CEE Macro Weekly

Macro Research

3 October 2025

Bank Polski | Centrum Analiz

Nobody wants to consolidate

Macro Research Team

@PKO_Research

TOP MACRO THEME(S):

- **Housing market recovery fuelled by rate cuts (p. 3)** – Strong mortgage activity and easing interest rates supported Poland's housing market.

WHAT ELSE CAUGHT OUR EYE:

- CZE: **Parliamentary elections are taking place in Czechia.** Available polls have so far pointed to a victory for the opposition ANO party of former Prime Minister A.Babiš, but not by enough for an outright majority. The most likely scenario appears to be a coalition with the nationalist SPD, although in a recent interview A.Babiš said he was counting on governing alone, adding that the SPD was not interested in joining the government - something that is not entirely consistent with the signals coming from that party. Several informal coalitions are taking part in the election, allowing them to bypass the higher electoral threshold; as a result, the next parliament will likely be highly fragmented, which in turn will make it harder for ANO to secure seats. Under these conditions, an ANO-SPD minority government supported by the Motorists seems the most probable. At the same time, the process of forming a government may be protracted. ANO's return to power would set the country on a collision course with the EU - particularly on climate and migration policy. It is likely to result in looser fiscal policy, which will require rewriting the 2026 budget.
- POL: **The Council of Ministers has adopted the draft Public Finance Sector Debt Management Strategy for 2026-2029.** The forecasts, which run through 2029, assume a steady increase in the public debt-to-GDP ratio - from 55.3% of GDP in 2024 to 75.3% of GDP in 2029. General government (GG) debt in 2025 and 2026 is projected to be lower than presented in the 2026 budget act (by 0.6% of GDP and 1.4% of GDP, respectively). By contrast, state debt (as defined in Article 38a of the Public Finance Act), which is the basis for triggering prudential thresholds, is expected to exceed the 55% threshold in 2028, which would mean that the 2030 budget would have to factor in the launch of stringent prudential procedures. The plan to again increase the role of extra-budgetary funds - indicated by the assumed rise in the share of "off-budget" debt from 19% in 2q25 to 21% in 2029—is intended to delay breaching the constitutional thresholds. The projected GG sector deficit path assumes no material fiscal consolidation. In our view, the document signals that debt remains on an upward trajectory, which is unsustainable in the long run and will require the Ministry of Finance to present a credible fiscal consolidation plan. Finance Minister A.Domanski stated that the government is working on measures to reduce the debt path relative to that outlined in the Strategy.
- ROM: **Ministry of Finance revised the 2025 budget, widening the deficit to 8.4% of GDP from the initially planned 7.0%.** The gap (RON 159.2 bn) reflects higher spending (by RON 27.8 bn) with only modest revenue gains (RON 3.2 bn). The largest increases were in debt-service costs (RON 12.1 bn) and projects financed from the loan component of the RRF (RON 5.4 bn).

THE WEEK AHEAD:

- **The key events this week will be the central bank decisions by the NBP and the NBR.** We assume interest rates will be left unchanged in both cases; however, the outlook for Poland is subject to considerable uncertainty due to the positive inflation surprise in September and greater clarity regarding energy prices, which may prompt another 25pb cut.

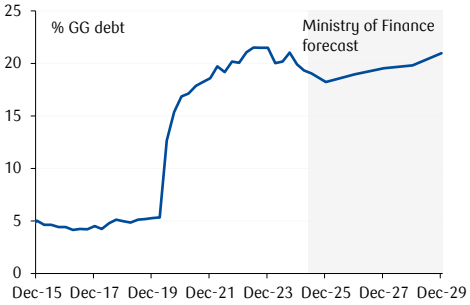
Charts of the week:

Key forecasts from the Public Debt Management Strategy for 2026-2029 of Poland

	2024	2025	2026	2027	2028	2029
General govt. debt	55.3	59.8	65.4	69.1	72.7	75.3
Public debt	44.3	48.9	53.0	55.6	58.3	59.5
Public debt (art. 38)	40.1	44.9	51.8	54.4	57.2	58.4
Deficit (GG)	6.6	6.9	6.5	5.7	6.1	4.7
Debt servicing costs (GG)	2.2	2.5	2.7	2.8	2.9	3.0

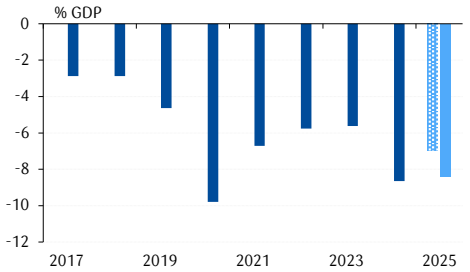
Source: Ministry of Finance, PKO Bank Polski.

Share of 'off-budget' debt in Poland – the difference between general government debt and public debt (national definition)



Source: Ministry of Finance, PKO Bank Polski.

General government budget balance (cash basis) in Romania*



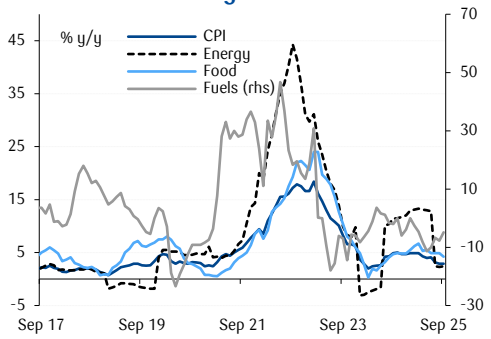
Source: Macrobond, Romania's Finance Ministry, PKO Bank Polski*forecast for 2025, a pattern-filled bar reflects the initial forecast

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

CEE macro review

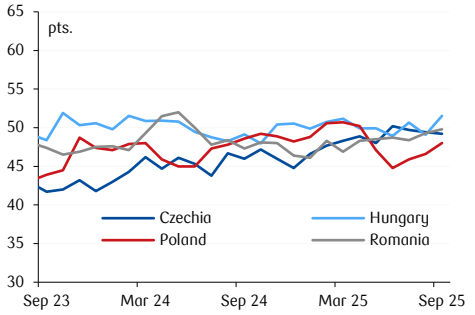
- POL: **CPI inflation in September was a positive surprise and held steady at 2.9% y/y, contrary to the expected slight increase**. On a y/y basis, fuel prices pushed inflation higher due to base effects, but this was offset by more favorable food price dynamics than a year ago. On m/m basis, consumer goods and services prices were flat for the second consecutive month. We estimate that core inflation was unchanged from August at 3.2% y/y. In our view, the combination of the positive surprise in the September data and the removal of regulatory uncertainty regarding household energy prices through the end of 2025 will prompt the MPC to make another rate adjustment this year. We expect a cut in November, although the incoming information, in our assessment, increases the likelihood of a move already in October.
- POL: **In September, the PMI rose to 48.0 pts. from 46.6 pts. in August and came in above expectations.** The index has been below the neutral 50 mark for five months, but in September the reduction in activity was the smallest in this period. After a deep and surprising drop in May and June, the PMI has been steadily climbing since July, and last month its level was already very close to that recorded in the euro area. Interestingly, in recent months business conditions in Polish industry were not only clearly worse than in France, but also weaker than in Germany, which has been grappling with a severe manufacturing crisis.
- CZE: **PMI in September declined to 49.2 pts. from 49.4 pts. in August, marking a third consecutive decline.** New sales decreased for the first time in four months. The decrease in total new sales was in part driven by a faster decline in new export orders. Job shedding continued although at a slower pace amid further decline in output. Muted demand for inputs dampened cost pressures, while increased international competition translated into reduction of selling prices. Assessment of future economic outlook improved and was above the series average with producers expecting recovery in demand, higher investment as well as expansion into new markets. At the same time, it should be remembered that optimism about the future persisted for most of 2025 without being strongly reflected in the data.
- ROM: **PMI index improved in September for the second consecutive months, rising to 49.8 pts., the closest to 50 pts. threshold since June 2024.** All components apart from suppliers' delivery times contributed to this improvement. Production volumes were close to stabilization. The key takeaway from the September reading is the increase in new orders after a 14-month period of declines, including a rise in export orders for the first time since the series began. Employment subindex remained in the contraction zone. Cost pressured persisted amid a raise in VAT rate on 1st August, with 26% of respondents pointing to a rise in their output charges.
- CEE: **September brought an improvement in consumer confidence in the CEE region**, with the exception of Poland, where sentiment still remains the most positive though. Romania recouped part of the August slump, which had been caused by the increase in the VAT rate.

Non-core CPI categories



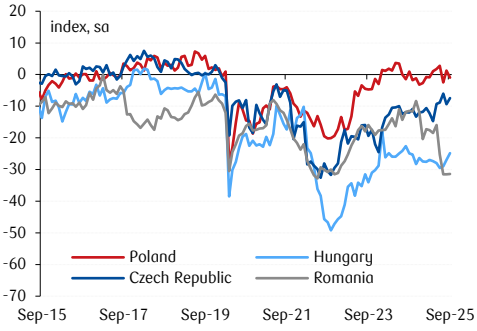
Source: Statistics Poland, PKO Bank Polski

PMI indexes in the CEE



Source: Macrobond, PKO Bank Polski

Consumer confidence in the CEE



Source: Macrobond, PKO Bank Polski

Housing market recovery fuelled by rate cuts

- **In 2q2025, housing prices in Poland remained stable, with minor regional shifts. Strong mortgage activity and easing interest rates supported demand.**
- **Looking ahead, prices are expected to stay flat through late 2025 before rising moderately in early 2026. Key risks include higher construction and land costs, regulatory changes, and potential geopolitical or tax shocks.**

In 2q25, Polish housing transaction prices remained broadly stable y/y, with only minor declines in some regions. This stabilization occurred amid a record-high housing supply and a gradual recovery in demand, supported by the NBP's interest rate cuts and expectations of further monetary easing.

On the primary market, large cities saw slight annual declines in prices, while smaller regional capitals recorded mild growth. On the secondary market, the biggest agglomerations registered small decreases, except Warsaw, which faced a deeper correction after record-high 2024 prices.

Housing loan activity remained strong. In 2q25, banks issued 55,500 new mortgages (+22% y/y, +15% q/q) worth PLN 24.6 billion (+29% y/y, +21% q/q). Falling interest rates, improving creditworthiness, and high housing supply with room for negotiation supported demand.

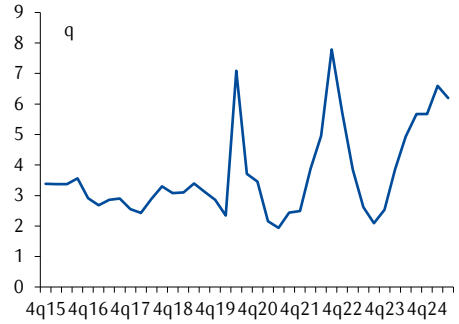
The rental market was balanced. Demand weakened slightly in 2q25, while supply growth slowed. Early 3q25 saw seasonal revival tied to the academic year. Large cities are gradually experiencing a growing institutional rental (PRS) segment, expected to become a key competitor in the long term.

Developer supply in the six largest cities reached a record 61,600 units in 2q25 (+28% y/y). Sales times shortened to six quarters on average, while the share of completed units rose to 14%. However, developer financial data show falling customer prepayments (-36% y/y), a slight drop in finished units, and rising construction-in-progress (+17% y/y), reflecting past project launches but weaker new starts.

Beyond market fundamentals, regulatory and legislative changes are shaping the environment for both buyers and developers. In August 2025, amendments to housing legislation expanded funding for social and municipal housing and extended the social rental housing program. These measures aim to address affordability challenges in the longer term. At the same time, new technical standards are expected to increase costs, potentially putting upward pressure on prices in the medium term.

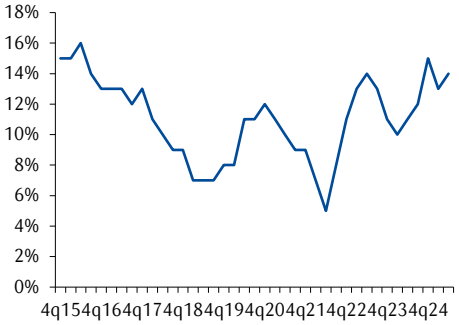
Looking ahead (3q25–2q26), the base scenario is stable prices until year-end 2025, followed by modest growth in 1h26, driven by stronger demand (lower rates, wage growth, deferred purchases) and tighter developer supply. Key cost pressures include higher land prices, technical requirements, and construction costs. However, risks remain: geopolitical shocks or the introduction of a property tax could trigger price declines. Investors and households alike will therefore need to remain cautious, balancing opportunities from improving credit conditions against structural supply-side pressures and policy uncertainty.

Time required to sell a listed apartment (quarters)



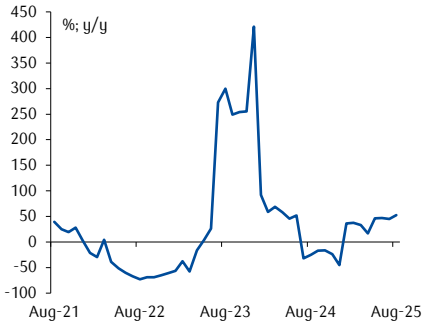
Source: JLL, PKO Bank Polski.

Share of ready-to-move-in apartments in the primary market offer



Source: JLL, PKO Bank Polski.

Number of mortgage inquiries (%, y/y)



Source: BIK, PKO Bank Polski.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday. 6 October						
ROM: Retail sales (Aug)	7:00	% y/y	4.5	--	--	--
HUN: Retail sales (Aug)	7:30	% y/y	1.7	1.9	--	--
CZE: CPI inflation (Sep. flash)	8:00	% y/y	2.5	2.6	2.6	--
EUR: Sentix Index (Oct)	9:30	pts.	-9.2	-8.0	--	--
EUR: Retail sales (Aug)	10:00	% y/y	2.2	1.3	--	--
Tuesday. 7 October						
GER: Factory orders (Aug)	7:00	% m/m	-2.9	1.5	--	--
GER: Factory orders (Aug)	7:00	% y/y	-3.4	3.0	--	--
HUN: Industrial Output (Aug)	7:30	% y/y	-1	-2.8	--	--
CZE: Industrial Output (Aug)	8:00	% y/y	4.9	0.4	--	--
USA: Trade balance (Aug)	13:30	USD bn	-78.3	-61.4	--	--
Wednesday. 8 October						
GER: Industrial production (Aug)	7:00	% m/m	1.3	-1.0	--	--
GER: Industrial output (Aug)	7:00	% y/y	1.5	-0.4	--	--
HUN: CPI inflation (Sep)	7:30	% y/y	4.3	4.4	4.5	--
CZE: Unemployment Rate (Sep)	9:00	%	4.5	4.5	--	--
USA: Minutes Fed	19:00	--	--	--	--	--
POL: NBP base rate	--	**%**	**4.75**	**4.75**	**4.75**	**The narrative of the MPC points to stable interest rates, however, favourable inflation data and recent administrative decisions on energy prices may support a cut.**
ROM: Central bank meeting	--	%	6.5	6.5	6.5	--
Thursday. 9 October						
GER: Exports (Aug)	7:00	% m/m	-0.6	0.3	--	--
GER: Imports (Aug)	7:00	% m/m	-0.1	-0.8	--	--
USA: Initial Jobless Claims ()	13:30	thous.	--	--	--	--
Friday. 10 October						
ROM: GDP growth (2q)	7:00	% y/y	0.3	0.3	--	--
ROM: Trade balance (Aug)	7:00	EUR bn	-2.6369	--	--	--
CZE: CPI inflation (Sep. final)	8:00	% y/y	--	--	--	--
USA: University of Michigan sentiment (Oct. flash)	15:00	pts.	55.1	54.3	--	--

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

Monetary policy monitor

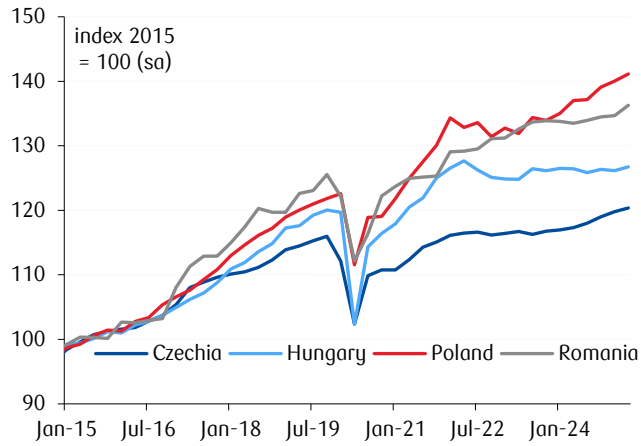
MPC Members	Hawk-o-meter*	Recent policy indicative comments^
J. Tyrowicz	4.9	"In July, I voted for the 5.75% level because, in my assessment, it is necessary to bring inflation down to the target within a horizon that does not undermine the credibility of monetary policy. I do not expect anything in our economy to change this assessment in the next few quarters, as the pace of changes "for the better" is very slow. Data are of decisive importance." (5.09.2025, Linkedin, PKO translation)
I. Dabrowski	3.2	"Almost all the data and analyses that we observe as members of the Monetary Policy Council indicate that the room for further cuts should appear. However, one cannot be 100% certain about this. If there are cuts, they will be very cautious and balanced." (24.09.2025, analizy.pl, PKO translation)
I. Duda	3.2	"We have stipulated that we are not talking about a cycle, and therefore it is difficult to say whether a decision on a cut will be made in September (...) If the assessment of current economic data is favourable from the point of view of the inflation path and if the Council, seeing the current short-term forecasts and based on the current projection, considers it justified, such a decision may be made. Although I personally believe that this should happen later" (28.08.2025, Business Insider via Bloomberg)
G. Maslowska	2.9	"The process of disinflation in Poland, as well as globally, is not over. It can be said that inflation, despite falling and being within the inflation target, is still lurking. In my opinion, this solution is safer (making interest rate cuts on a smaller scale). This year, I see the possibility of another rate adjustment, although it seems that it will be no more than once." (12.09.2025, PAP)
H. Wnorowski	2.7	"Maybe by the end of the year there will be one rather than two rate cuts. The cautiousness may also mean a scenario that the cuts are postponed into next year. Each of the scenarios is currently in play and we'll make the decision based on the incoming data and after evaluating the sources of uncertainty." (8.09.2025, PAP via Bloomberg)
W. Janczyk	2.6	"It seems reasonable to expect one more interest rate cut in the near future this year." (8.09.2025, PAP BIZNES via Bloomberg)
A. Glapinski	2.6	"There is no great desire for such reckless cuts. There is certainly no desire for increases. There is a cautious willingness for cuts, which I also share. I would like us to continue lowering rates, but will that be possible? I don't know. (...) Will it be possible at all by the end of the year? Will one more cut be possible, or maybe two cuts? I don't know. Any of these three possibilities are on the table. However, yesterday we all realised, together with the analysts, what the significant risks and uncertainties are."(4.09.2025, PAP)
P. Litwiniuk	2.5	"In our current situation, where we have allies of disinflation such as the zloty exchange rate and commodity prices, going too far would be risky. The level (of the November cut – PKO BP) of 25 bp is both minimal and optimal." (23.09.2025, PAP Biznes, PKO translation)
C. Kochalski	2.3	"I would have no hesitation, provided it does not harm bringing inflation back to target, to make an adjustment cut of 50bps in October". (17.07.2025 ISB News via WNP)
L. Kotecki	1.9	"Whether it will be October or November is, of course, a decision for the entire Council, and there will probably be some discussion. I still see room for interest rate cuts this year - probably by 25 basis points, and probably only one, not more." (17.09.2025, PAP)

*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.

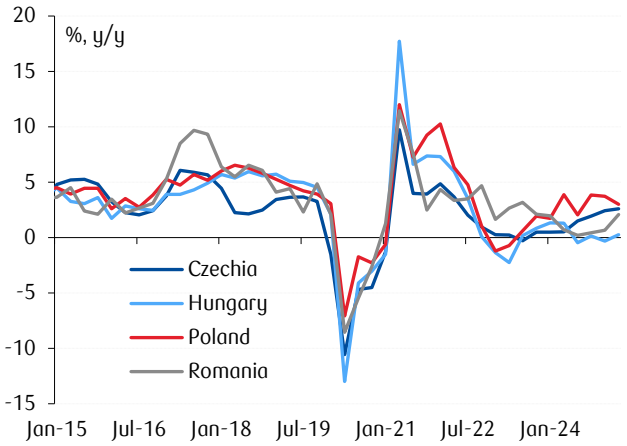
Selected comments from central bankers in other CEEs	
CNB	"The current level of interest rates and the exchange rate are together having a neutral effect on the economy. (...) I currently don't see any strong reason why we should disrupt this equilibrium with more rate cuts." Deputy Governor J.Frait (17.09.2025, via Bloomberg)
MNB	"The experience of the past years reflects that we must do away with the notion that a weaker exchange rate helps. (...) Hungary's economic convergence can't be based on currency devaluation. Governor M.Varga (4.09.2025, Bloomberg, Reuters)
NBR	""We probably won't need to hike rates by the end of the year to tackle this spike and my argument is this: our reserves are back to the levels we've had before the May turmoil and this shows that if we preserve political stability and keep a much-needed social peace, then we can overcome these 12 months of corrections and inflation" Governor M.Isarescu (12.08.2025, Bloomberg)

CEE macro chartbook

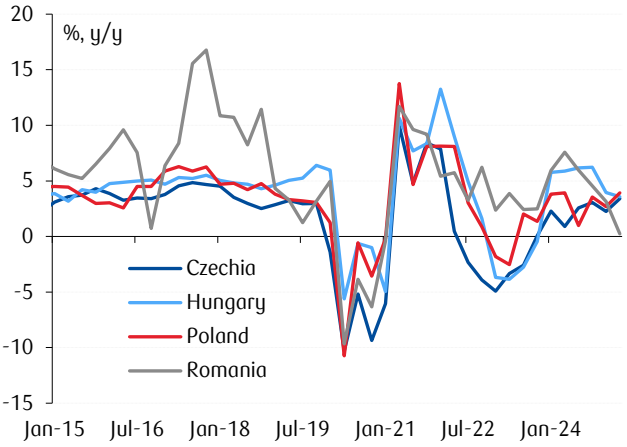
GDP level



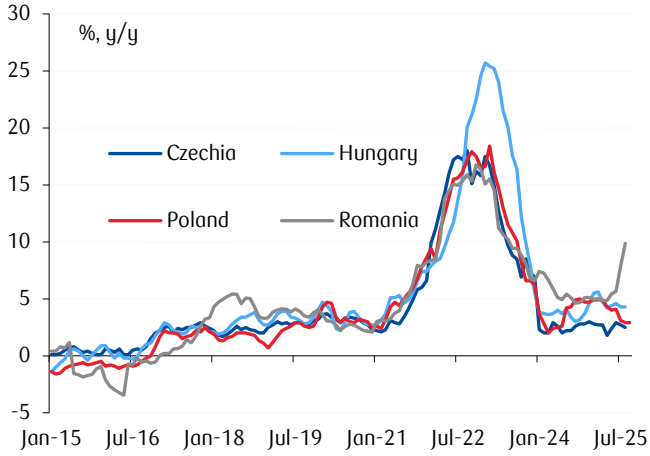
GDP growth



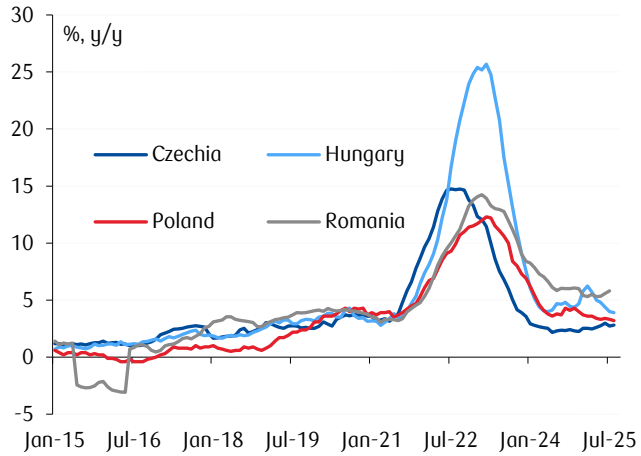
Private consumption growth



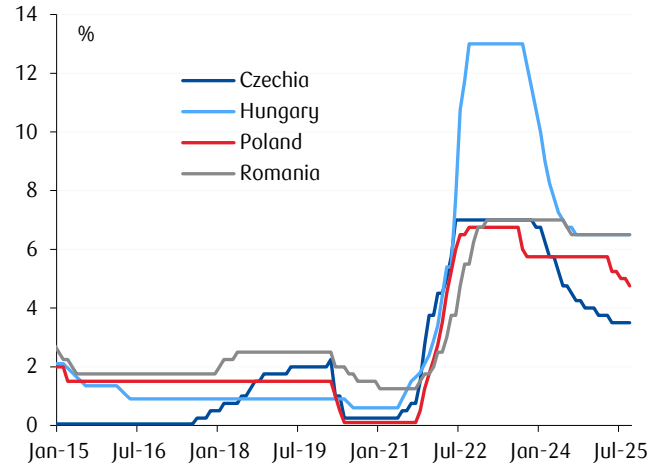
CPI inflation



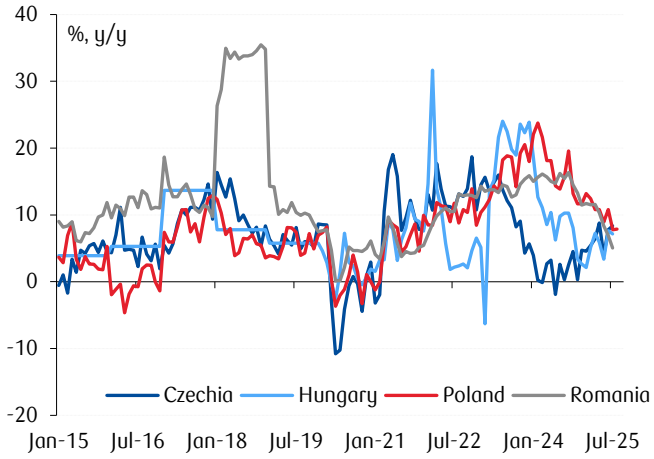
Core CPI inflation



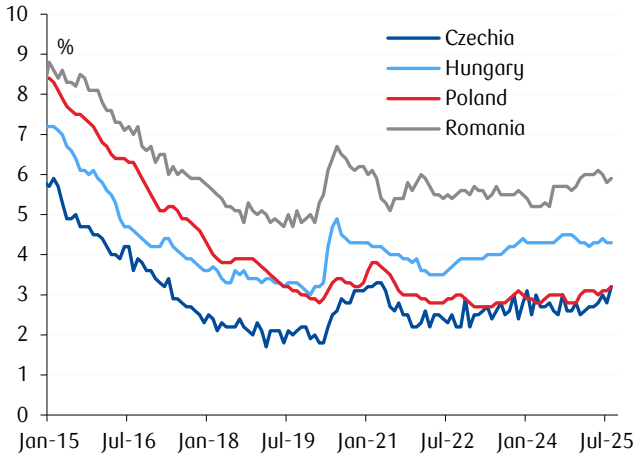
Interest rates (policy rates)



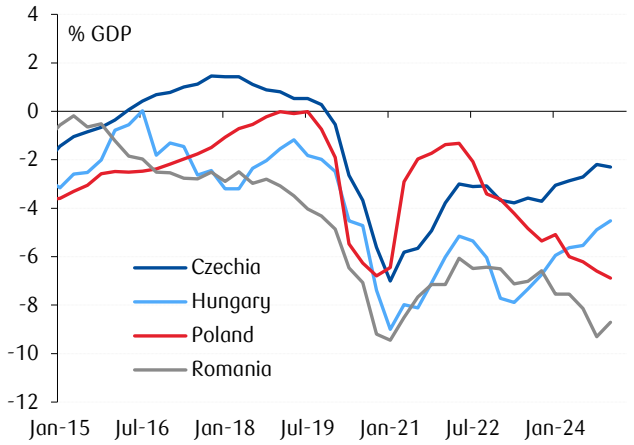
Wages*



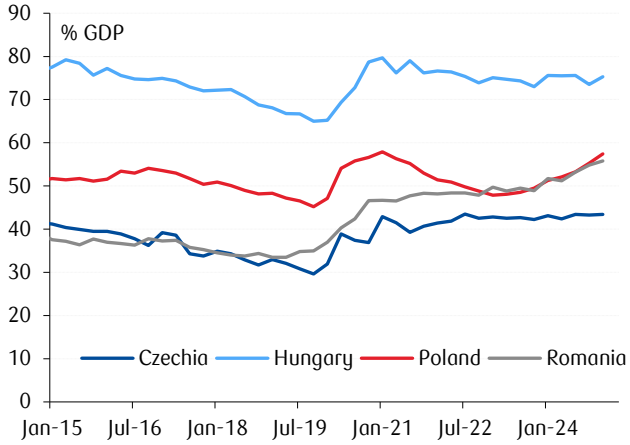
Harmonised unemployment rate



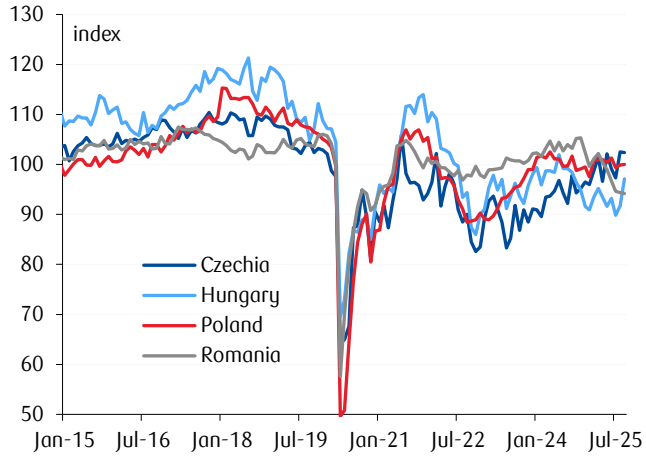
Fiscal deficit (ESA)



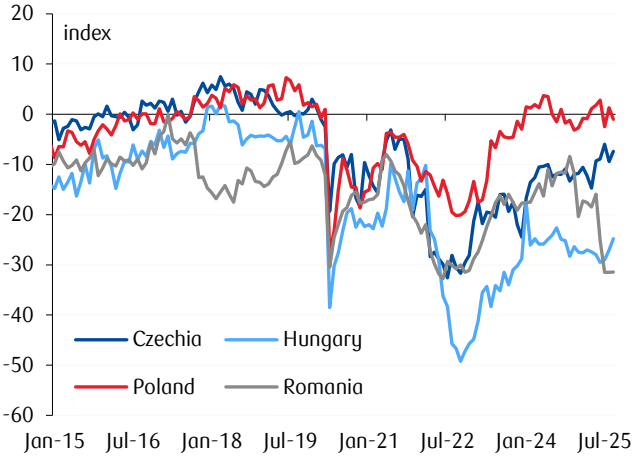
Public debt



ESI



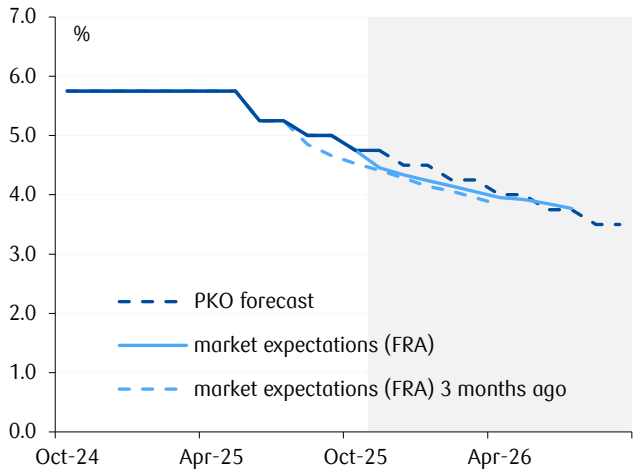
Consumer confidence ESI



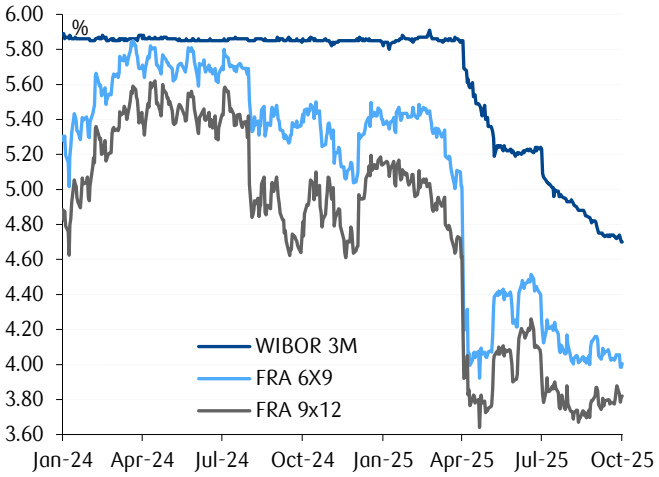
Source: Macrobond, GUS, INSSE, CZSO, KSH, PKO Bank Polski. *for Czechia wages in industry, for Hungary – national economy, Poland and Romania – enterprise sector.

Poland macro chartbook

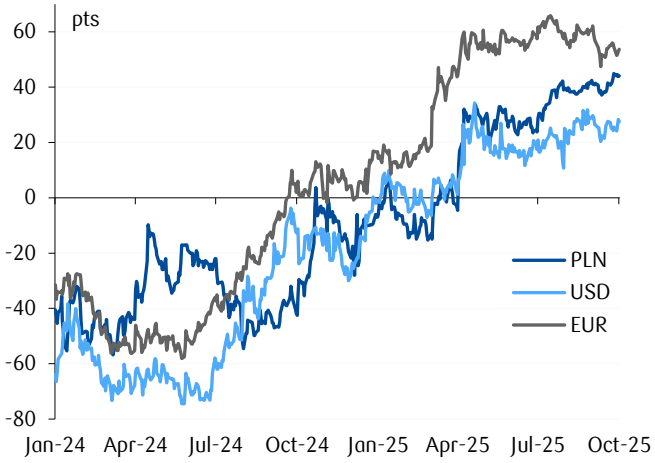
NBP policy rate: PKO BP forecast vs. market expectations



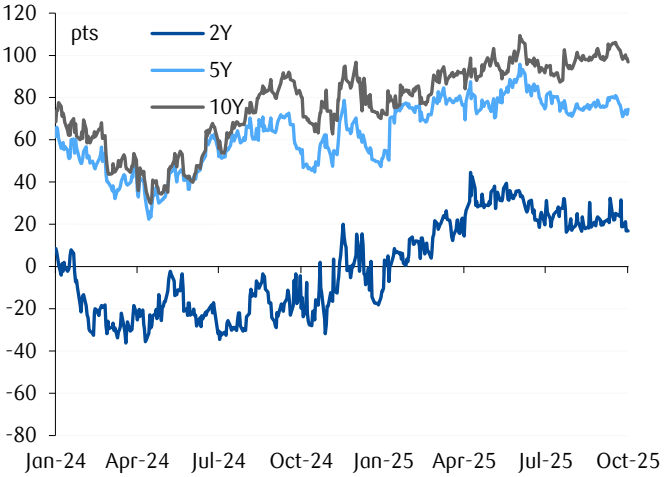
Short-term PLN interest rates



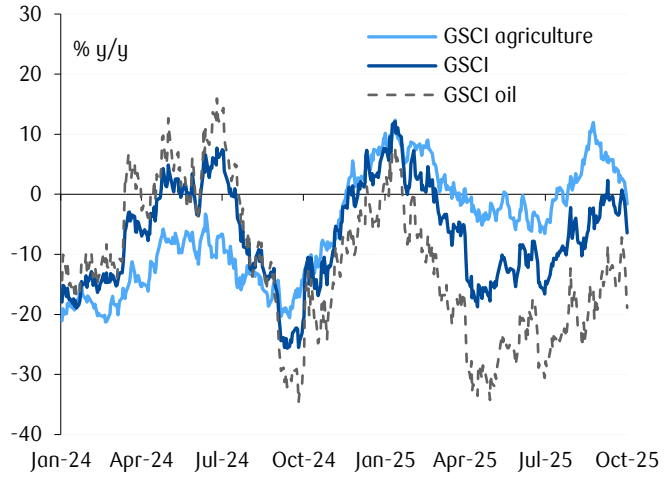
Slope of the swap curve (spread 10Y-2Y)*



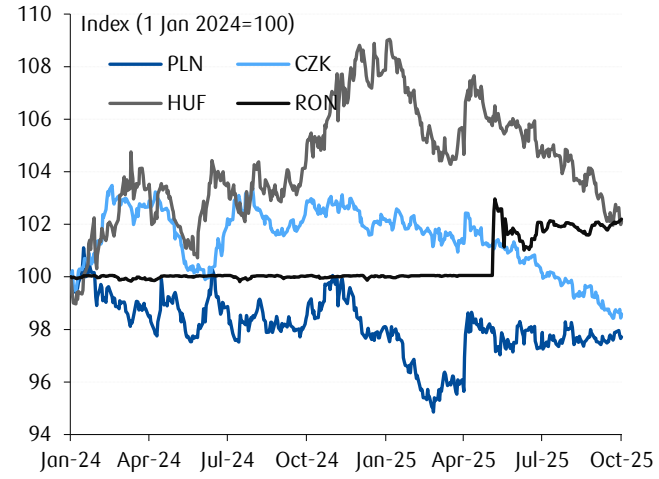
PLN asset swap spread



Global commodity prices (in PLN)

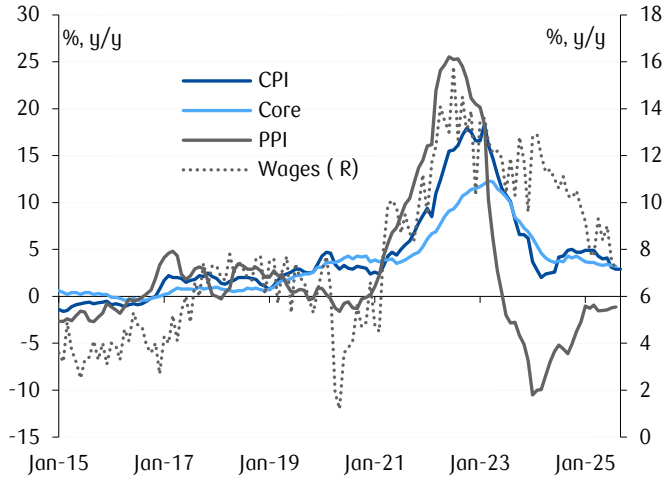


Selected CEE exchange rates against the EUR

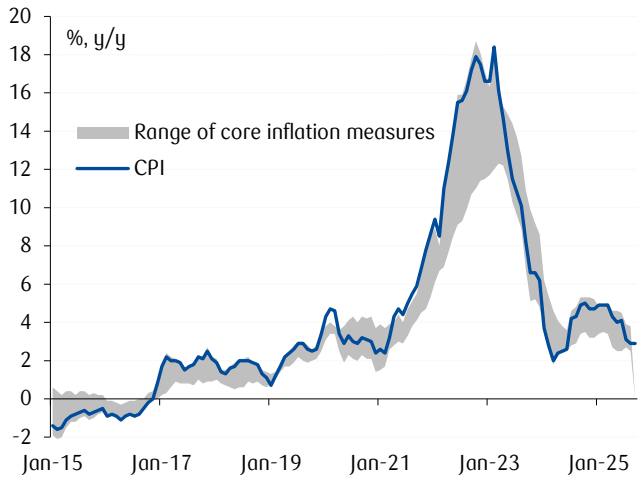


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

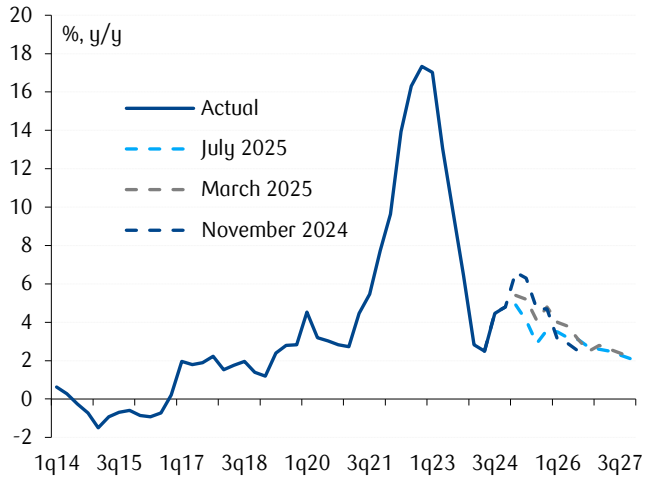
Broad inflation measures



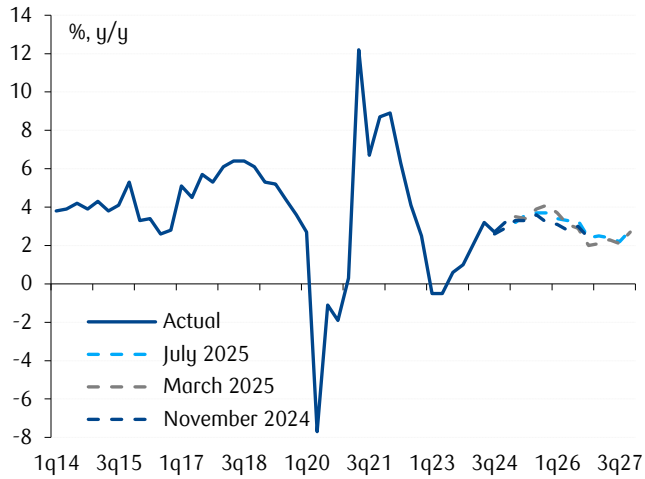
CPI and core inflation measures



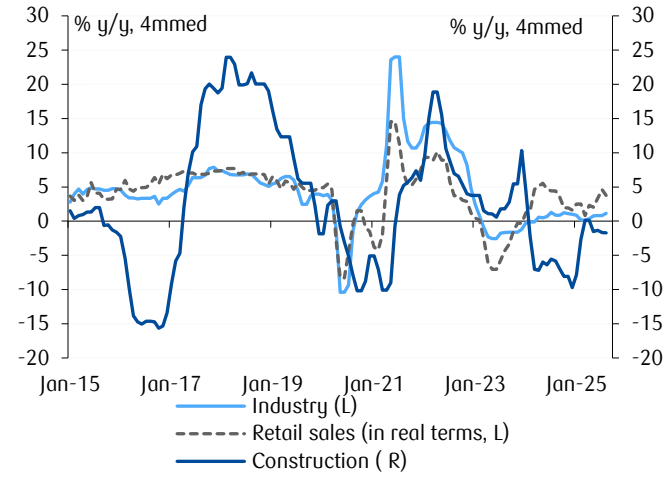
CPI inflation – NBP projections vs. actual



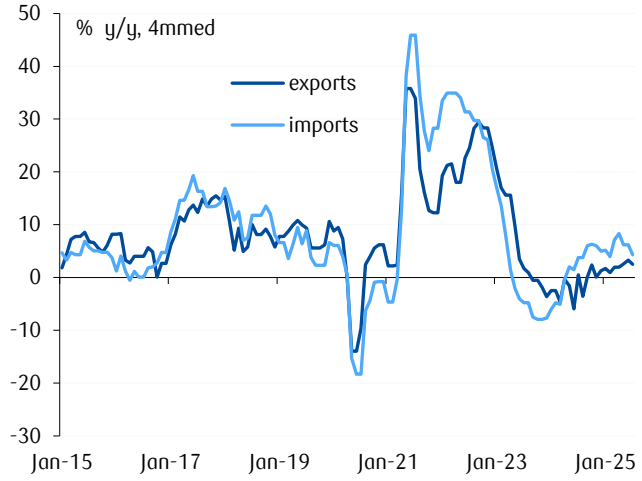
Real GDP growth – NBP projections vs. actual



Economic activity indicators

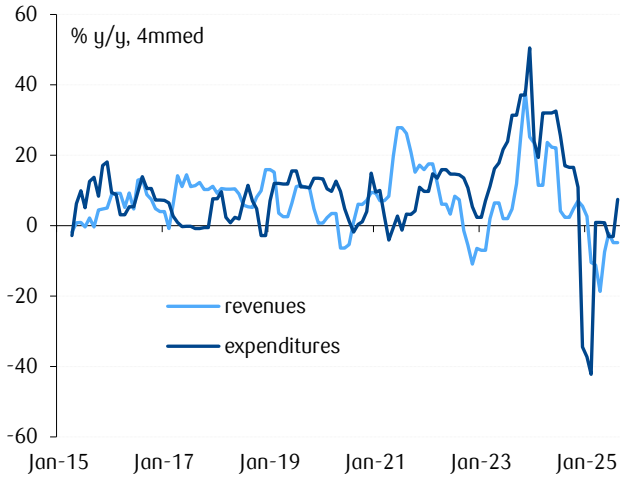


Merchandise trade (in EUR terms)

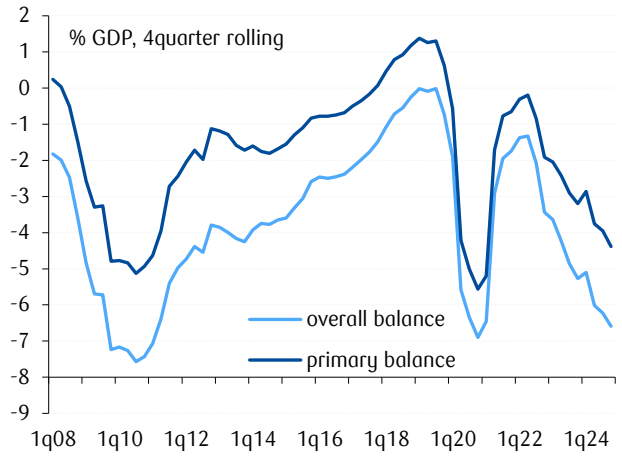


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

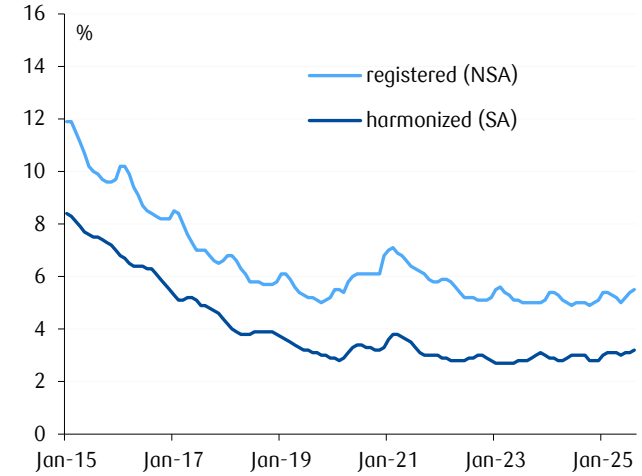
Central government revenues and expenditures*



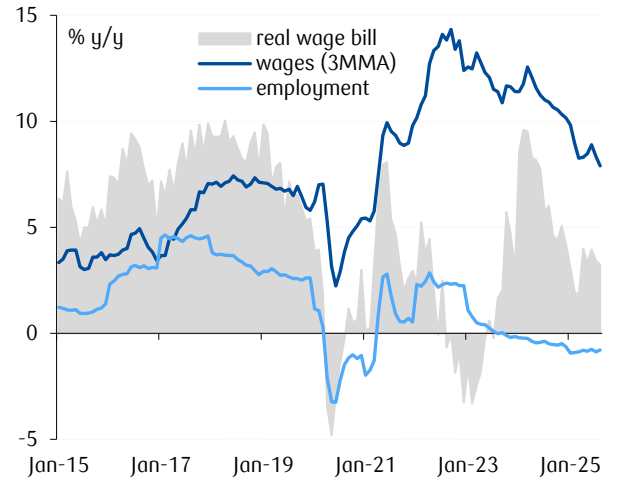
General government balance (ESA2010)



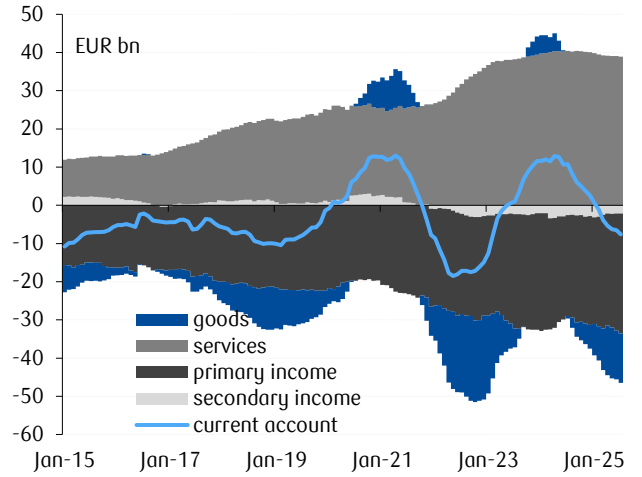
Unemployment rate



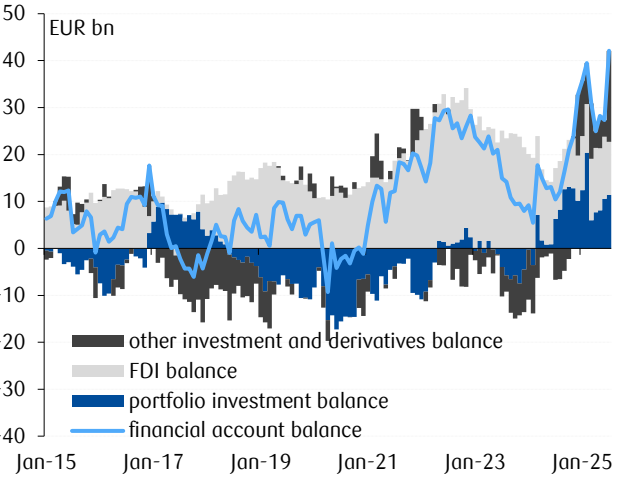
Employment and wages in the enterprise sector



Current account balance



Financial account balance



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

Previous issues of Poland Macro Weekly/CEE Macro Weekly:

- The devil is in the details (Sep 26, 2025)
- Unsettled skies in August (Sep 19, 2025)
- Defence spending justified despite fiscal challenges (Sep 12, 2025)
- Poland's MPC keeps adjusting rates (Sep 5, 2025)
- If not inflation, the fiscal policy is a challenge (Aug 29, 2025)
- Third quarter in Poland had a good start (Aug 22, 2025)
- Lending rebound ahead (Aug 8, 2025)
- Looking for signs of turning point in economic sentiment (Aug 1, 2025)
- June weakness did not derail overall positive trend (Jul 25, 2025)
- The rocky road to fiscal consolidation (Jul 18, 2025)
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- Do Two Adjustments Make a Cycle? (Jul 4, 2025)
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- Temporary pause or turning point? (Jun 6, 2025)
- Bright outlook for growth and inflation (May 30, 2025)
- Political and macro surprises (May 23, 2025)
- Election weekend (May 16, 2025)
- The doves are back in town (May 9, 2025)
- Downward revisions to growth forecasts (Apr 25, 2025)
- Global rollercoaster (Apr 11, 2025)
- Spring has revived the doves (Apr 4, 2025)
- Subdued appetite for rate cuts (Mar 28, 2025)
- It's a bit chilly in the data (Mar 21, 2025)
- Ambiguous inflation projection (Mar 14, 2025)
- Being strong doesn't always pay off (Mar 7, 2025)
- A month of positive surprises (Feb 28, 2025)
- A strong start to the year amid geopolitical turmoil (Feb 21, 2025)
- Not in love with inflation data (Feb 14, 2025)
- Hawkish moods (Feb 7, 2025)
- Consumer power took center stage in 2024 (Jan 31, 2025)
- Mixed signals on the finish line (Jan 24, 2025)
- Inflationary pressures (Jan 17, 2025)
- Happy New Year! (Jan 10, 2025)
- Waiting for Godot (Dec 20, 2024)
- Inflation Saga (Dec 13, 2024)

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