CEE Macro Weekly

Macro Research

31 July 2026

Bank Polski | Centrum Analiz

Higher inflation does not close the door on a rate cut

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TOP MACRO THEME(S):

- **A surge in fuel prices pushed inflation higher (p.3) –** CPI inflation in Poland rose to 3.0% y/y in July from 2.5% in June, broadly in line with expectations. Our estimates show that core inflation edged up to 3.1% y/y. Fuel prices increased by 13.9% m/m adding around 0.6pp to inflation.

WHAT ELSE CAUGHT OUR EYE:

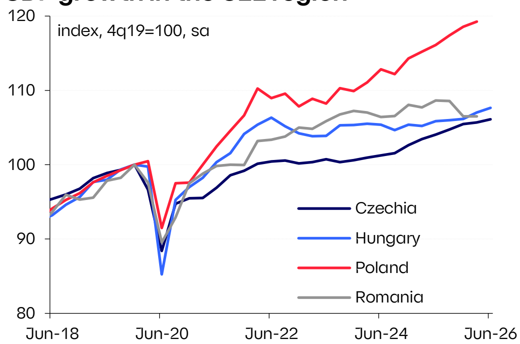
- **CEE: S&P assesses that the energy price shock associated with the conflict in the Middle East has worsened the outlook for the CEE economies.** The agency has lowered its forecast for the region's average GDP growth in 2026 by 0.4pp to 2.0%, while simultaneously raising its inflation, fiscal deficit and current account deficit forecasts. **The forecast for Romania has been revised down the most**, with its economy expected to remain stagnant in 2026 before rebounding by 2.5% in 2027. **Poland remains the fastest-growing economy in the region** despite the downward revision of its growth forecast from 3.3% to 2.9%, which we consider unjustified. GDP growth in 2026 is expected to reach 2.1% y/y in Czechia and 1.3% y/y in Hungary. **Rating outlooks remain slightly negative**, as countries across the region continue to grapple with high deficits, rising debt servicing costs, defence spending and political tensions. In 2h26, S&P will closely monitor the pace of fiscal consolidation, the absorption of EU funds, the implementation of reforms and policymakers' response to higher energy prices. The greatest rating pressure is concentrated in countries with significant fiscal imbalances and weaker economic policy credibility, particularly Romania, Hungary and Poland.
- **CZE: Moody's rating agency affirmed the Czech Republic's long-term rating at Aa3** (equivalent to AA– from S&P and Fitch) with a stable outlook, citing solid economic growth, strong institutions, effective policymaking and relatively low, albeit rising, public debt burden.
- **POL: Prime Minister D. Tusk said that if fuel prices start rising again, the government might propose a solution reintroducing regulated fuel prices for at least the final two weeks of the summer holidays.** Deputy Energy Minister K. Wojnarowski clarified that a limited version of the CPN programme could involve cutting the VAT rate on fuel at the end of the summer holidays, and work on this is already under way with the Ministry of Finance.

THE WEEK AHEAD:

- This week, the focus will be on inflation. We forecast that CPI inflation in Czechia (Wednesday) accelerated to 1.7% y/y in July from 1.5% y/y in June, while in Hungary (Friday) it declined to 1.5% y/y from 1.7% y/y a month earlier.
- On Thursday, the Czech National Bank will hold its meeting and, in our view, will keep interest rates unchanged, including the 2-week repo rate at 3.75%.
- In Poland, the July manufacturing PMI will also be released (Monday), although its usefulness is limited.

Chart(s) of the week:

GDP growth in the CEE region



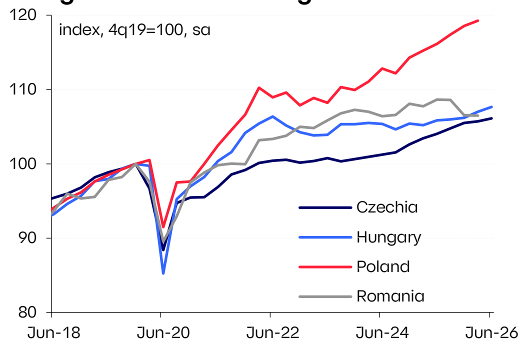
Source: Macrobond, PKO Bank Polski.

 CEE Macro Weekly covers Poland, Czechia, Hungary and Romania.

CEE macro review

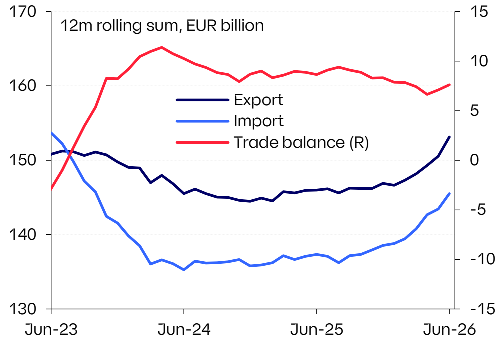
- **HUN: According to preliminary data, GDP growth in 2q26 stood at 1.7% y/y, unchanged from 1q26 and somewhat below expectations (cons.: 1.9% y/y).** On a q/q basis, the economy expanded by 0.4% (sa). The main drivers of growth were services, particularly professional, scientific, technical and administrative activities, as well as industry, while agriculture had a negative contribution. New production capacity in the automotive sector remains a key growth driver. Lower inflation and fiscal policy easing are not yet visible in economic activity data.
- **CZE: According to preliminary data, GDP growth in 2q26 stood at 2.0% y/y, slowing from 2.2% y/y in 1q26, and was slightly below expectations (cons.: 2.2% y/y).** On a quarterly basis, GDP increased by 0.4%. Annual growth was driven by consumption and net exports, while investment had a negative impact. This marks a reversal of the previous pattern, when investment was the main growth driver and net exports weighed on growth. On the supply side, the improvement was supported by industry and most service sectors.
- **HUN: Exports (expressed in EUR) increased by 20.9% y/y in June** to EUR 14.9bn, while imports rose by 17.8% y/y to EUR 13.6bn. The strong growth rates were partly due to the appreciation of the HUF against the EUR – exports expressed in HUF increased by only 8.7% y/y, while imports rose by 6.5% y/y. The trade surplus in goods in June amounted to EUR 1.3bn.
- **ROM: The seasonally adjusted registered unemployment rate among people aged 15–74 stood at 6.3% in June,** compared with 6.4% in May. The number of unemployed people amounted to 511.6k and was 10.5k lower m/m. The unemployment rate among young people aged 15–24 increased again in 1q26, reaching 28.8%.
- **HUN: The Producer Price Index declined by 0.4% y/y in June,** following a 0.7% y/y fall in May. On a monthly basis, the PPI rose by 0.1%. Hungary is the only CEE economy experiencing PPI deflation.
- **CZE: M3 money supply rose by 6.3% y/y in June,** following a 5.3% y/y increase in May. Private-sector lending increased by 9.8% y/y, including loans to non-financial corporations, which also rose by 9.8% y/y – the fastest pace since November 2022. Loans to households increased by 10.4% y/y.
- **CEE: The PKO BP Economic Surprise Index declined this week by 7.5 pts in Czechia and by 5.8 pts in Hungary. In Poland, the index increased by 2.8 pts**. In Czechia and Hungary, the deterioration was driven primarily by negative surprises in 2q26 GDP data. In Poland, where July CPI inflation was in line with the consensus, the increase in the index resulted from a shift in the data window covering the last 90 days and the exclusion of negative surprises from three months ago.

GDP growth in the CEE region



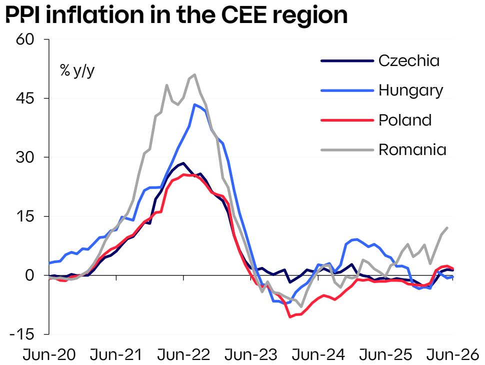
Source: Macrobond, PKO Bank Polski.

Trade balance in Hungary



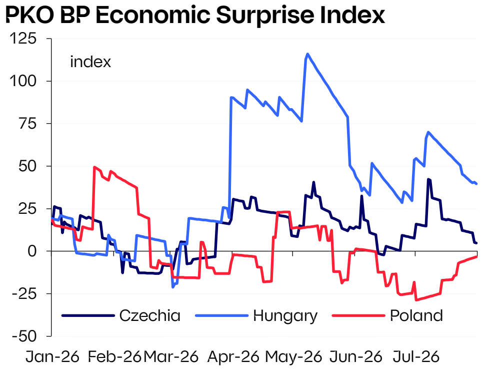
Source: Macrobond, PKO Bank Polski.

PPI inflation in the CEE region



Source: Macrobond, 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.

A surge in fuel prices pushed inflation higher

- **CPI inflation rose to 3.0% y/y in July from 2.5% in June, broadly in line with expectations. Our estimates show that core inflation edged up to 3.1% y/y.**
- **Fuel prices increased by 13.9% m/m and 15.8% y/y, driven by higher oil prices, a weaker PLN and the end of the CPN programme, adding around 0.6pp to inflation.**
- **Monetary policy is likely to remain biased toward rate cuts, but the inflation increase may delay further easing until mid-2027.**

CPI inflation in Poland rose to 3.0% y/y in July from 2.5% y/y in June. After four months of sizeable surprises in inflation readings, this time the data were in line with both the consensus and our forecast.

The main factor pushing inflation higher in July was the price of fuels and lubricants for personal transport equipment. Their 13.9% m/m increase reflected both global factors – another rise in oil prices – and domestic factors – the weakening of the PLN and the end of the CPN programme. In y/y terms, fuel prices were 15.8% higher in July, compared with just 5.3% in June, adding 0.6pp to inflation relative to the previous month. The scale of the increase in fuel prices reported by Statistics Poland is consistent with data from petrol stations.

Food prices have been exerting pressure in the opposite direction to fuel prices for several months. In July, they fell by 0.8% m/m, in line with the seasonal pattern. It is worth recalling that food prices also declined in May and June, significantly below their seasonal pattern. As a result, food prices are falling in y/y terms, with deflation in this category deepening to 0.4% in July from 0.2%. The future trajectory of food prices, alongside fuel prices, may determine whether inflation rises above the 3.5% y/y threshold in the coming months. Unfavourable weather conditions in 1h26, including frosts and drought, which adversely affected harvests, suggest that the current favourable trends will soon begin to reverse. However, rising imports, particularly of fruit and vegetables, may prolong the period of low food prices. Strong price competition among retail chains is also an important factor.

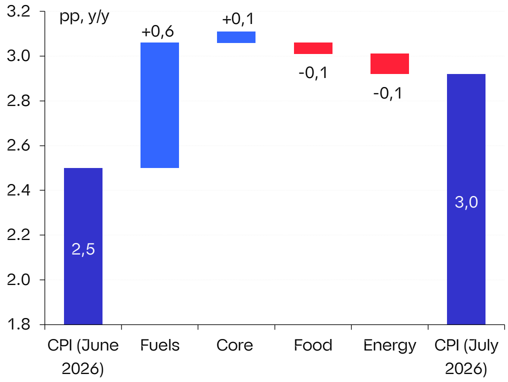
Energy prices increased only marginally in July, by 0.1% m/m. In July last year, the capacity fee was reinstated, pushing up energy prices at the time. This created a base effect, which caused annual energy price growth to slow to 4.0% from 4.8%, reducing CPI inflation by around 0.1pp. We assume that annual energy price growth will continue to decline gradually in the coming months.

We estimate that core inflation, excluding food and energy prices, increased slightly in July, to 3.1% y/y from 3.0% y/y. This would mean that the short-term momentum of this measure has weakened and remains slightly above 3% on an annualised basis. In our view, core inflation will remain within the 3.1–3.5% y/y range in the coming months.

The rise in CPI inflation may discourage the Monetary Policy Council from quickly resuming interest rate cuts, but it does not completely close the door on them. Although we assume that CPI inflation will move towards 4% y/y in the coming months, its rise above the 3.5% y/y threshold should be temporary. We also do not see any fundamental sources of inflationary pressure – wage growth is weakening, inflation expectations have returned to their previous levels, and there are no signs of second-round effects. From 3q27, we expect inflation to return sustainably to the NBP target. Consequently, the Monetary Policy Council's stance is unlikely to change significantly, and it will remain more inclined towards rate cuts than rate hikes.

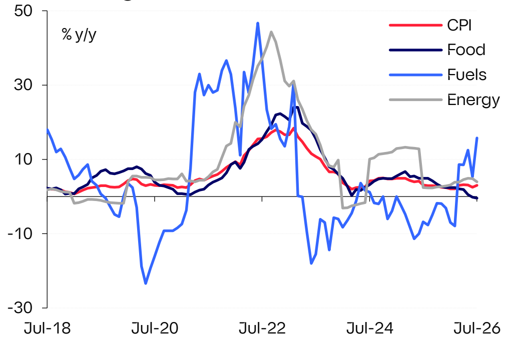
Unless inflation once again surprises to the downside in the coming months, we expect interest rate cuts to resume only in mid-2027, although we cannot entirely rule out an earlier start to monetary easing. An earlier cut could be prompted by fuel prices, food prices, which the NBP forecasts will be lower than in our scenario, as well as other factors (such as changes in the NBP Board, which could also affect the composition of the MPC).

Decomposition of CPI inflation change



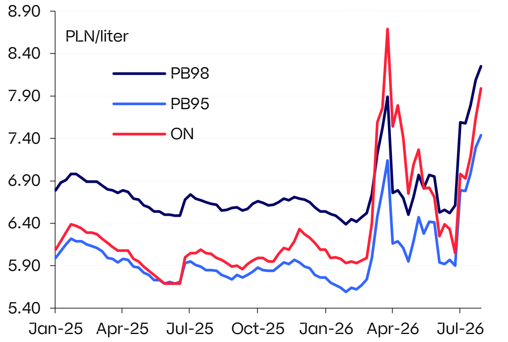
Source: Statistics Poland, PKO Bank Polski.

Main categories of CPI



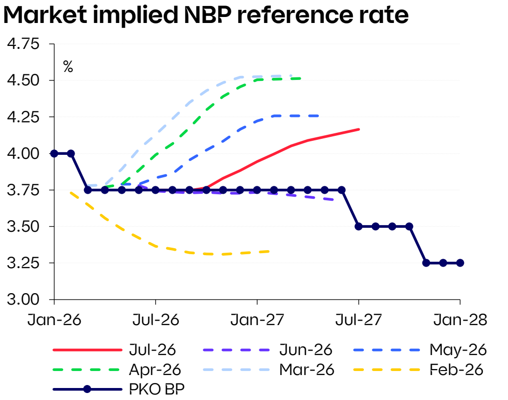
Source: Statistics Poland, PKO Bank Polski.

Fuel prices



Source: e-petrol, PKO Bank Polski.

Market implied NBP reference rate



Source: Bloomberg, PKO Bank Polski.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday. 3 August						
CHN: Manufacturing PMI (Jul)	2:45	pts.	51.7	52	--	--
POL: Manufacturing PMI (Jul)	**8:00**	**pts.**	**46.1**	**47.5**	**47.1**	**We forecast an increase in the manufacturing PMI, although weaker than the market consensus. Nevertheless, the PMI is disconnected from official industrial production data..**
GER: Manufacturing PMI (Jul. final)	8:55	pts.	50.3	52.2	--	--
EUR: Manufacturing PMI (Jul. final)	9:00	pts.	51.4	52.0	--	--
USA: Manufacturing PMI (Jul. final)	14:45	pts.	53.9	53.8	--	--
USA: ISM Manufacturing (Jul)	15:00	pts.	53.3	54.0	--	--
Tuesday. 4 August						
USA: Trade balance (Jun)	13:30	USD bn	-77.6	-73.0	--	--
USA: Factory orders (Jun)	15:00	% m/m	-1.3	0.4	--	--
USA: JOLTS Report (Jun)	15:00	--	7.594	7.250	--	--
USA: Durable goods orders (Jun. final)	15:00	% m/m	-4.0	0.3	--	--
Wednesday. 5 August						
CZE: CPI inflation (Jul. flash)	8:00	% y/y	1.5	1.8	1.7	--
GER: Services PMI (Jul. final)	8:55	pts.	48.6	49.6	--	--
EUR: Services PMI (Jul. final)	9:00	pts.	49.4	51.6	--	--
EUR: PPI inflation (Jun)	10:00	% y/y	5.9	--	--	--
USA: ADP National Employment (Jul)	13:15	thous.	98	75	--	--
Thursday. 6 August						
GER: Factory orders (Jun)	7:00	% m/m	1.9	1.0	--	--
ROM: Retail sales (Jun)	7:00	% y/y	-4.7	--	--	--
HUN: Industrial Output (Jun)	7:30	% y/y	5.4	5.2	--	--
HUN: Retail sales (Jun)	7:30	% y/y	4.8	5.0	--	--
CZE: Industrial Output (Jun)	8:00	% y/y	-1.0	--	--	--
EUR: Retail sales (Jun)	10:00	% y/y	1.6	--	--	--
CZE: Central bank meeting	13:30	%	3.75	3.75	3.75	We expect interest rates to remain unchanged until the end of 2026, with rate cuts resuming in 2027.
USA: Initial Jobless Claims	13:30	thous.	197	--	--	--
Friday. 7 August						
GER: Exports (Jun)	7:00	% m/m	0.9	0.5	--	--
GER: Imports (Jun)	7:00	% m/m	-2.5	--	--	--
GER: Industrial production (Jun)	7:00	% m/m	0.9	0.5	--	--
HUN: CPI inflation (Jul)	7:30	% y/y	1.7	1.5	1.5	We assume that CPI inflation slowed in July.
USA: Non-Farm Payrolls (Jul)	13:30	thous.	57	88	122	--
USA: Average Earnings (Jul)	13:30	% y/y	3.5	3.5	--	--
USA: Unemployment Rate (Jul)	13:30	%	4.2	4.2	--	--

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	"Admittedly, we currently have higher nominal interest rates than before Russia's invasion of Ukraine, so there is no risk of an inflation spike like the one in 2022, but in real terms - that is, taking into account the inflation expectations of consumers, businesses and even professional analysts - interest rates in Poland currently remain at a level that stimulates the economy - not even at a neutral level, let alone a restrictive one". (21.07.2026, Dziennik Gazeta Prawna via PAP Biznes)
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	"From today's perspective, a hike seems to me even more likely than a rate cut as the Council's next move in the first quarter of 2027. (...) Easing monetary policy in September, or more broadly this year, would be a premature move burdened with significant risk of error, which I would not be inclined to support." (14.07.2026, Bloomberg)
G. Maslowska	2.9	"The NBP's July projection points more towards the prospect of the next move being an interest rate cut, probably still in 2026. It can be said with a high degree of confidence that, unless the situation changes, this would be no more than a single cut. We always respond in line with the incoming data." (20.07.2026, PAP Biznes, PKO translation)
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	"That means we do not need to cut interest rates to stimulate the economy in any way, nor do we need to raise rates to cool it down. Because it is (...) in a strong state of equilibrium. And these indicators are genuinely very good." (23.07.2026 TOK FM via PAP Biznes, PKO translation)

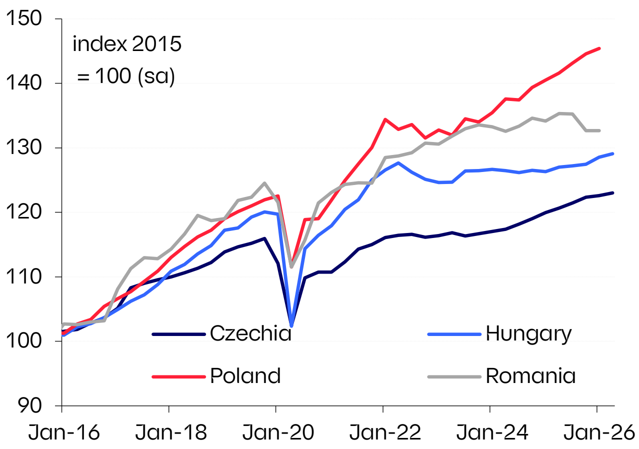
*The higher the indicator the more hawkish views. The positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5). **^Quotes in bold** have been modified in this issue of Poland Macro Weekly.

Selected comments from central bankers in other CEEs	
CNB	**"For the August meeting, I'm nevertheless leaning toward leaving rates unchanged and waiting for more information, and not just from the domestic economy." Board member J.Seidler (29.07.2026, Bloomberg)**
MNB	**"Looking ahead, I can say that inflation in the coming months may be around 2% y/y or slightly below that level." Deputy Governor P.Banai (27.07.2026, Magyar Nemzet)**
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)

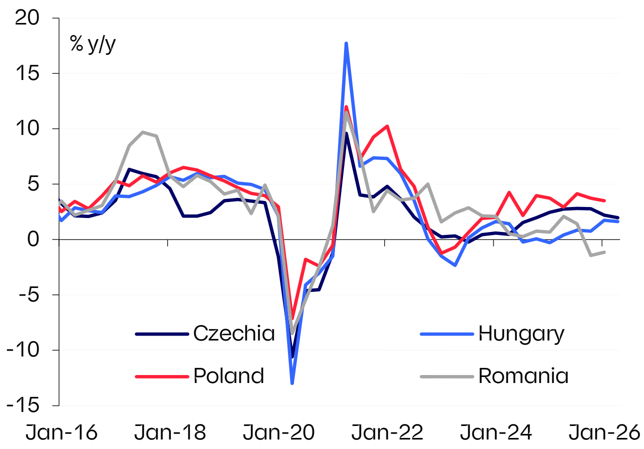
Bank Polski

CEE macro chartbook

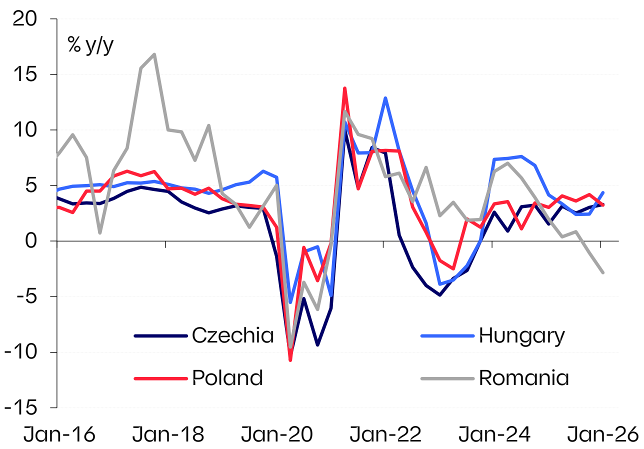
GDP level



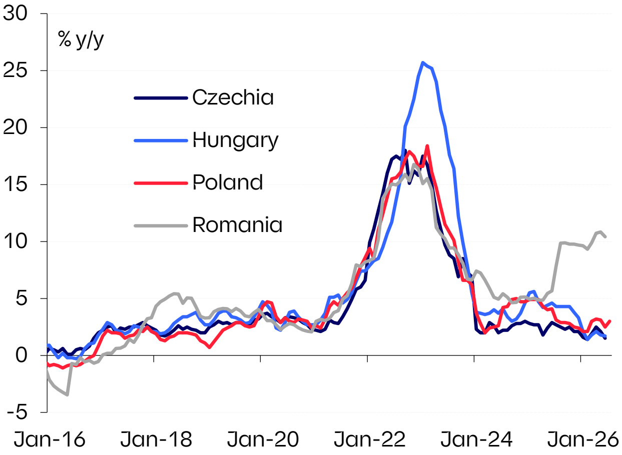
GDP growth



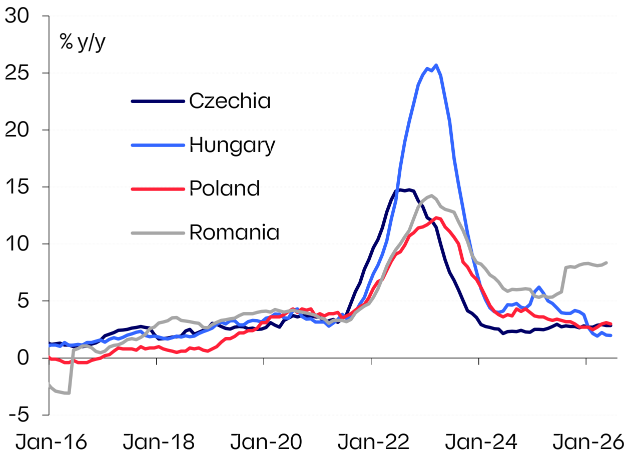
Private consumption growth



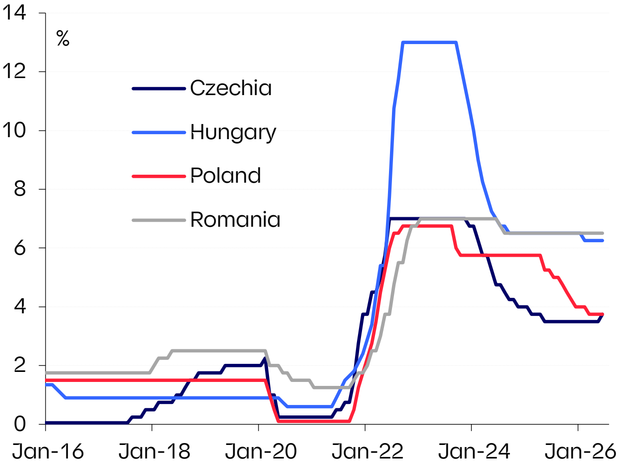
CPI inflation



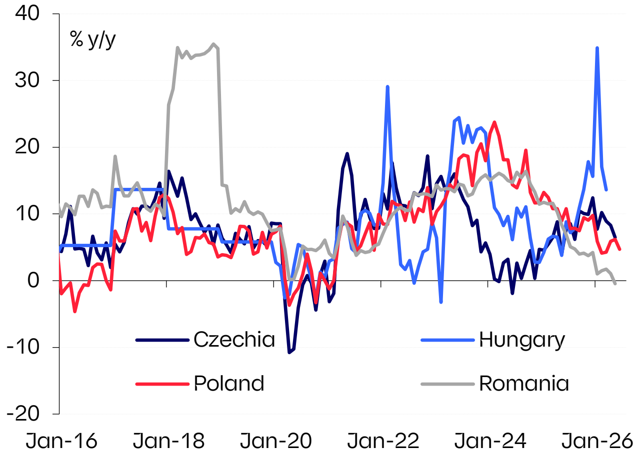
Core CPI inflation



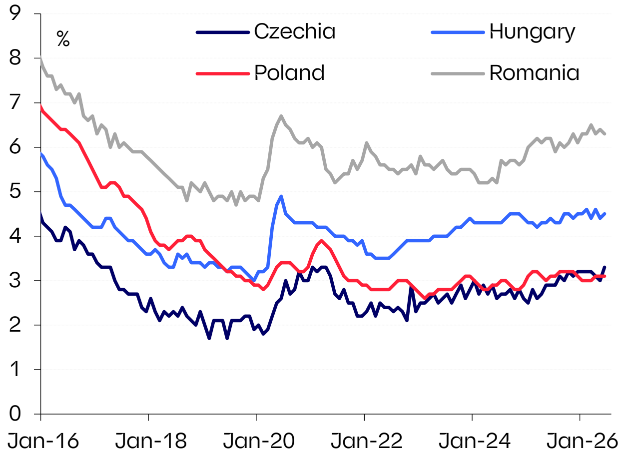
Interest rates (policy rates)



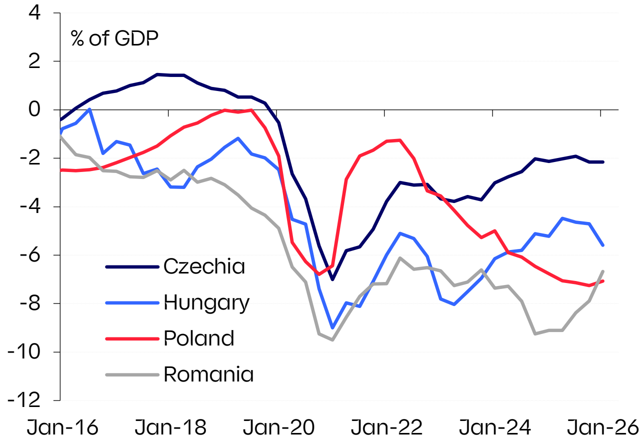
Wages*



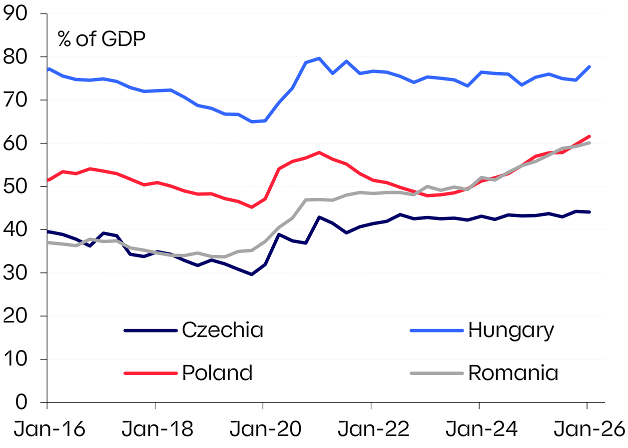
Harmonised unemployment rate



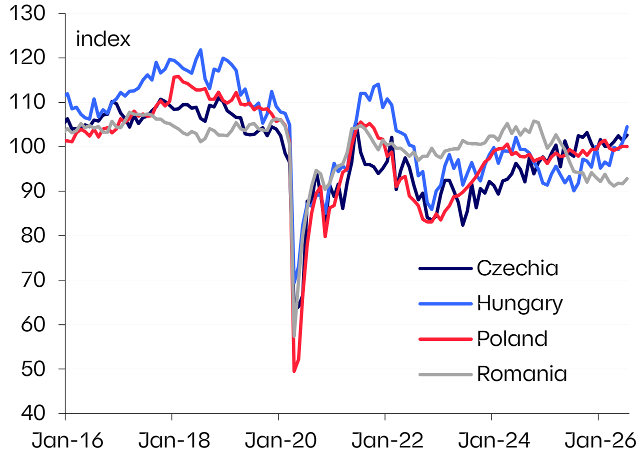
Fiscal deficit (ESA)



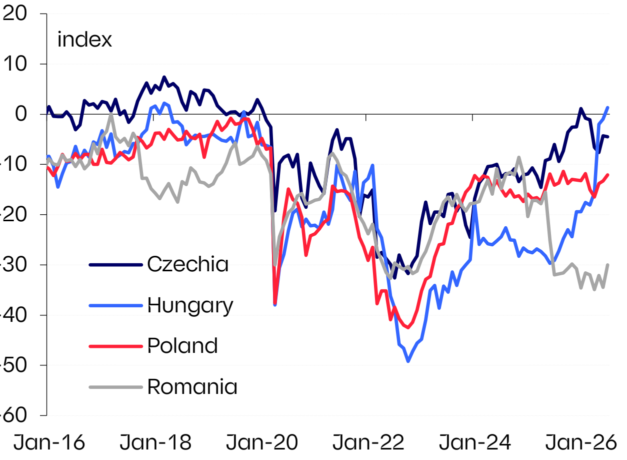
Public debt



ESI



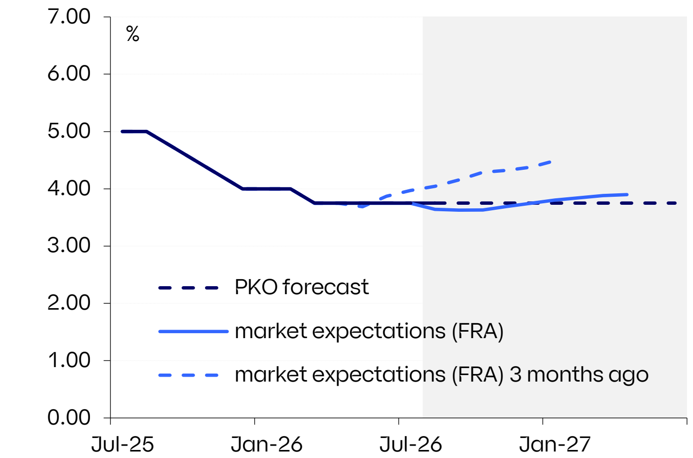
Consumer confidence ESI



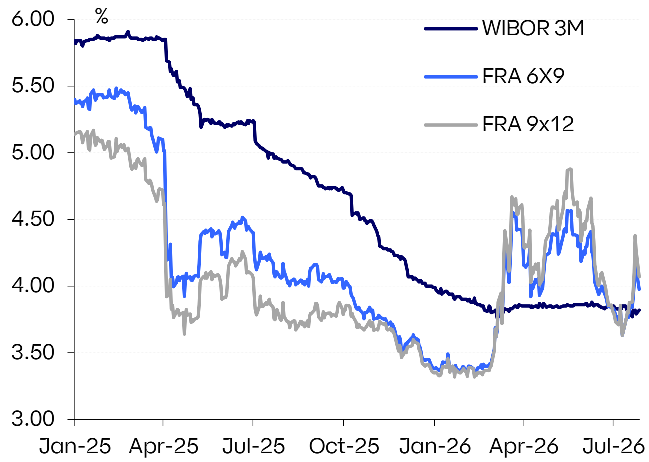
Source: Macrobond, GUS, INSSE, CZSO, KSH, PKO Bank Polski. *for Czechia wages in industry, for Hungary – national economy, Poland and Romania – enterprise sector.

Poland macro chartbook

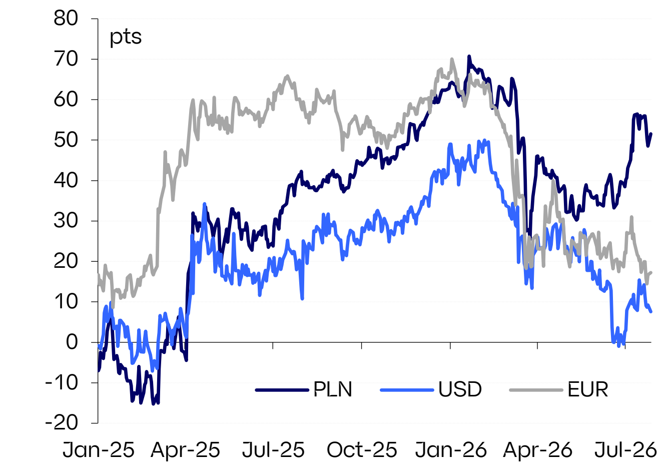
NBP policy rate: PKO BP forecast vs. market expectations



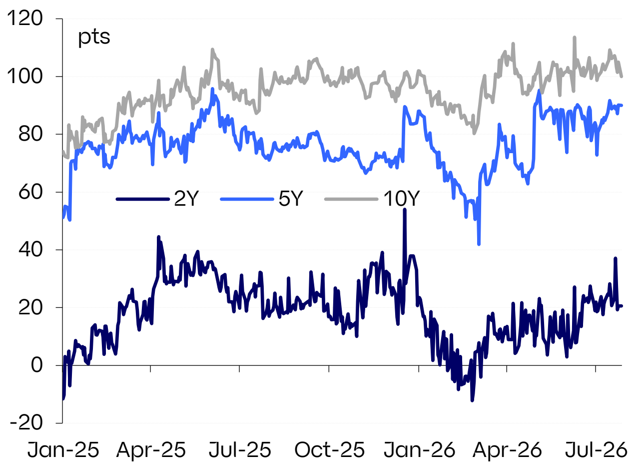
Short-term PLN interest rates



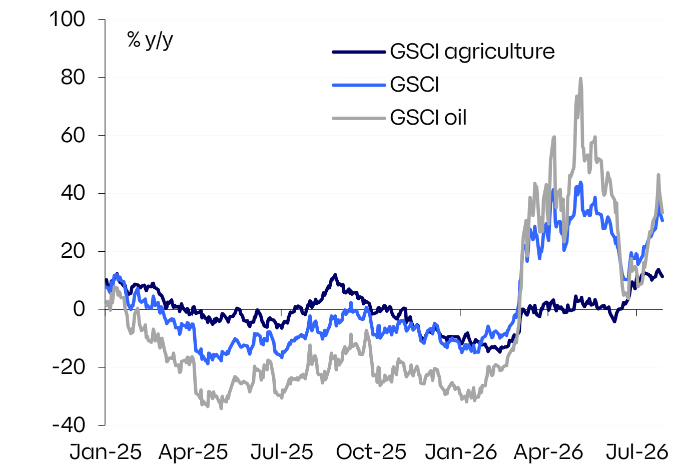
Slope of the swap curve (spread 10Y-2Y)*



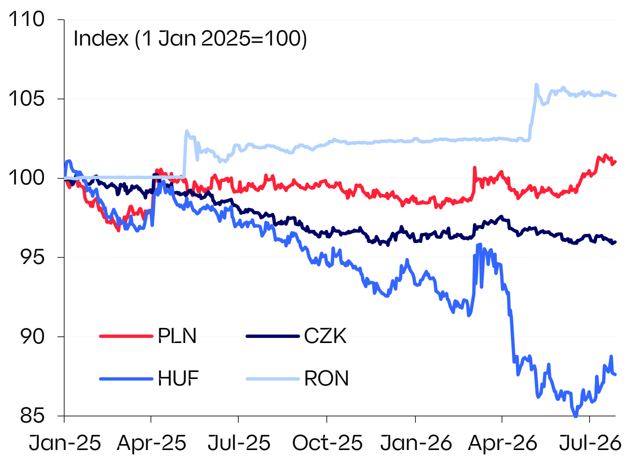
PLN asset swap spread



Global commodity prices (in PLN)

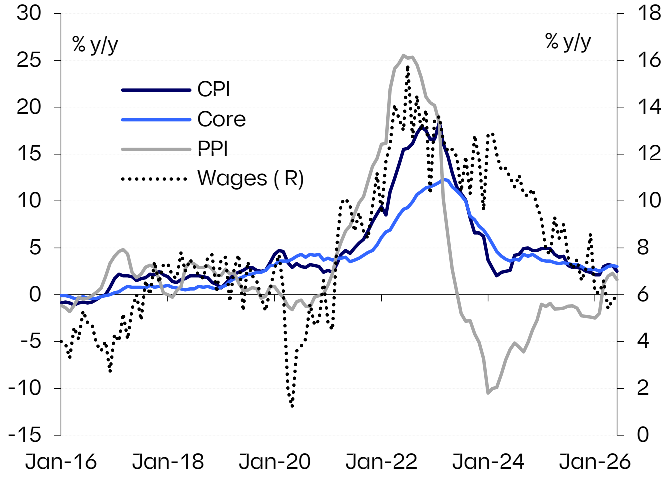


Selected CEE exchange rates against the EUR

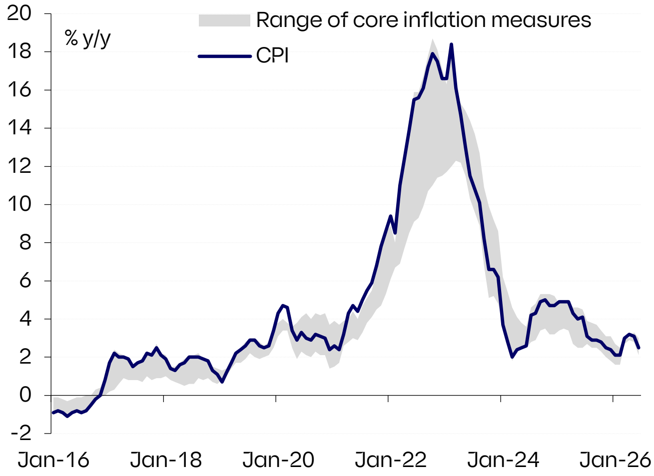


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

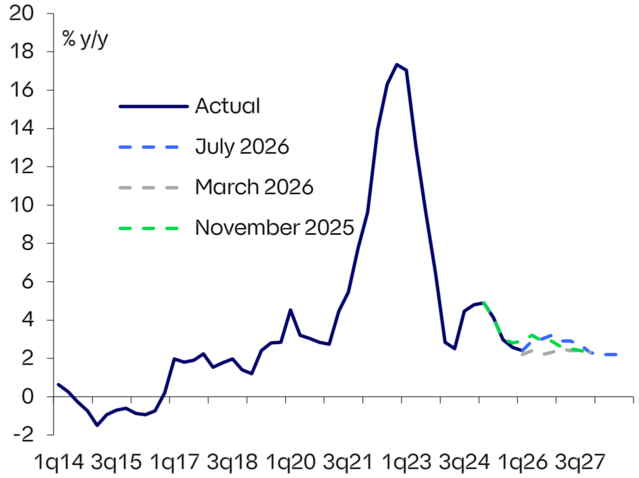
Broad inflation measures



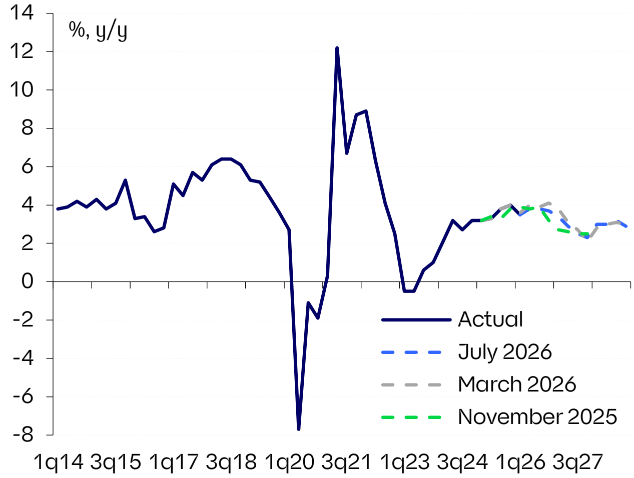
CPI and core inflation measures



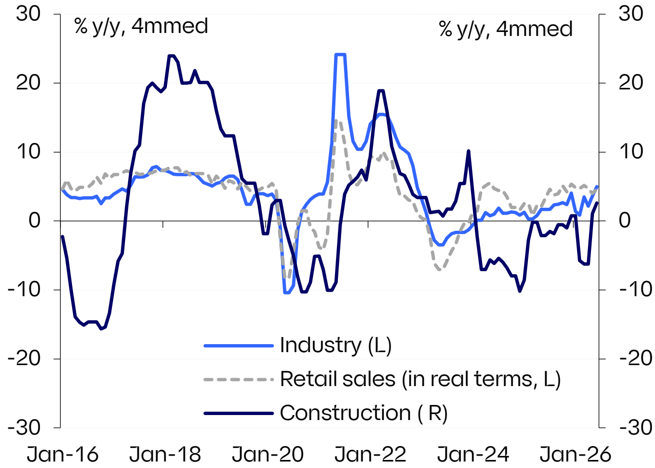
CPI inflation – NBP projections vs. actual



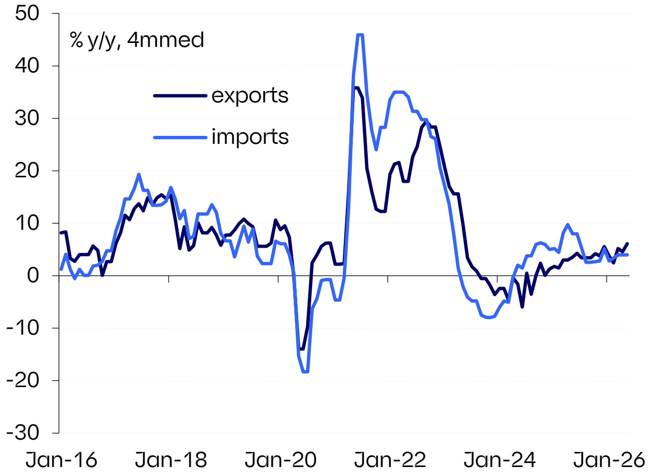
Real GDP growth – NBP projections vs. actual



Economic activity indicators

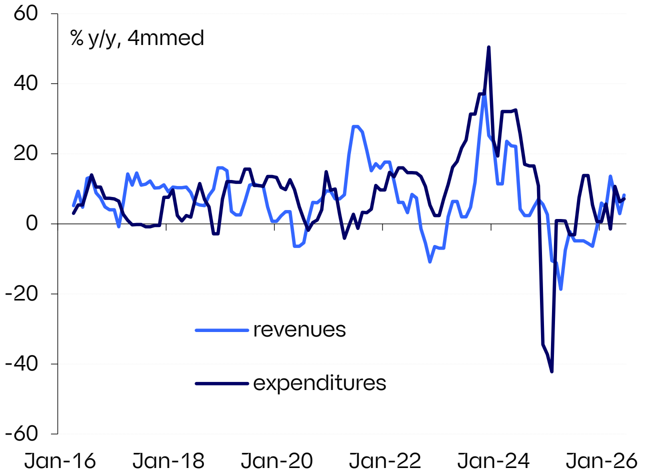


Merchandise trade (in EUR terms)

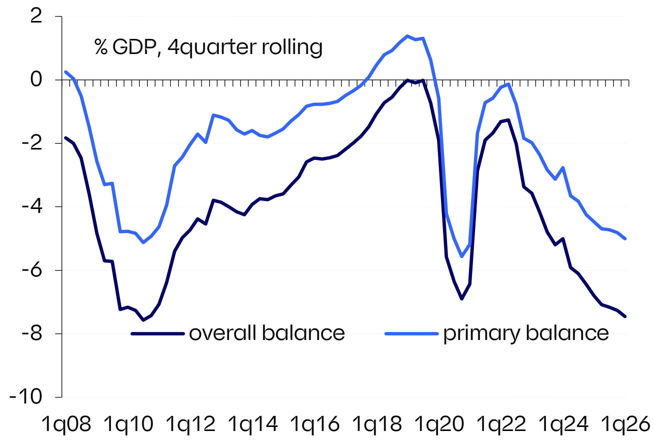


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

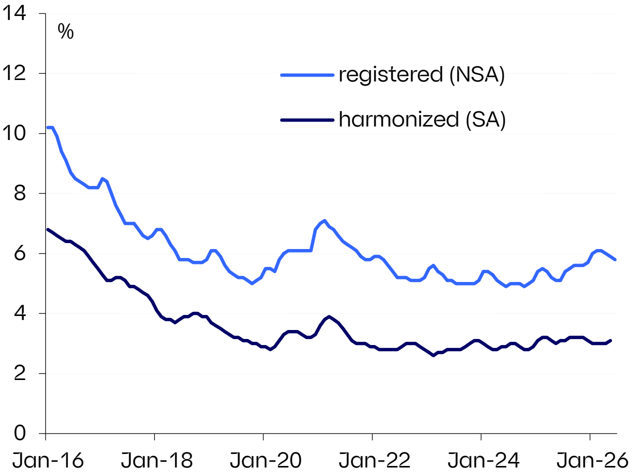
Central government revenues and expenditures*



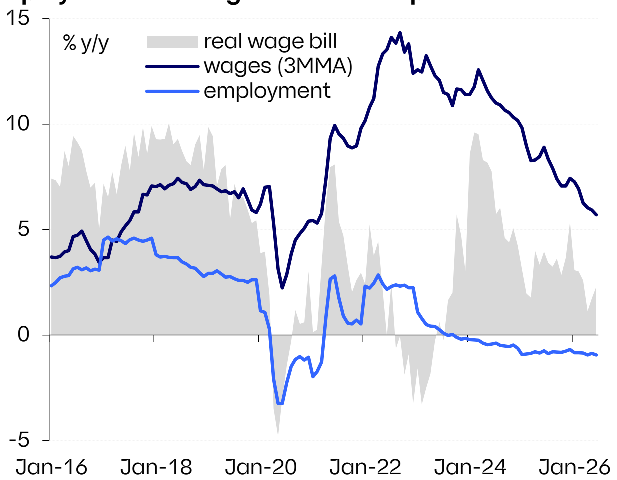
General government balance (ESA2010)



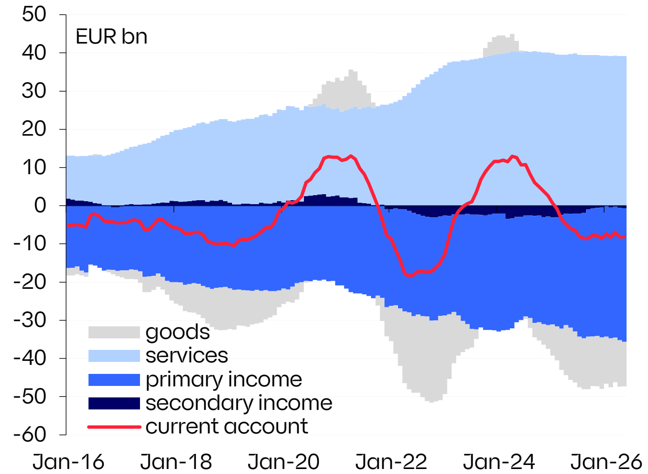
Unemployment rate



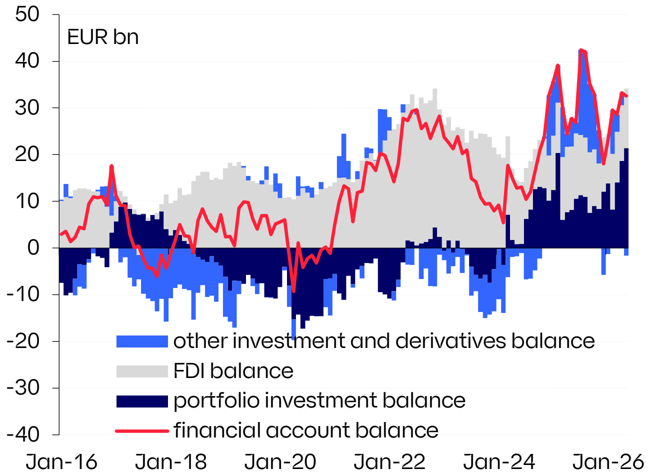
Employment and wages in the enterprise sector



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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