after its latest meeting that another interest rate cut could come as early as July.
- HUN: Industrial output increased by 4.9% y/y (sa) in May, accelerating from 1.2% y/y in April.** Since the beginning of the year, industrial output has risen by more than 5%, marking the first sustained multi-month increase since the end of 2022. A key driver of the recovery is the automotive sector, including the launch of new manufacturing plants. The upward trend is expected to continue in the coming months, although difficulties facing the European automotive industry may constrain growth momentum in the medium term.
- CZE: Industrial production rose by 2.0% y/y in May, following a 1.5% y/y increase in April**, with the data coming in above expectations. The increase in industrial production in May was driven primarily by the manufacture of motor vehicles, trailers and semi-trailers, as well as the manufacture of fabricated metal products.
- HUN: Retail sales increased by 4.9% y/y (sa) in May, up from 3.2% y/y in April.** The data confirm the continued recovery in private consumption that has been underway since the end of 2023, supported by earlier fiscal measures. The strongest driver of growth was non-food retail sales, including clothing, electronics and durable goods. This points to improving consumer sentiment and a greater propensity to spend, which should continue to support GDP, with growth in 2q26 most likely having accelerated compared with the previous quarter.
- CZE: Retail sales increased by 4.0% y/y in May, accelerating from 1.6% y/y in April.** The acceleration was mainly driven by fluctuations in food sales. Fuel sales remained weak due to high prices and, in part, because of cross-border purchases in neighbouring countries. The outlook remains favourable – lower fuel prices and continued strong wage growth should support consumption in the coming months. GDP growth in 2q26 is likely to remain broadly in line with the previous quarter, although this would still represent a slowdown compared with the growth rates recorded in the previous year.
- ROM: Retail sales fell by 4.8% y/y (sa) in May, following a 6.2% y/y decline in April.** The level of retail sales has fallen by more than 5% since mid-2025, when the first package of tax rate increases came into effect. Weaker consumer demand, the main component of GDP, reinforces our forecast that this year's GDP dynamics will be negative.
- CEE:** Last week, Poland's surprise index remained negative, in contrast to the generally better-than-expected data from Czechia and Hungary.

CPI inflation in CEE region



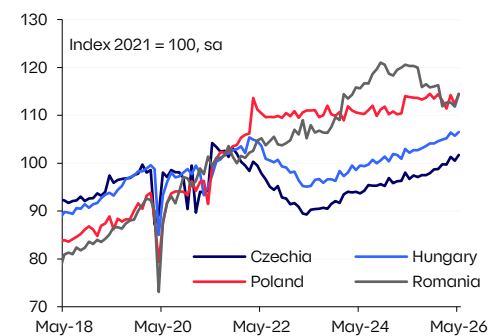
Source: Macrobond, PKO Bank Polski.

Industrial production in Hungary



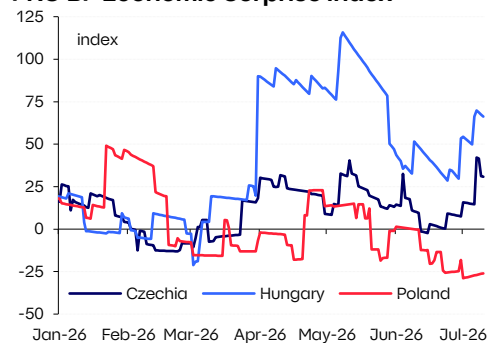
Source: Macrobond, PKO Bank Polski.

Retail sales in CEE region



Source: Eurostat, PKO Bank Polski.

PKO BP Economic Surprise Index



Source: Macrobond, PKO Bank Polski.

Note: We described the methodology of the index in [CEE Macro Weekly](#) issued on 29 May 2026.

Poland's housing market stabilizing at a lower equilibrium

- Transaction prices for residential properties in Poland's major cities remained largely unchanged y/y in 1q26. Housing prices continued to be shaped by a high level of supply alongside stronger demand, supported by NBP rate cuts and rising household incomes. Decisions to purchase a home may also have been accelerated by the perceived risk of renewed monetary policy tightening, driven by the conflict in the Middle East.
- Over a one-year horizon, we expect the housing market to remain stable, with a modest increase in average transaction prices. This outlook is supported by stronger demand underpinned by rising household incomes, gradually declining housing supply and rising construction costs. The housing market is also supported by the recent de-escalation of tensions in the Middle East compared with the previous quarter, which may contribute to lower inflation and a resumption of NBP rate cuts.

In 1q26, lending activity delivered very strong results. According to the Polish Bank Association (ZBP), banks granted 73.1k mortgage loans, up 52% y/y, with a total value of PLN 33.4bn (+69% y/y). The share of refinancing in mortgage lending rose to 30%, compared to around 20% in the second half of 2025. Demand for mortgages remains elevated. In May 2026, the monthly value of credit inquiries increased by 33% y/y. The average loan amount requested reached PLN 505.5k (+8% y/y).

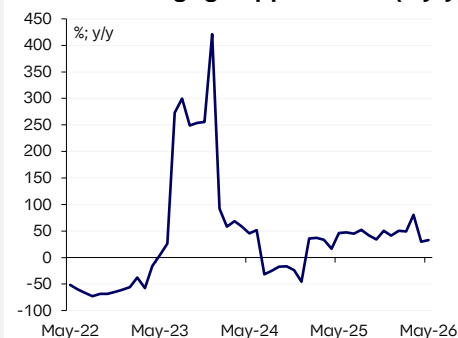
According to JLL's monitoring, the supply of developer-built apartments across the seven largest metropolitan areas fell to 68 800 units in 1q26 (from 69 900 in 4q25). This was driven by robust sales of 12.9k units, coupled with a reduction in the number of new apartments launched to 10.3k. The average sales period for apartments listed on the market shortened slightly to 5.3 quarters (vs. 6.0 quarters in 4q25).

Developers are adapting to current market conditions. Accounting data from large developers (those with over 49 employees) indicate a decline in the number of residential projects under construction and a slowdown in the y/y growth of the pool of completed apartments-for-sale.

Over the next year, our baseline scenario anticipates market stabilization accompanied by a modest increase (in the 3–4% range) in average residential transaction prices. This trend will be supported by rising demand, driven by growing household incomes and improved creditworthiness. On the supply side, significant factors pointing toward price increases are gradually accumulating: (1) a slowly shrinking housing supply resulting from fewer developer-led units entering the market and a reduction in new projects starting in 1q25 (15% fewer apartments started in 2025, similarly in 1q26); (2) costs associated with updated technical building standards, the implementation of Integrated Investment Plans, and the so-called "Civilian Shelter Act"; (3) high construction service costs; and (4) rising prices for residential development land, driven by potential supply constraints following the adoption of new municipal general plans. While the outlook for consumer-driven housing demand is moderately positive, investment demand continues to be negatively affected by significant regulatory uncertainty regarding the rental market, proposals to tax multiple-property ownership, and the potential introduction of value based property tax.

Over a 10-year time horizon, in the baseline scenario, we anticipate moderate development of the residential real estate market. The population decline projected by Statistics Poland (GUS), unless offset by immigration inflows, will weaken quantitative demand. However, the market will place growing importance on quality. Market demand will be increasingly driven by the rising aspirations of the younger generation, suburbanization, the need to replace dilapidated housing stock, and the requirements of immigrants.

Value of mortgage applications (% y/y)



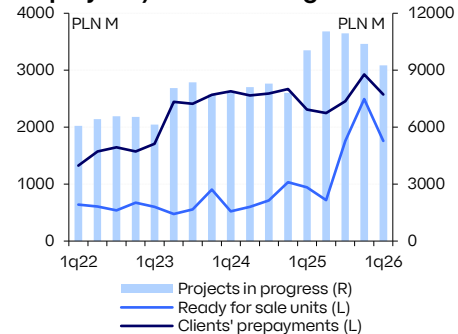
Source: Credit Information Bureau, PKO Bank Polski.

Average selling time of apartments (in quarters)



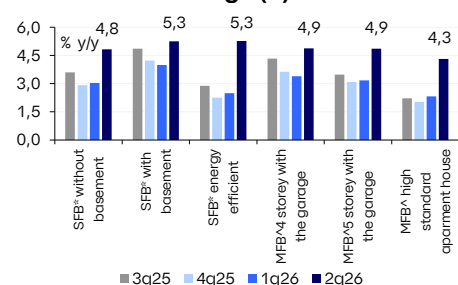
Source: JLL, PKO Bank Polski.

Activity of large developers (over 49 employees) in accounting records



Source: Statistics Poland, PKO Bank Polski.

Change in construction costs – selected residential buildings (%)



*single-family building, ^multi-family building

Source: SEKOCENBUD, PKO Bank Polski

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday. 13 July						
ROM: CPI inflation (Jun)	7:00	% y/y	10.85	10.5	--	--
ROM: Wages (May)	7:00	% y/y	3.5	--	--	--
Tuesday. 14 July						
CZE: C/A balance (May)	9:00	CZK bn	1.18	--	--	--
POL: Current account balance (May)	13:00	EUR bn	-1558	-1569	-1228	Exports likely continued to grow in May, while imports were pushed up by higher oil prices.
POL: Exports (May)	13:00	% y/y	6.6	6.1	5.6	
POL: Imports (May)	13:00	% y/y	7.8	7.5	8.2	
USA: CPI inflation (Jun)	13:30	% y/y	4.2	3.9	--	--
USA: Core inflation (Jun)	13:30	% y/y	2.9	2.9	--	--
Wednesday. 15 July						
CHN: GDP growth (2q)	3:00	% y/y	5.0	4.5	--	--
ROM: Industrial Output (May)	7:00	% y/y	-3.1	--	--	--
POL: CPI inflation (Jun. final)	8:30	% y/y	3.1	2.5	2.5	Final reading will likely confirm that inflation in June returned to the NBP target.
EUR: Industrial production (May)	10:00	% y/y	0.3	--	--	--
USA: PPI inflation (Jun)	13:30	% y/y	6.5	--	--	--
ROM: Current Account YTD (May)	--	EUR bn	-7.98	--	--	--
Thursday. 16 July						
EUR: Trade balance (May)	10:00	bn	1.3	--	--	--
POL: Core inflation (Jun)	13:00	% y/y	3.1	3.1	3.0	Core inflation could have inched down, as the effects of higher fuel prices are limited.
USA: Retail sales (Jun)	13:30	% m/m	0.9	0.3	--	--
USA: Initial Jobless Claims ()	13:30	thous	215	--	--	--
USA: Retail sales excl. autos (Jun)	13:30	% m/m	0.8	-0.1	--	--
Friday. 17 July						
EUR: HICP inflation (Jun. final)	10:00	% y/y	3.2	2.8	--	--
EUR: Core inflation (Jun. final)	10:00	% y/y	2.6	2.4	--	--
USA: Housing starts (Jun)	13:30	mn	1.177	1.32	--	--
USA: Building Permits (Jun. flash)	13:30	mn	1.41	1.408	--	--
USA: Industrial production (Jun)	14:15	% m/m	0.1	0.2	--	--
USA: University of Michigan sentiment (Jul. flash)	15:00	pts.	49.5	51.3	--	--

Source: GUS, NBP, Parkiet, PAP, Bloomberg, Reuters, PKO Bank Polski. Parkiet for Poland, Bloomberg, Reuters for others.

Monetary policy monitor

MPC Members	Hawk-o-meter*	Recent policy indicative comments^
J. Tyrowicz	4.9	"(Are interest rates in Poland currently at an appropriate level?) In my view, no. If we follow empirical estimates suggesting that neutral real interest rates in Poland - i.e. rates that neither stimulate nor slow the economy - are around 1-1.5pp, then with inflation expectations having exceeded 4% and inflation itself above 3%, the main policy rate at 3.75% effectively amounts to an easing of monetary policy." (19.05.2026, Rzeczpospolita)
I. Dabrowski	3.1	"If we are talking about a possible change in interest rates in the future, then based on the data we currently have, a cut is more likely than a hike. [...] One or two months ago, we expected a much worse scenario than the one that is currently materialising. [...] There is a very small chance that there will be one small interest rate cut later this year." (12.06.2026, Bloomberg via PAP BIZNES)
A. Glapinski	2.9	"I'm decidedly dovish. (...) I don't rule out that if the situation remains unchanged, I may file a motion for a quarter-point cut after the summer break." (9.07.2026, Bloomberg)
M. Zarzecki	2.9	"The time for interest rate cuts has passed, and we are now thinking in terms of a pause or - in a less likely scenario - the need to raise rates." (12.05.2026, PAP Biznes)
G. Maslowska	2.9	"At present, interest rate cuts are more likely than rate hikes." (9.06.2026, Bloomberg)
I. Duda	2.8	"The baseline scenario for the coming months is interest rate stabilisation." (18.06.2026, Dziennik Gazeta Prawna via PAP Biznes)
H. Wnorowski	2.8	"Discussing such a motion (rate cut) today is purely a seminar exercise. Of course, we can speculate, but even in yesterday's remarks by the Governor there were many caveats and assumptions: if, if, if. In general, by September several of these 'ifs' may fail to materialise, while others may emerge. In my view, this is a premature signal. At this stage, I see a major difficulty in supporting such a motion" (10.07.2026, Biznes24 via PAP Biznes, PKO translation)
W. Janczyk	2.8	"Poland will likely keep interest rates unchanged in coming quarters as inflation is set to stay within the central bank's tolerance range despite pressures from the Iran war." (13.04.2026, Bloomberg)
P. Litwiniuk	2.3	"If price developments triggered by the conflict in the Middle East were to lead to a loss of anchor, or a threat of a loss of anchor, in inflation expectations, and to an increased risk of an impact on prices and wages, then the Council should be, and is, ready to raise interest rates." (13.05.2026, PAP Biznes)
L. Kotecki	2.2	"It is too early to declare support or a lack of support for any potential motion to cut rates after the summer. If such a motion is submitted, we will examine it. We will see what information comes in by September. That said, I absolutely agree with the assessment that the Council is dovish. That was clearly visible at the last meeting." (10.07.2026 PAP Biznes)

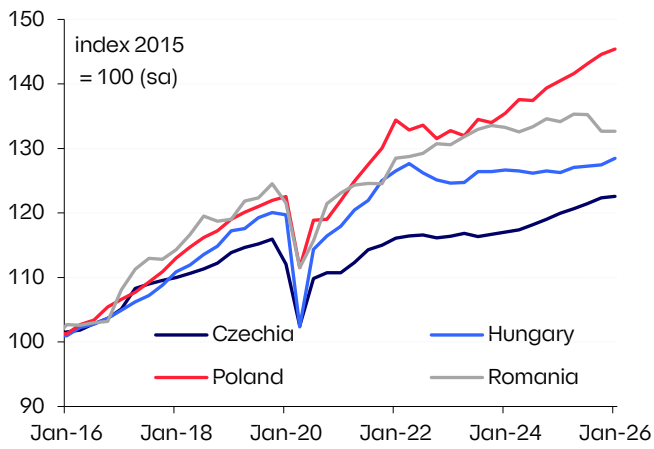
*The higher the indicator the more hawkish views. The positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5). ^Quotes in bold have been modified in this issue of Poland Macro Weekly.

Selected comments from central bankers in other CEEs

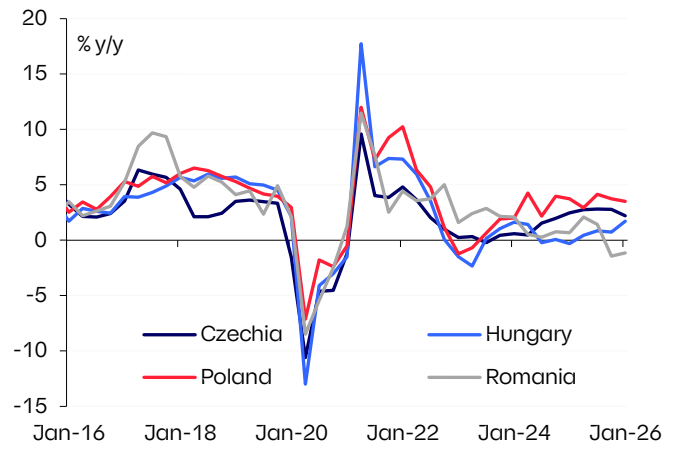
CNB	"[On the interest rate hike in June] It was a pre-emptive response aimed at minimising the secondary effects of the shock in oil prices. At this point, we do not see it as the start of a new monetary policy tightening cycle." Deputy Governor E. Zamrazilová (22.06.2026, Moravec.cz via CNB)
MNB	"Clearly, we have a better-than-expected inflation data as we speak. There is also an improvement in risk premia. (...) As a result, potentially the required rate to achieve and maintain price stability might be lower." Deputy Governor Z. Kurali (8.06.2026, Reuters)
NBR	"Thus, the central bank's approach so far, a conditional wait-and-see, is likely to continue for some time, even if other central banks may decide to act. Given the current monetary conditions and disinflation estimates, the central bank's conduct is relatively well positioned to navigate the current uncertainties." Deputy Governor C. Marinescu (12.05.2026, Bloomberg)

CEE macro chartbook

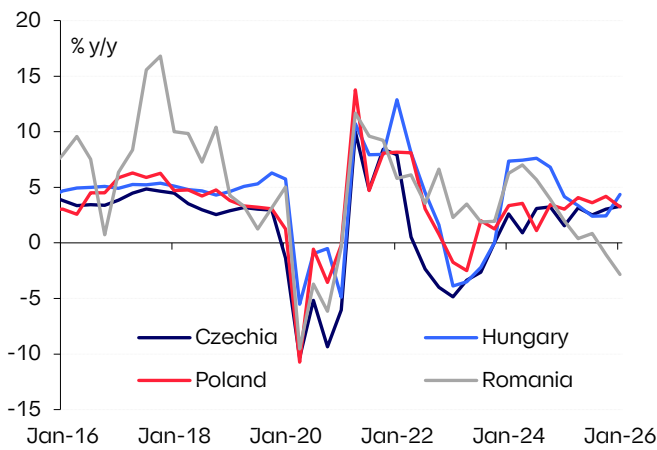
GDP level



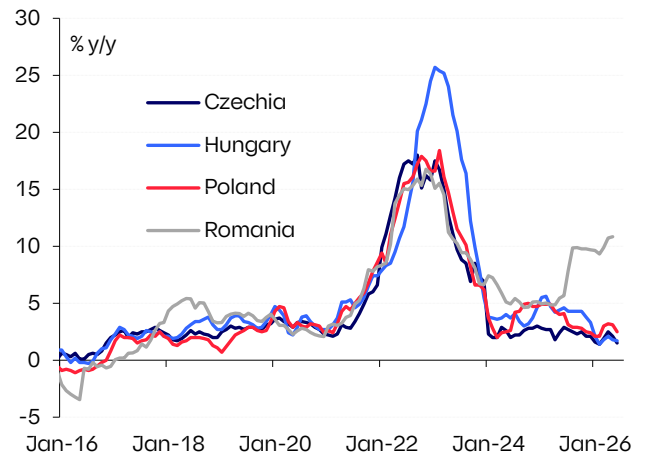
GDP growth



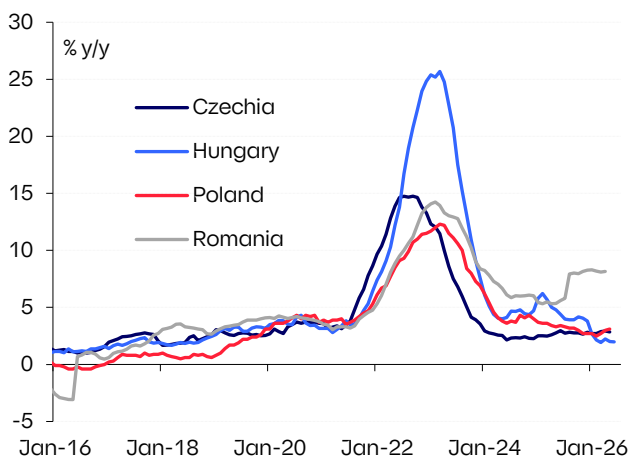
Private consumption growth



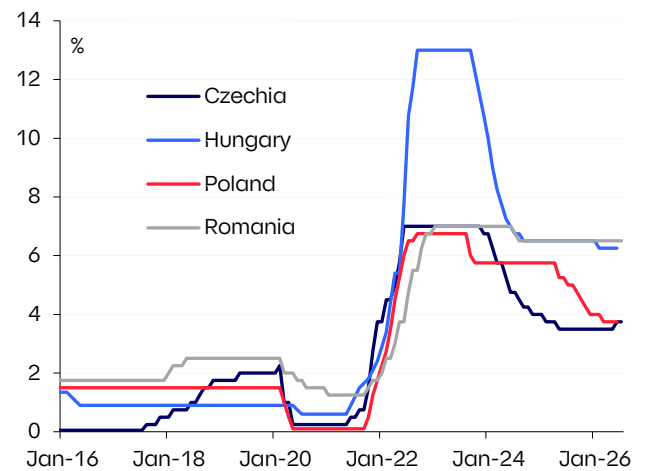
CPI inflation



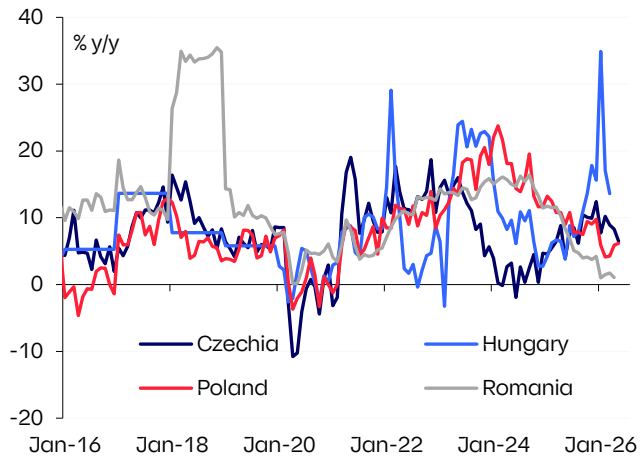
Core CPI inflation



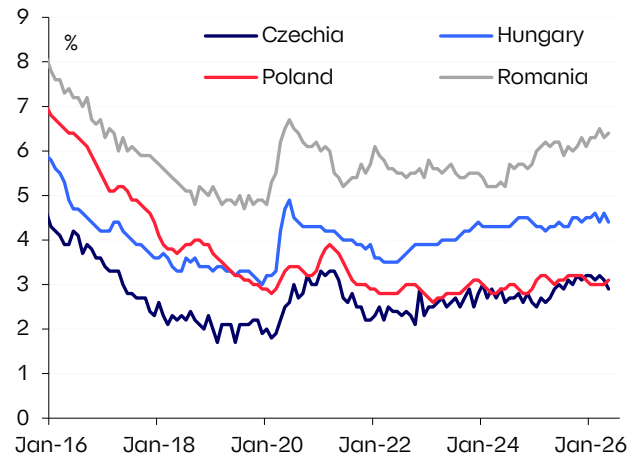
Interest rates (policy rates)



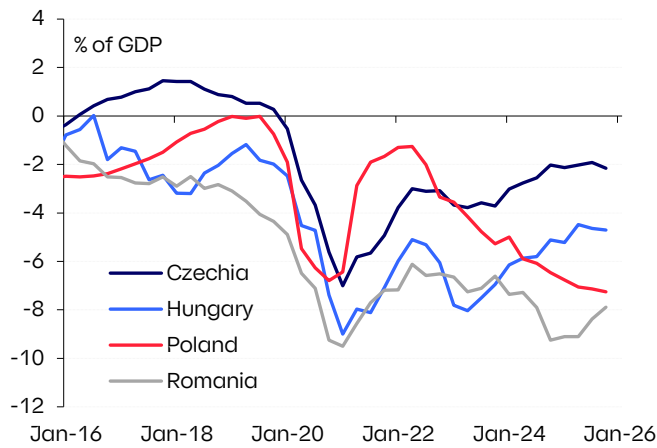
Wages*



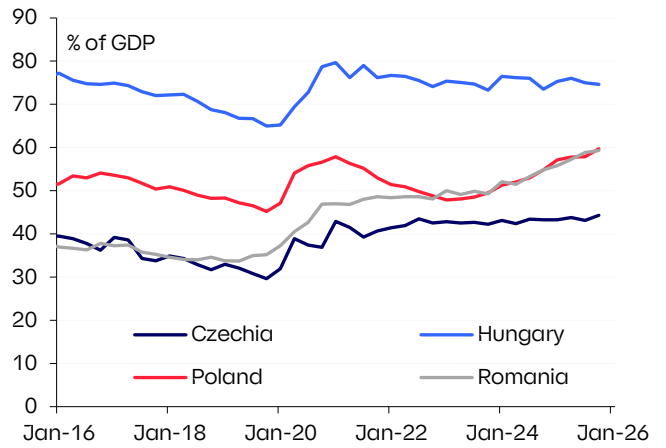
Harmonised unemployment rate



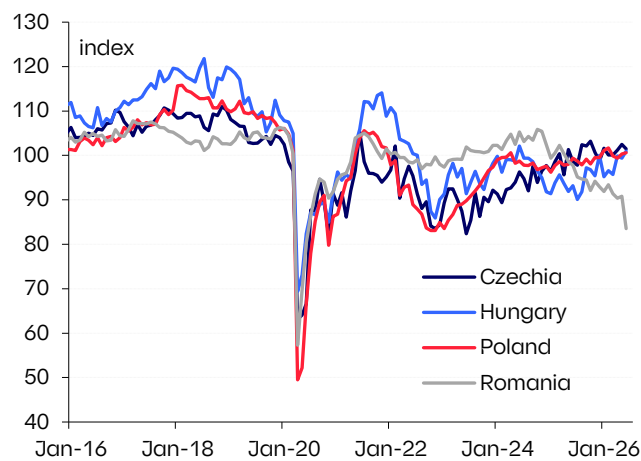
Fiscal deficit (ESA)



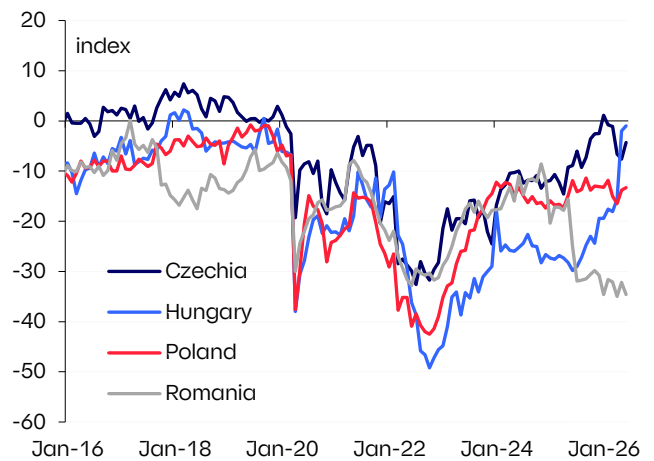
Public debt



ESI



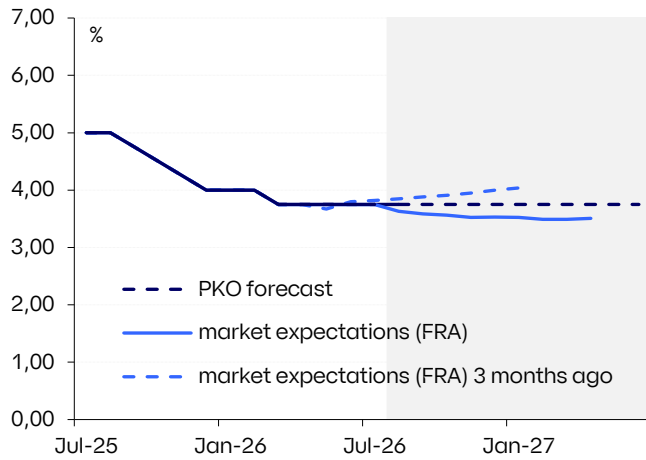
Consumer confidence ESI



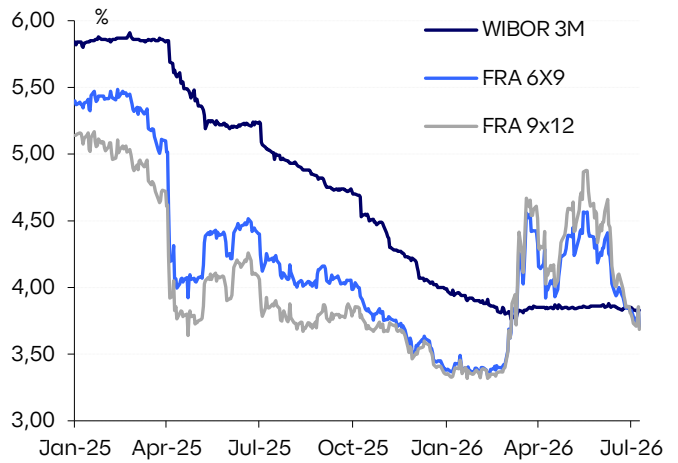
Source: Macrobond, GUS, INSSE, CZSO, KSH, PKO Bank Polski. *for Czechia wages in industry, for Hungary – national economy, Poland and Romania – enterprise sector.

Poland macro chartbook

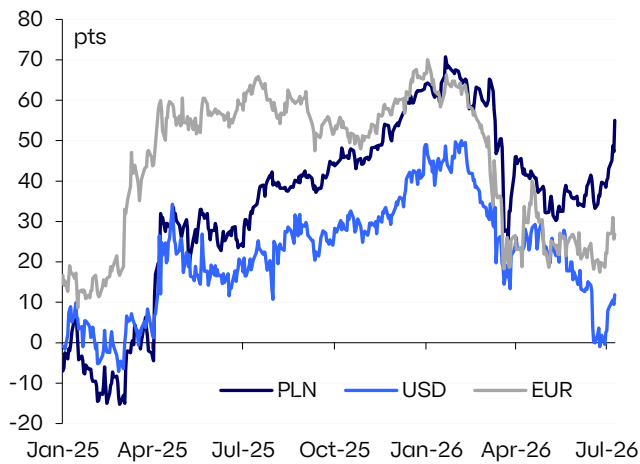
NBP policy rate: PKO BP forecast vs. market expectations



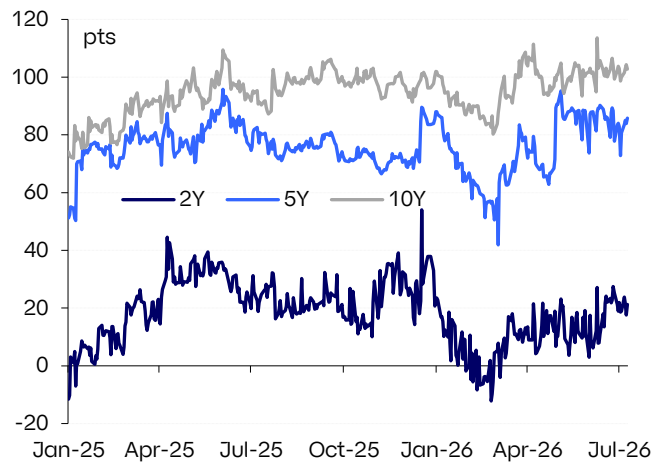
Short-term PLN interest rates



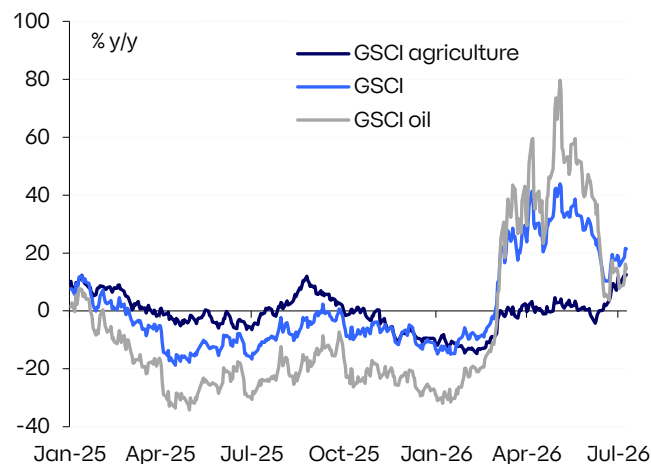
Slope of the swap curve (spread 10Y-2Y)*



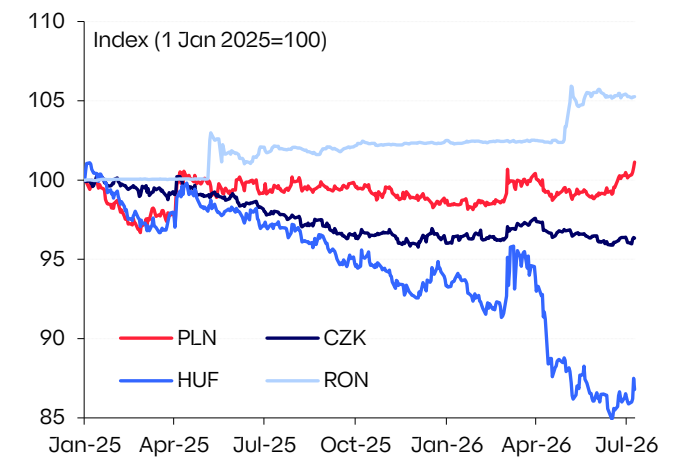
PLN asset swap spread



Global commodity prices (in PLN)

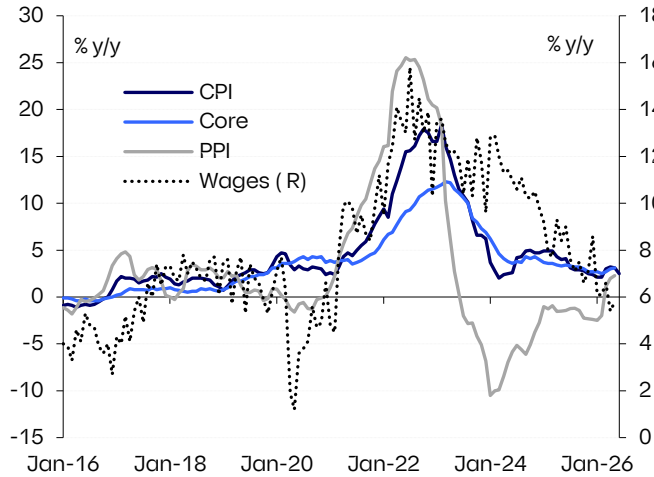


Selected CEE exchange rates against the EUR

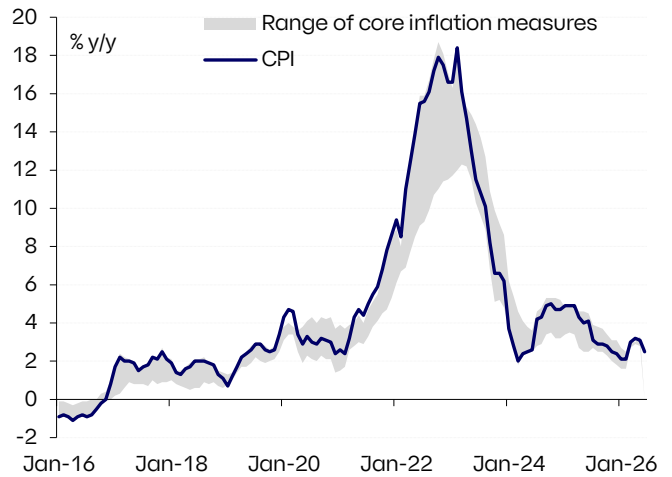


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

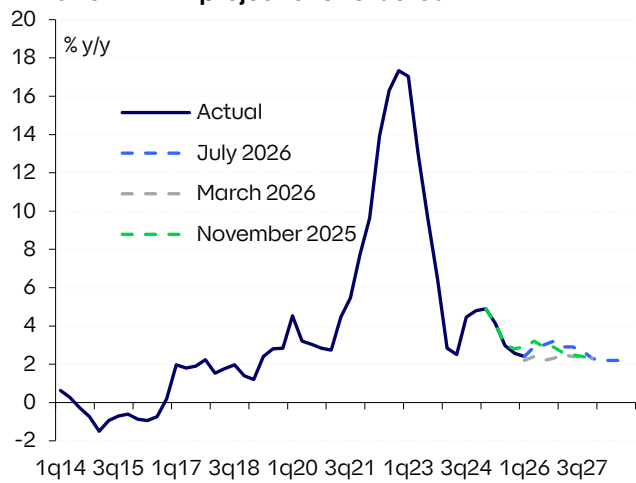
Broad inflation measures



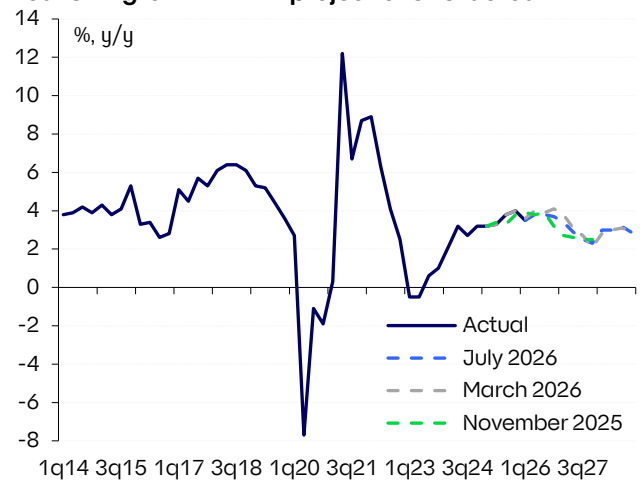
CPI and core inflation measures



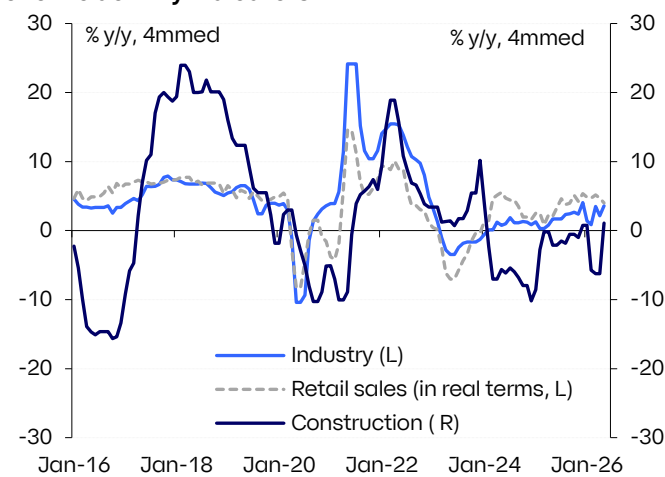
CPI inflation – NBP projections vs. actual



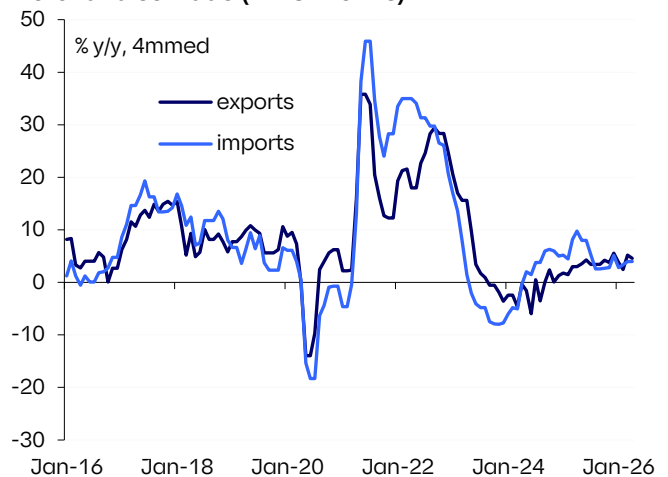
Real GDP growth – NBP projections vs. actual



Economic activity indicators

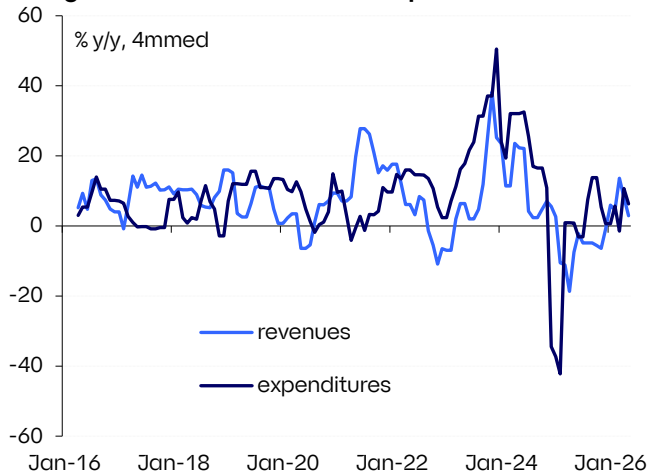


Merchandise trade (in EUR terms)

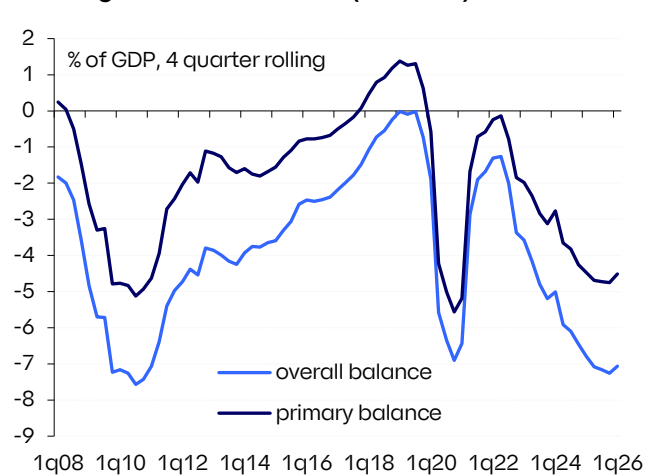


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

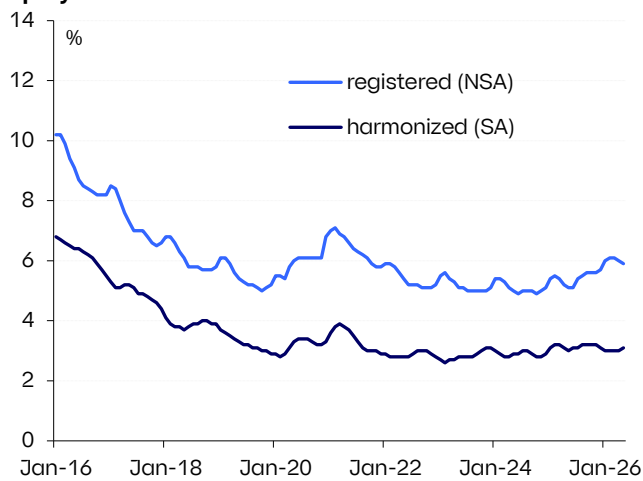
Central government revenues and expenditures*



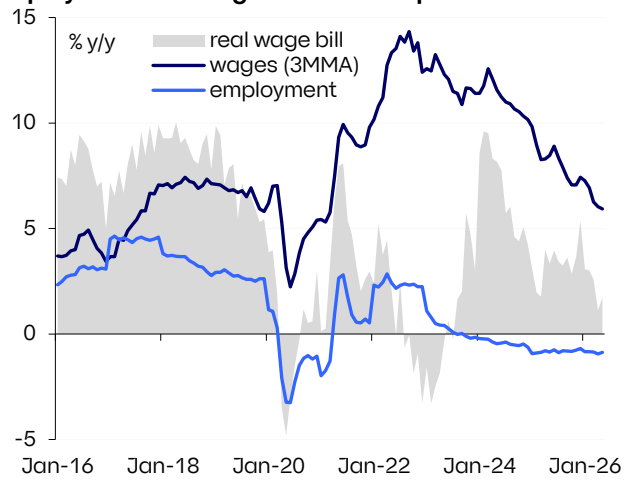
General government balance (ESA2010)



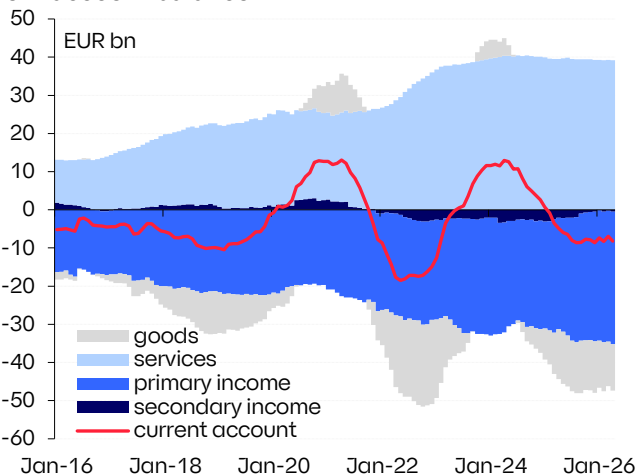
Unemployment rate



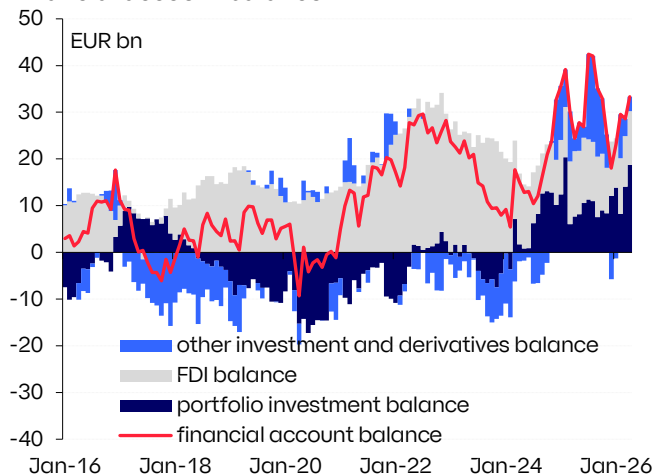
Employment and wages in the enterprise sector



Current account balance



Financial account balance



Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

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