

## A golden outlook ahead

### TOP MACRO THEME(S):

- **A strong year behind us - an even better one ahead (p.3)** - Production output rebounded strongly at year-end, with manufacturing posting solid growth and construction showing a modest recovery. The entire previous year in these sectors ultimately proved to be positive. Based on available data, we estimate GDP growth in 4q25 at around 3.8% y/y, implying full-year growth of approximately 3.5% y/y, in line with the baseline forecast.

### WHAT ELSE CAUGHT OUR EYE:

- **ROM:** At its first meeting this year, the NBR kept interest rates unchanged, including the monetary policy rate at 6.50%. The decision was in line with expectations. As a result, interest rates have remained unchanged since August 2024. In the press release, it was stated that at the beginning of the year inflation will decline slightly, stemming from developments in some commodity prices, including agri-food, as well as from base effects. At the same time, the direct effects exerted by the expiry of the energy price cap and by the increases in VAT rates and excise duties in 3q25 will dissipate in the second half of this year. The central bank emphasized uncertainty related to the further course of fiscal consolidation as well as geopolitical tensions. In our view, the prospect of a marked decline in inflation in 3q26 may prompt the central bank to cut interest rates in 2q26.
- **POL:** President K.Nawrocki signed the 2026 budget act and subsequently referred it to the Constitutional Tribunal for ex post review. The President argued that withholding his signature would not have solved any of the problems and would instead have posed a risk to the stability and predictability of state affairs. This move is another indication of the difficult cohabitation between the President and the government. At the same time, it has no impact on the continuity of financing the state's operations. In the previous two years, the former President, A.Duda, also made use of the option to refer the budget act to the Constitutional Tribunal for ex post review, which does not prevent it from entering into force.
- **POL:** Governor A.Głapiński announced that the NBP has taken a decision to increase the target level of gold reserves to 700 tonnes. The decision implies a departure from a percentage target in favour of a quantitative target, as rising gold prices inflate the share of the metal in reserves. Gold currently accounts for approximately 28% of foreign exchange reserves vs a target of 30%. Upon reaching 700 tonnes, Poland will advance from 12th to 10th place globally in terms of the size of central bank's gold reserves.
- **CZE:** A.Schillerova (Ministry of Finance) stated that the limit of the state budget deficit in the draft for 2026 is to amount to approximately CZK 300 bn (3.5% of GDP). She announced that the draft budget would be presented to the government on 26 January, declaring the optimisation of expenditure.

### THE WEEK AHEAD:

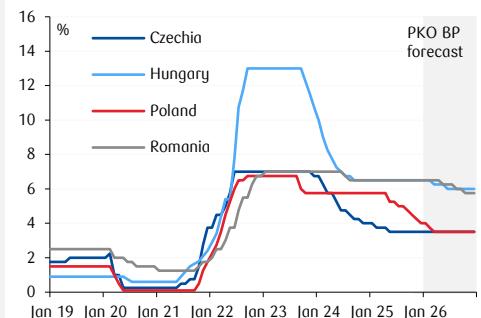
- The focus will be on the meeting of the Hungarian central bank, which in our view is unlikely to result in any change in interest rates. At the beginning of the week, data on retail sales in Poland will be released, and we will also learn the registered unemployment rate at the year-end. Preliminary estimates of GDP growth in 4q25 in Czechia and Hungary, due at the end of the week, also look interesting.

Macro Research Team

 @PKO\_Research

### Charts of the week:

#### Interest rates in the CEE region



Source: Macrobond, PKO Bank Polski

#### Industrial production in Poland

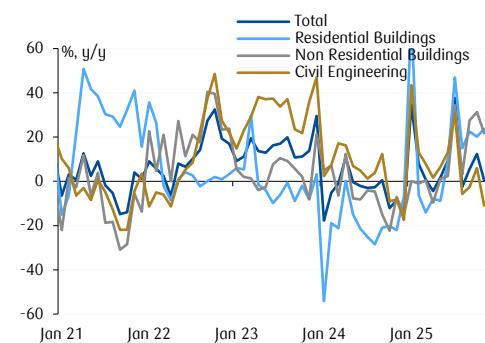


Source: Statistics Poland, PKO Bank Polski.

## CEE macro review

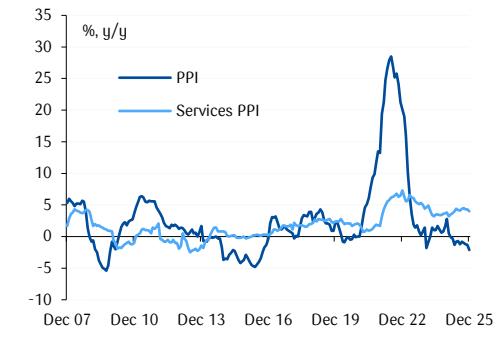
- **ROM:** Construction output in November increased by 0.4% y/y (wda), which was the third consecutive month of growth, although much slower than in October when it was double digit. Residential building construction grew the most, by 23.7% y/y, although statistical effects still played a role to some extent. Next to a solid growth in non-residential buildings construction which grew by 21.8% y/y this implies that private investment was the main driver of activity, while public sector was a drag on the result. It is reflected by the 10.9% y/y decline in the civil engineering. In cumulative terms between January and November volume in construction increased by 8.7% y/y (wda). This year construction activity is likely to be supported by investment in the Black Sea gas exploitation.
- **ROM:** According to media reports, the budget deficit in 2025 amounted to 7.65% of GDP and thus turned out to be markedly lower than the planned level (8.4% of GDP). This result increases the likelihood of a successful fiscal consolidation in 2026, when the deficit is expected to fall to 6.5% of GDP, and constitutes evidence of the effective implementation of tax increases and spending cuts. In ESA terms, deficit stood at 9.3% of GDP and was the highest in the EU.
- **CZE:** PPI deflation deepened to -2.1% y/y in December from -1.3% y/y in November and turned out to be noticeably deeper than expected. The sharpest decline in producer prices since 2016 was driven primarily by electricity prices. Energy prices fell by 6.4% y/y in December, the fastest pace since May 2020. Price declines affected virtually all major categories, with the exception of manufacturing of transport equipment and services, which increased by 2.2% and 4.0%, respectively. Producer inflation in services remains particularly persistent, although by year-end it was nevertheless the lowest in eight months. For this reason, in our view, the data will be neutral for the CNB.
- **CZE:** Finance ministry revised upwards GDP growth projection for 2026 to 2.4% from 2.2% previously and kept the forecast for 2027 unchanged, at 2.3%. Higher growth expectations stems from stronger public consumption implying that fiscal policy will remain loose.
- **POL:** The current consumer confidence index rose to -9.6 pts. in January, showing a slight m/m improvement and a clear increase compared with the previous year. The improvement was mainly driven by a better assessment of the ability to make major purchases and more optimistic expectations for household finances and the overall economy. Forward-looking consumer confidence also edged up, supported by improved expectations for saving and financial conditions, while concerns about future unemployment remained the main weak spot.
- **POL:** Average wages in the enterprise sector in December accelerated to 8.6% y/y (6.1% in real terms), well above market expectations. This surge was largely driven by one-off spikes in agriculture and the energy sector, as well as higher-than-expected year-end bonuses, while wage growth in most other sectors remained moderate or even slowed. Employment fell slightly, by 4,000 jobs m/m, and declined by 0.7% y/y, with the largest cuts in mining and trade, partly offset by gains in services such as real estate, energy, and hospitality. Overall, the December wage data are seen as a temporary deviation rather than a trend shift, though the upside surprise may reduce the likelihood of an interest rate cut at the MPC's February meeting.

Construction volume in Romania



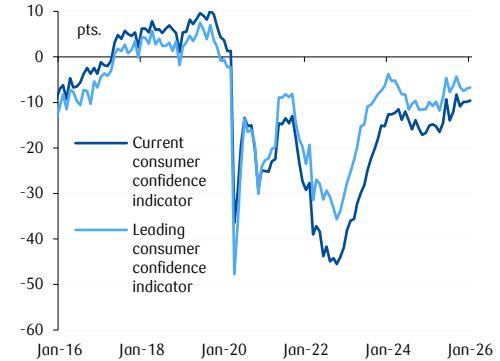
Source: Macrobond, PKO Bank Polski.

PPI inflation in Czechia



Source: Macrobond, PKO Bank Polski.

Consumer confidence indicator in Poland



Source: Statistics Poland, PKO Bank Polski.

## A strong year behind us - an even better one ahead

- Industrial output rebounded strongly at year-end, with manufacturing posting solid growth and construction activity showing a modest recovery, led by specialised works, while the buildings segment remained subdued amid still-restrictive financing conditions.
- Based on available data, GDP growth in 4q25 is estimated at around 3.8% y/y, broadly in line with 3q25, implying full-year growth of approximately 3.5%, consistent with the baseline forecast.

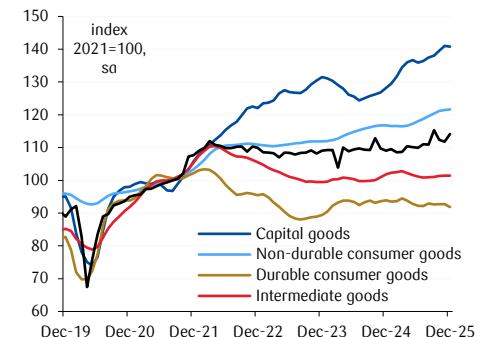
The year-end delivered positive surprises in manufacturing sector data. Industrial sold production in December increased by 7.3% y/y, rebounding sharply from a 1.1% y/y decline in November. Construction and assembly output also rose, by 4.5% y/y, accelerating from 0.1% y/y recorded a month earlier.

Across the whole of 2025, industrial production grew by 3.0%, marking a significant acceleration compared with growth of 0.6% in 2024. **This momentum was largely driven by the production of investment goods**, which expanded by an average of 7.6%. This reflected two key factors. First, the launch of the initial inflows of funds from the Recovery and Resilience (RRF). Second, rising global demand for goods in this segment – in particular those linked to investment in renewable energy equipment, components for electric vehicles, as well as data centres and energy storage. **The strongest growth in 2025 was recorded in the machinery sector**, associated with the production of new public transport rolling stock (buses, trains) and further improvements in machinery used in agriculture. The transport equipment and fabricated metal products industries also ranked among the top performers, consistent with the broader observed trend. **Output of non-durable consumer goods also increased markedly** (by 3.4% y/y), supported by strong performance in the food industry. By contrast, **industries related to the production of energy goods underperformed**, with output declining on average by 10.3%. The furniture and tobacco industries also continued to face difficulties, the latter being particularly constrained by sharply rising excise duty rates on its products.

**The construction sector showed a modest recovery in 2025, recording growth of 0.7%.** The growth structure was dominated by specialised construction works, which expanded by an average of 9.7% over the year. This is consistent with the expected macroeconomic scenario, under which the previous year – due to shifts in the timing of RRF disbursements – had a preparatory character ahead of the main investment wave in 2026. Specialised works, typically carried out at the initial stage of investment projects, signal the forthcoming start of core construction activity. The buildings segment remained stagnant in 2025, mainly as a result of a slowdown in credit activity driven by high interest rates. As rates decline and demand for mortgage loans strengthens, we expect an increase in activity in this segment. Civil engineering works declined over the year by an average of 4.9%, awaiting the launch of a broad stream of RRF-funded expenditure, which should generate strong demand for services in this segment.

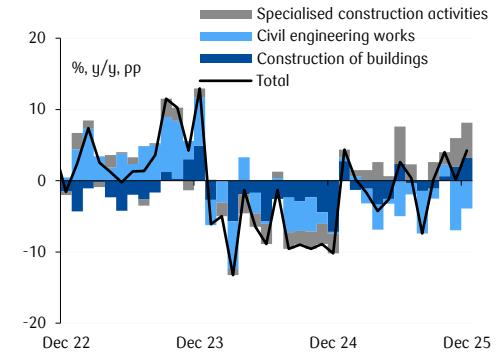
In 2026, industry should be among the main beneficiaries of the expected investment boom financed by EU funds, with additional support from improving export conditions linked to the economic recovery in Germany. Capital-intensive sectors related to infrastructure, energy modernisation and digitalisation stand to gain the most. **The construction sector will benefit from this impulse both directly**

Indices of the main categories of manufacturing output\* in Poland



Source: Statistics Poland, PKO Bank Polski. \*Seasonal adjustment by PKO BP

Decomposition of the annual dynamics of construction output

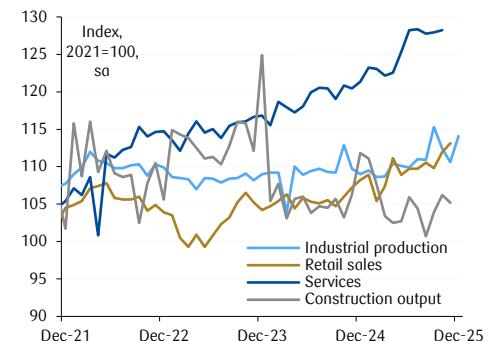


Source: Statistics Poland, PKO Bank Polski.

(through RRF funds) and indirectly, as rising demand in other sectors will also require an expansion of building stock.

We do not yet have a complete set of monthly data for the whole of 4q25. Based on available information and our estimates, we assess that GDP growth in 4q25 was similar to that in 3q25 and amounted to approximately 3.8% y/y. Under this scenario (in the range of 3.5–3.8% y/y), GDP growth for the whole of 2025 would come in at 3.5% y/y, in line with our forecast.

#### Activity of the main sectors



Source: Statistics Poland, PKO Bank Polski.

## Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
<b>Monday. 26 January</b>						
POL: Retail sales (Dec)	9:00	% y/y	3.1	5.2	5.2	Strong growth will be supported by an additional trading Sunday and rising real wages.
GER: Ifo Business Climate Index (Jan)	9:00	pts.	87.6	88.0	--	--
POL: Money Supply M3 (Dec)	13:00	% y/y	10.6	10.4	10.4	--
USA: Durable goods orders (Nov. flash)	13:30	% m/m	-2.2	3.0	--	--
<b>Tuesday. 27 January</b>						
POL: Unemployment Rate (Dec)	9:00	%	5.6	5.7	5.7	The unemployment rate remains elevated, but this is purely regulatory effect.
HUN: MNB meeting	13:00	%	6.50	6.50	6.50	Persistent inflation still leaves no room for interest rate cuts.
USA: S&P CoreLogic CS 20-City (Nov)	14:00	% y/y	1.31	1.2	--	--
USA: Consumer confidence (Jan)	15:00	pts.	89.1	90	--	--
ROM: M2 money supply (Dec)	--	% y/y	6.6	--	--	--
<b>Wednesday. 28 January</b>						
USA: Fed meeting	19:00	%	3.50-3.75	3.50-3.75	3.50-3.75	--
<b>Thursday. 29 January</b>						
HUN: Trade balance (Dec)	7:30	EUR mln	-121	62	--	--
SWE: Riksbank meeting	8:30	%	1.75	1.75	1.75	--
EUR: M3 money supply (Dec)	9:00	% y/y	3.0	3.0	--	--
EUR: Economic Sentiment Indicator (Jan)	10:00	pts.	96.7	96.9	--	--
EUR: Consumer Confidence (Jan. final)	10:00	pts.	-13.1	-12.4	--	--
USA: Initial Jobless Claims	13:30	k	200	--	--	--
USA: Trade balance (Nov)	13:30	USD bn	-29.4	-45	--	--
USA: Factory orders (Nov)	15:00	% m/m	-1.3	0.5	--	--
<b>Friday. 30 January</b>						
ROM: Unemployment Rate (Dec)	7:00	%	6.0	--	--	--
HUN: GDP growth (4q)	7:30	% y/y	0.6	1.0	1.1	--
CZE: GDP growth (4q)	8:00	% y/y	2.8	2.3	2.6	--
GER: Unemployment Rate (Jan)	8:55	%	6.3	6.3	--	--
POL: GDP growth (2025)	9:00	% y/y	3.0	3.6	3.5	GDP growth in 4q25 was most likely close to 3.8% y/y, which is consistent with full-year growth in line with our forecast.
CZE: M3 money supply (Dec)	9:00	% y/y	3.3	--	--	--
GER: GDP growth (4q)	9:00	% y/y	0.3	0.5	--	--
EUR: GDP growth (4q)	10:00	% y/y	1.4	1.2	--	--
GER: CPI inflation (Jan. flash)	13:00	% y/y	1.8	2.0	--	--
GER: HICP inflation (Jan. flash)	13:00	% y/y	2.0	2.1	--	--
USA: PPI inflation (Dec)	13:30	% y/y	3.0	--	--	--

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	<b>"We have a favourable inflation release, which we should welcome, but it is a weighted average of prices that are still very far from what we would call stability. In my assessment, monetary policy should nonetheless remain somewhat restrictive given the very large scale of fiscal stimulus and the acceleration of economic growth."</b> (19.01.2026, TOK FM, PKO translation)
I. Dabrowski	3.2	"There is a 50-50 chance of an interest-rate cut in Poland next week after inflation slowed more than forecast. (...) It may not be clear until the very end what the decision will be." (8.01.2026, Bloomberg)
I. Duda	3.2	<b>"Currently, the situation is so favorable in terms of inflation that both scenarios – a rate cut in February or March – seem likely to me. Low inflation is a fact, and everything indicates that the slowdown in price growth that we're seeing will be long-lasting."</b> (23.01.2026, Bloomberg)
G. Maslowska	2.9	"Further interest rate cuts are possible, but I cannot say when." (15.10.2025, Bloomberg via PAP)
H. Wnorowski	2.7	<b>"In general, the logic for March is significantly, significantly stronger. (...) I think that February may also materialise, but I repeat that the logic would nonetheless argue in favour of March if, once again, nothing happens here."</b> (16.01.2026, Biznes24, PKO translation)
W. Janczyk	2.6	"If the economic environment remains stable, one can assume a slight adjustment on the central bank's interest rates and a reduction in their value in the near future." (17.11.2025, PAP BIZNES)
A. Glapinski	2.6	<b>"As regards February (...) over the next three weeks we will be able to take a closer look, for example, at the economic conditions in December, where some unexpected slowing was observed. (...) We will also reassess service prices and a number of other components to ensure that the decision taken is the appropriate one. (...) If we conclude that February is the right moment and that conditions allow for it, we will take a decision in February. If not, a decision may equally well be taken in April. (...) I cannot speak for the Council as a whole, but from my perspective (the target level) would be 3.5%."</b> (15.01.2026, PAP Biznes, PKO translation)
P. Litwiniuk	2.5	"If the economic environment and its parameters do not deviate significantly, there is minimal room for a downward adjustment. (...) But I would be very cautious, because the inflation rate may deviate upwards," he added." (10.12.2025, PAP Biznes)
L. Kotecki	1.9	<b>"It is becoming increasingly clear that there is room for further rapid interest rate cuts. I assume that in February, the MPC will resume its actions from last year - the inflation outlook is increasingly optimistic."</b> (16.01.2026, Bloomberg)
M. Zarzecki	New MPC member	<b>"A return to interest rate cuts should only take place if the new projection clearly confirms that the disinflationary process is sustainable. (...) It would be premature and risky to conclude at this stage that the pause may end in February."</b> (21.01.2026, Bloomberg)

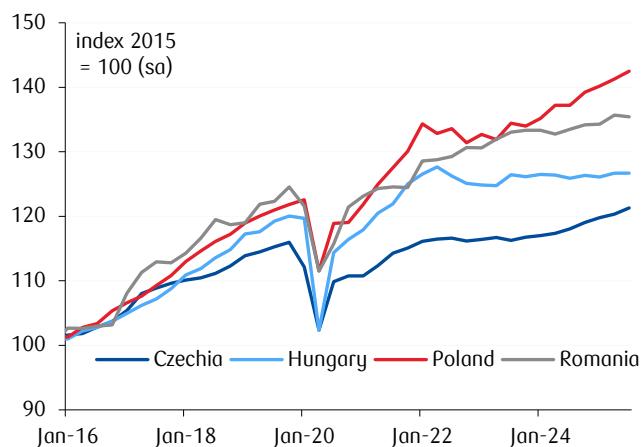
\*The higher the indicator the more hawkish views. The positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5). ^Quotes in bold have been modified in this issue of Poland Macro Weekly.

### Selected comments from central bankers in other CEEs

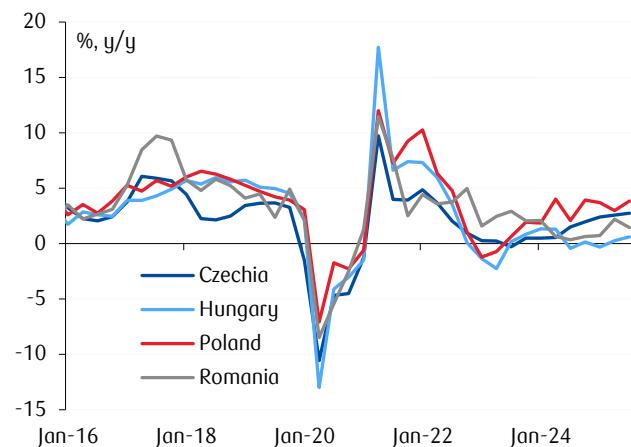
CNB	"For the first time in a long time, thanks to the Czech National Bank, it's profitable to save rather than borrow. Interest rates are higher than inflation," said the president." Governor A.Michl (4.01.2026, CNN Prima)
MNB	<b>"The National Bank of Hungry will need to see stronger disinflation signs in the CPI data in order to cut the policy rate."</b> Vice-governor Z.Kurali (14.01.2026, Portfolio)
NBR	"So cutting rates now would help no one; even discussing it doesn't help. We will not make that mistake. Perhaps by spring or summer next year, we can revisit this more optimistically" Governor M.Issarescu (14.11.2025, Think ING)

## CEE macro chartbook

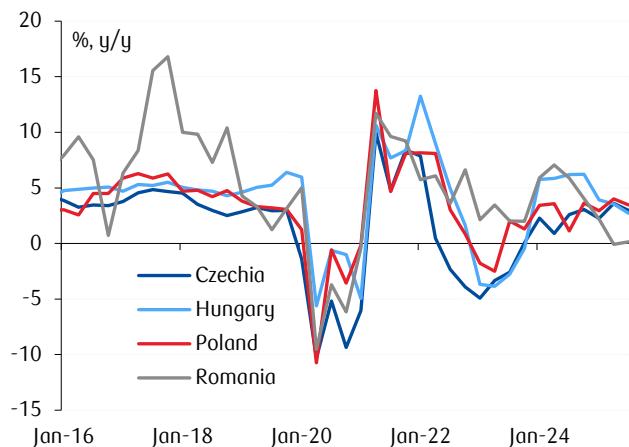
### GDP level



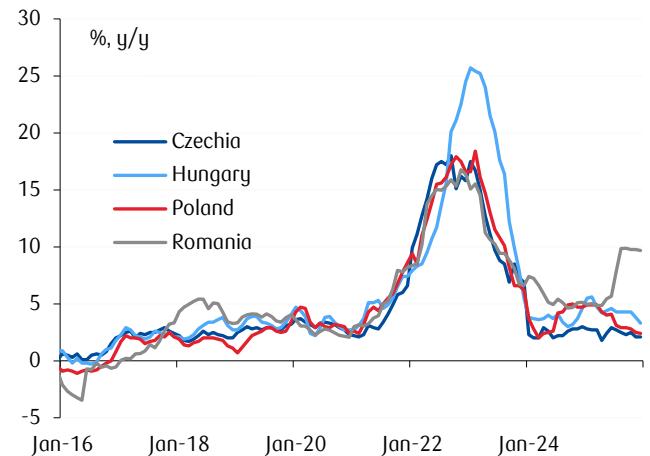
### GDP growth



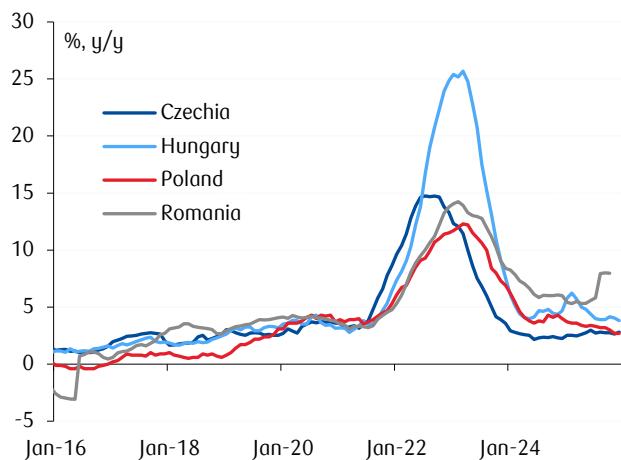
### Private consumption growth



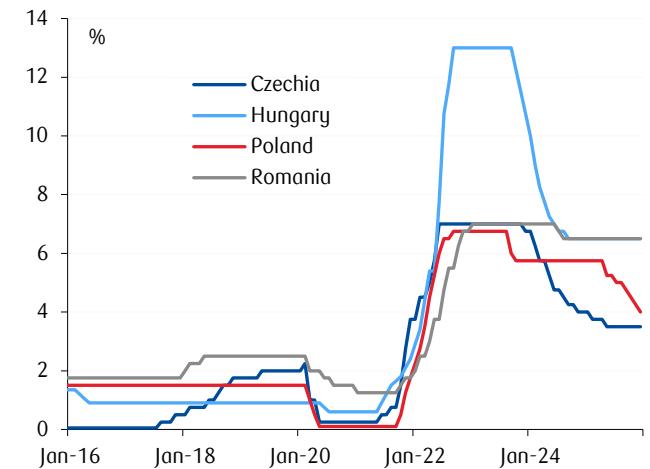
### CPI inflation

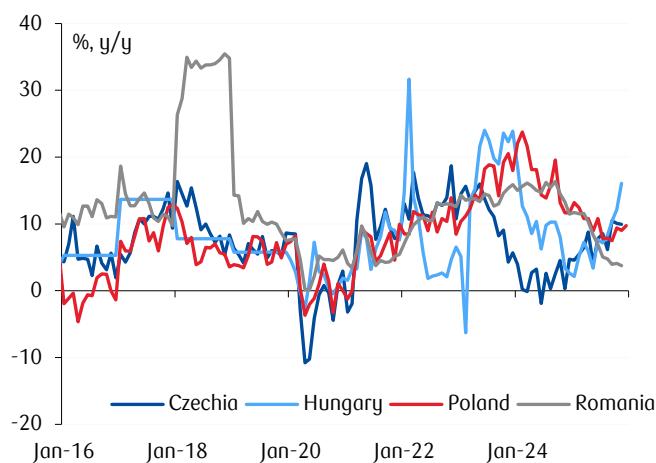
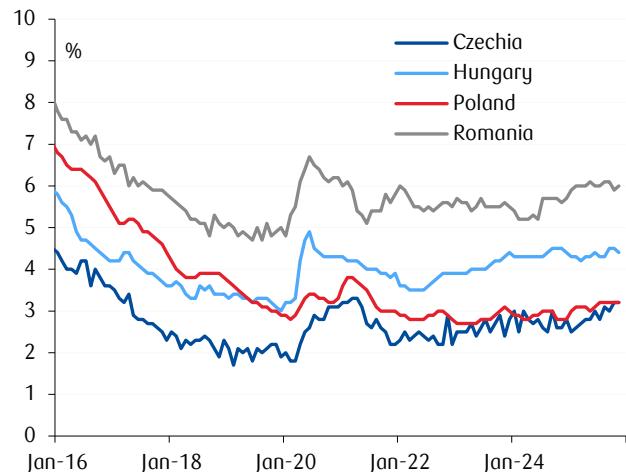
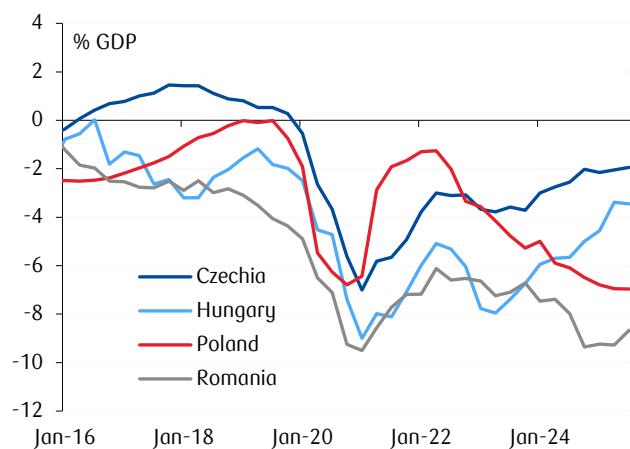
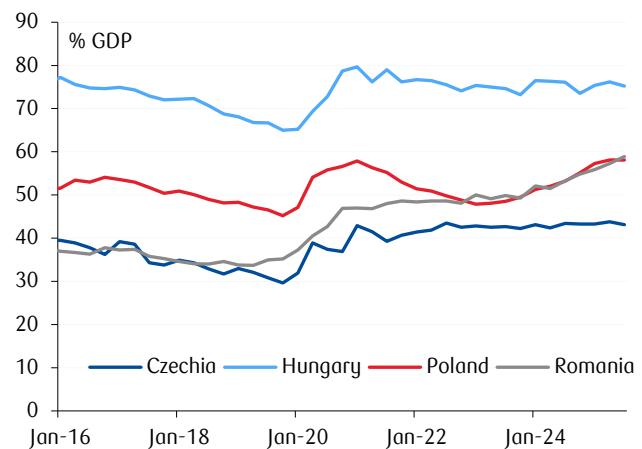
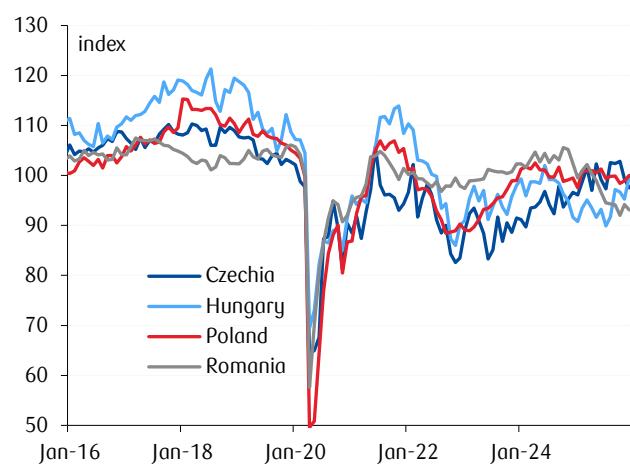
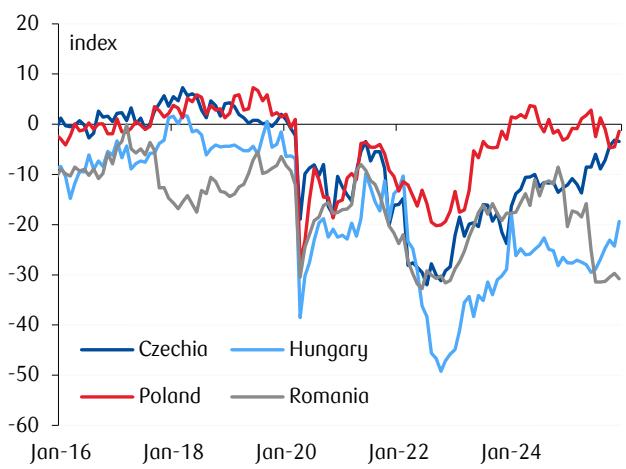


### Core CPI inflation



### Interest rates (policy rates)

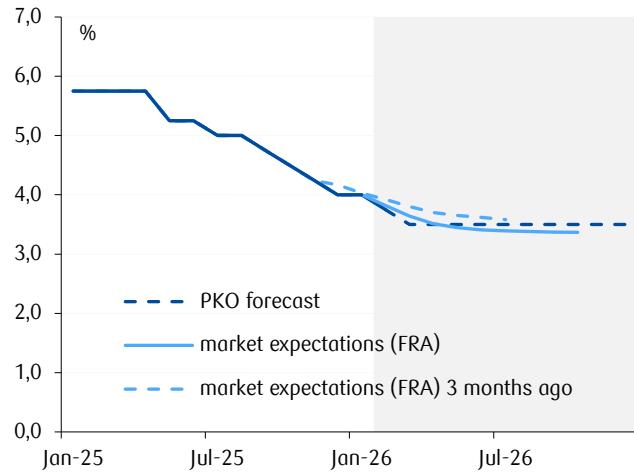


**Wages\*****Harmonised unemployment rate****Fiscal deficit (ESA)****Public debt****ESI****Consumer confidence ESI**

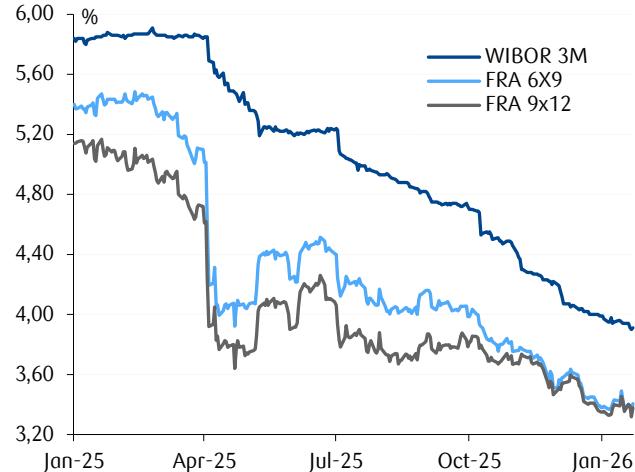
Source: Macrobond, GUS, INSSE, CZSO, KSH, PKO Bank Polski. \*for Czechia wages in industry, for Hungary – national economy, Poland and Romania – enterprise sector.

## Poland macro chartbook

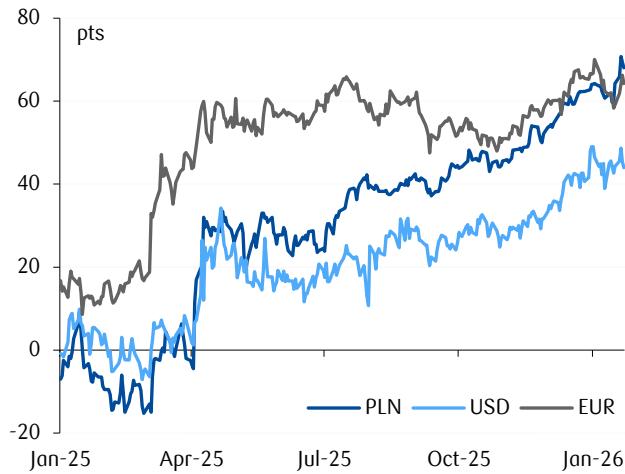
### NBP policy rate: PKO BP forecast vs. market expectations



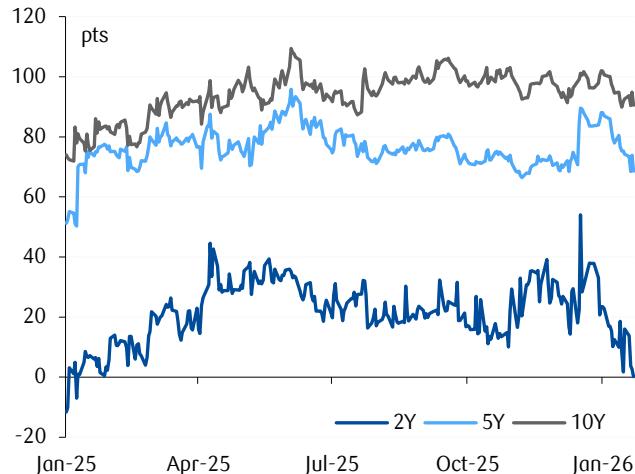
### Short-term PLN interest rates



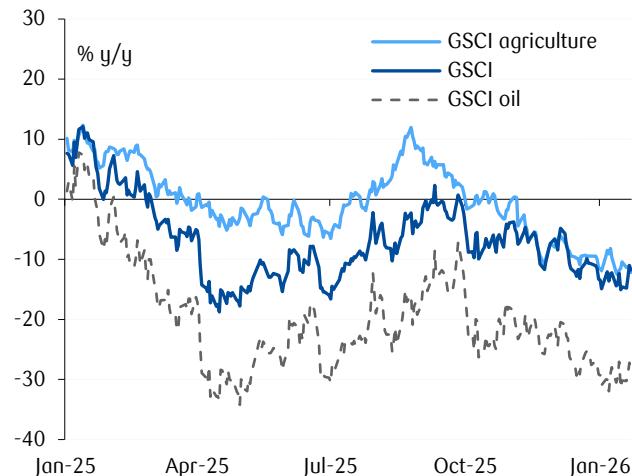
### Slope of the swap curve (spread 10Y-2Y)\*



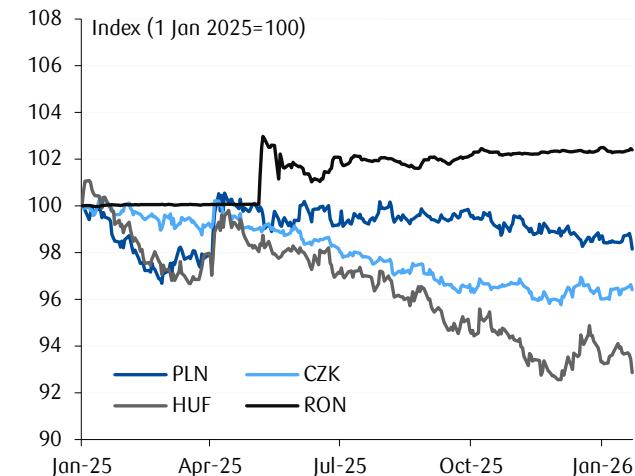
### PLN asset swap spread



### Global commodity prices (in PLN)

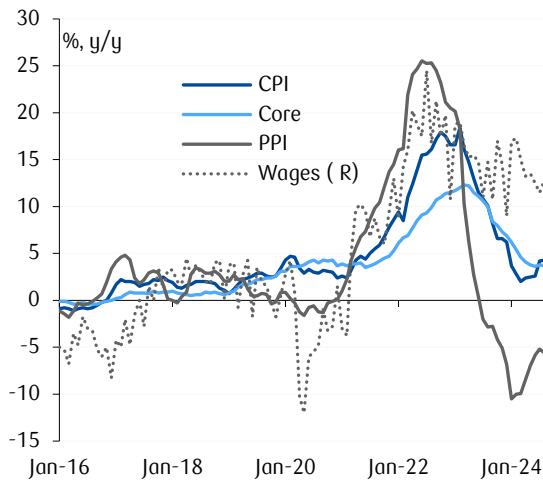


### Selected CEE exchange rates against the EUR

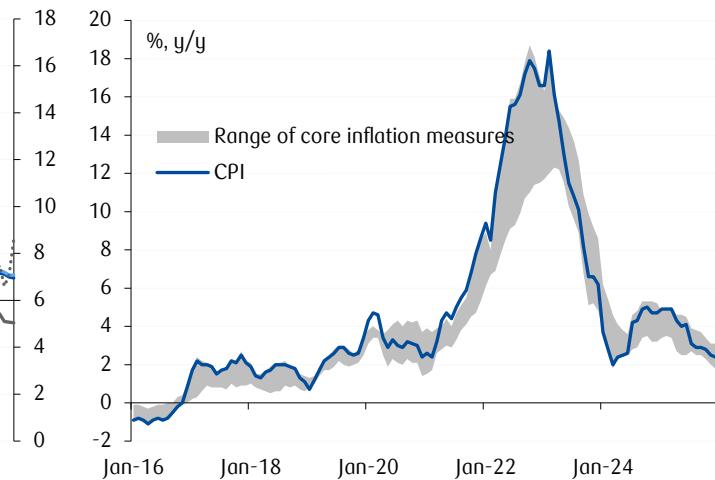


Source: Datastream, NBP, PKO Bank Polski. \*for PLN, and EUR 6M, for USD 3M.

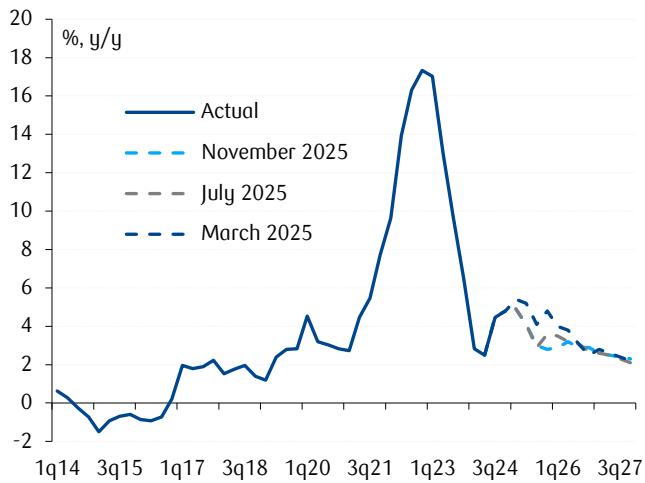
## Broad inflation measures



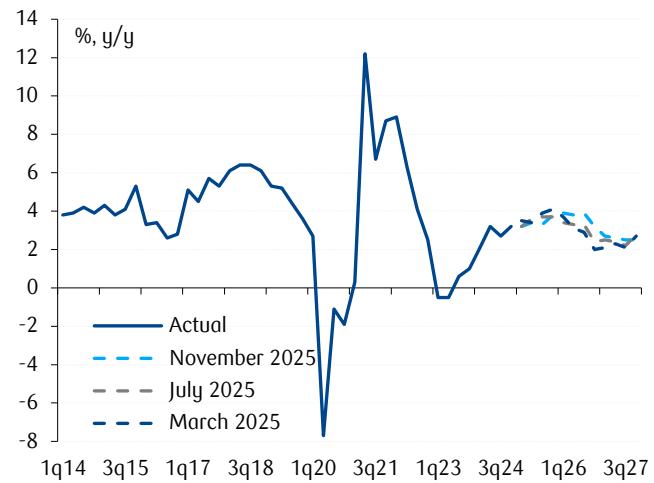
## CPI and core inflation measures



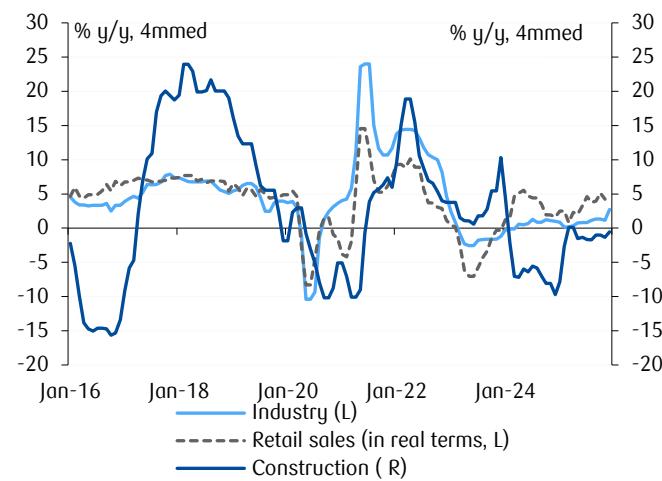
## CPI inflation – NBP projections vs. actual



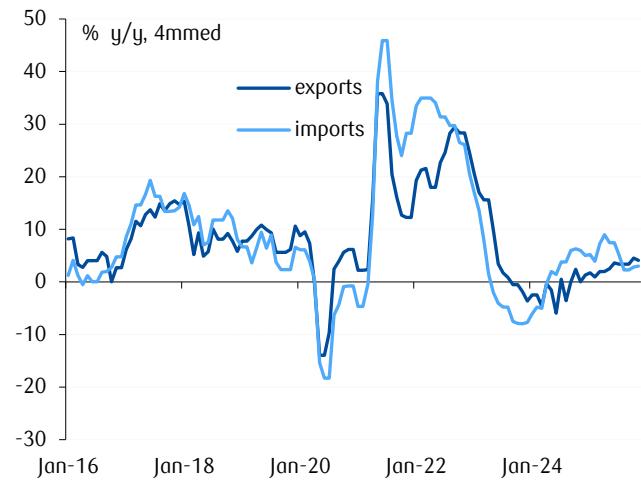
## Real GDP growth – NBP projections vs. actual



## Economic activity indicators

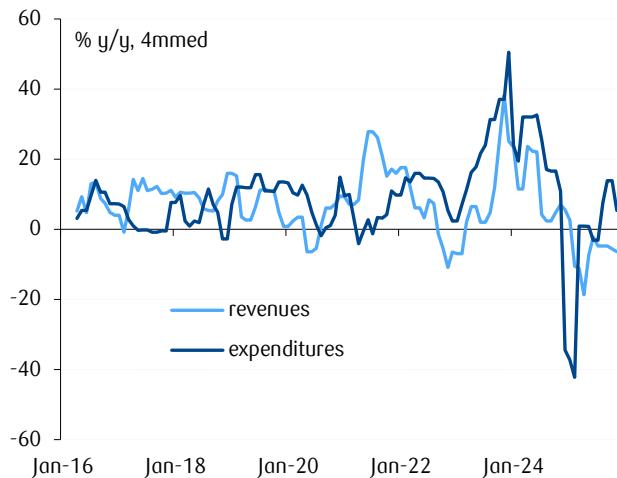


## Merchandise trade (in EUR terms)

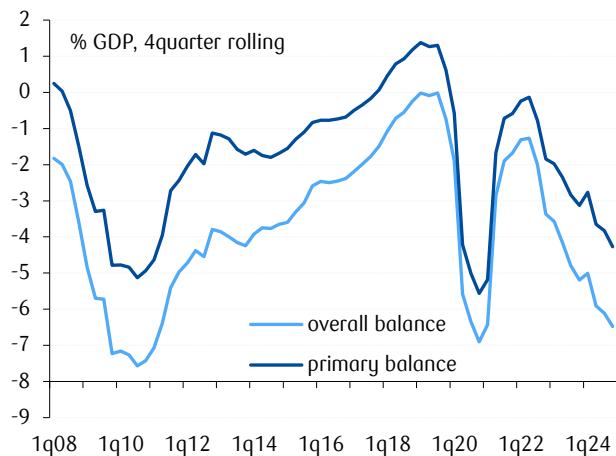


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

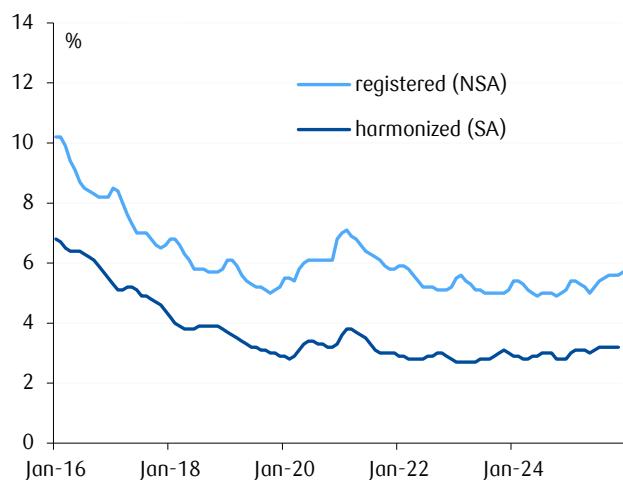
## Central government revenues and expenditures\*



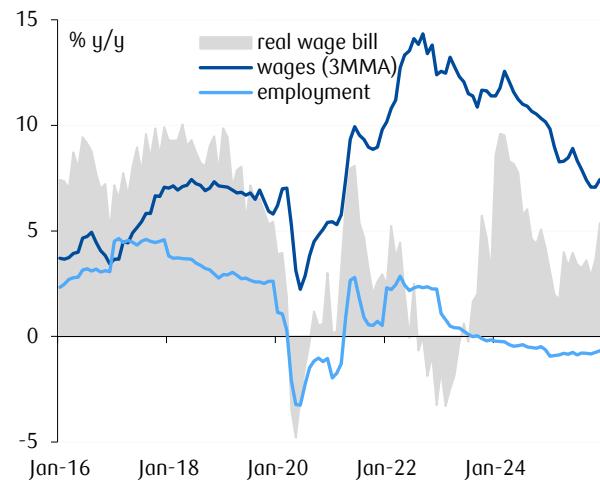
## General government balance (ESA2010)



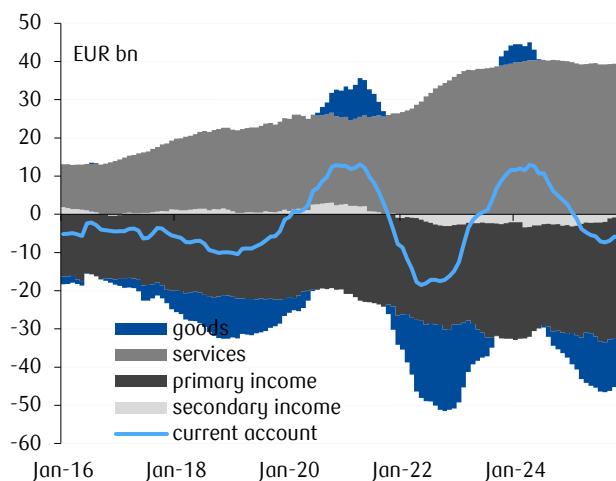
## Unemployment rate



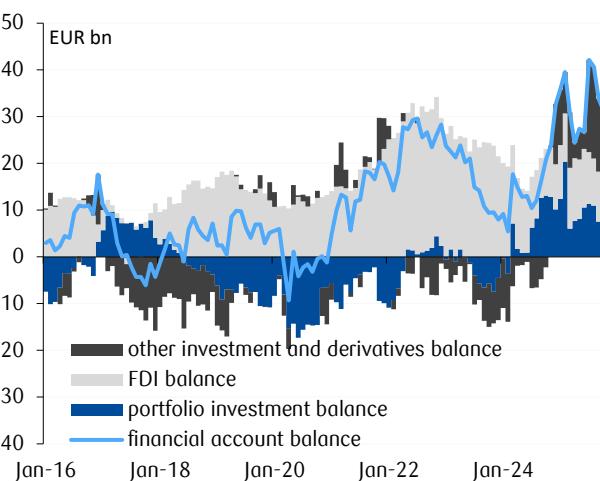
## Employment and wages in the enterprise sector



## 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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