

## The consumer was calling the shots last year

### TOP MACRO THEME(S):

- **Consumption dominated in 2025 (p.3)** – GDP growth in the CEE region at the end of the year was driven primarily by consumption, much like over the year as a whole. The data were broadly in line with expectations, although the result for Hungary proved somewhat disappointing.

### WHAT ELSE CAUGHT OUR EYE:

- **HUN:** The MNB, in line with expectations, left interest rates unchanged, including the base rate at 6.50%. Decision was unanimous. January meeting was the first since the MNB changed its forward guidance in December, opening the door to potential interest rate cuts in the future. In its press release, the MNB stated that the Council will make decisions on a meeting-by-meeting basis, with particular attention to the scale of New Year price list changes and financial market stability. At the same time, it emphasized that the MNB would remain cautious and stand ready to maintain a restrictive policy stance should conditions warrant it. During the press conference governor M.Varga emphasized that households' inflation expectations remain elevated and are inconsistent with price stability. At the same time, he expressed the view that the strengthening of the forint, which has already passed through to producer prices, will soon also be reflected in CPI inflation.
- **CZE:** The government approved this year's state budget deficit target, which amounts to CZK 310bn. It is CZK 24bn higher than the target approved by the previous government (CZK 286bn). According to finance minister A.Schillerova this difference accounts for public spending, including in transport infrastructure, which was not covered by previous budget bill. The Fiscal Council assessed that new state budget deficit target is breaching the fiscal responsibility law. The criticism mainly concerns the fact that the budget bill cannot be classified as a revision, given that the budget bill submitted by the previous government was rejected by the lower house. At the same time any further action was not specified by the Council.
- **ROM:** Ministry of finance announced that the budget gap narrowed to 7.65% of GDP in 2025 from 8.67% of GDP in 2024, confirming earlier media reports. The result was markedly lower than target of 8.4% of GDP. Fiscal consolidation measures boosted revenues by 15.3% y/y, including a 14.0% y/y increase in CIT receipts and a 10.7% y/y rise in VAT revenues. Expenditure rose by 11.2% y/y, with the slowest growth recorded in personnel spending (+1.9% y/y). Notably, this category posted a y/y decline in December for the first time in years. The end of the year also brought a marked acceleration in investment, including the use of NNRP grants (spending in this category increased by as much as 169%).

### THE WEEK AHEAD:

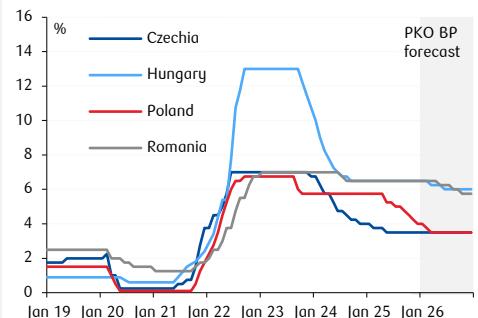
- Next week, interest rate decisions will be taken by the NBP and the CNB. In the former case, we are leaning towards a rate cut as governor A.Glapinski pointed to such a possibility during his last press conference. In the latter case a hold is almost certain as inflation in services and housing remains sticky. The week will start with the release of PMI indices for the region. A particularly interesting release will be the flash estimate of consumer inflation in Czechia. According to our forecast, price growth may fall slightly below 2%. In addition, the calendar includes December data on retail sales in Czechia and Hungary, as well as industrial production in the latter.

Macro Research Team

 @PKO\_Research

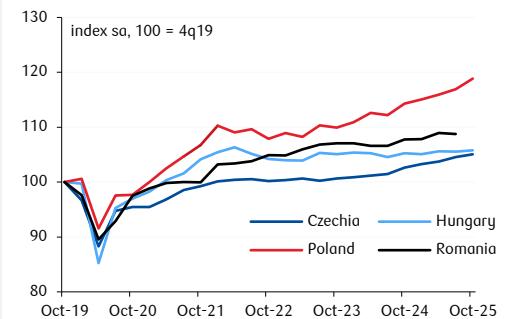
### Charts of the week:

#### Interest rates in the CEE region



Source: Macrobond, PKO Bank Polski

#### GDP level in CEE\*

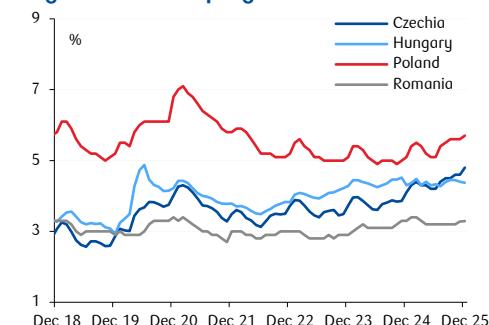


Source: Macrobond, PKO Bank Polski. \*for Poland 4q25 was estimated by PKO BP.

## CEE macro review

- **POL:** The registered unemployment rate rose to 5.7% in December from 5.6% in November. The number of unemployed persons amounted to 888.6 thous., increasing by 15 thous. m/m, i.e. only slightly above levels observed in December in previous years. The data suggest that the impact of the regulatory effect related to the June 2025 reform of labour offices has already faded. The reform temporarily reduced the number of deregistrations from unemployment without affecting registrations, thereby pushing up the unemployment rate. Among vulnerable groups, the growing number of unemployed graduates stands out negatively. Since September, the growth rate has been around 19–20% y/y, compared with about 13% y/y for total unemployment. In absolute terms, the scale remains relatively small (38.3 thous. in December) and historically low, but it may signal problems in selected labour markets. The number of unemployed persons laid off for reasons attributable to the employer is rising at a pace broadly in line with overall unemployment and does not raise concerns.
- **ROM:** The registered unemployment rate increased marginally in December to 3.29% from 3.28%, although it remains the lowest in the region. The indicator has been on the rise since October reflecting some deterioration in economic conditions due to ongoing fiscal consolidation. In y/y terms the number of unemployed continues to rise, uninterrupted since February 2024. The share of registered unemployed receiving benefits rose to 30% from 22% in November, pointing to an inflow of new registrations, likely linked to company restructuring.
- **POL:** Industrial orders fell by 30.6% y/y in December after rising by 24.5% y/y in November, most likely due to the one-off effect of large orders in November 2025 and December 2024. Export orders increased by 4.5% y/y in December following a 1.8% y/y decline in November. Despite the high volatility seen in recent months, the data suggest a gradual increase in demand in the domestic economy. An important factor behind the recent volatility may be defence-related orders.
- **HUN:** Surplus in external trade of goods amounted to EUR 333 million in December, marking a y/y decrease of EUR 28 million. The outcome reflected a combination of faster import growth (+7.9% y/y) relative to exports (+3.8% y/y), with the latter marking the second-strongest increase in 2025. In calendar-adjusted (ca) terms, exports rose by 0.8% y/y, the first increase in five months, which may signal an upcoming recovery. In ca terms, imports grew by 5.0% y/y, broadly maintaining the pace seen in previous months.
- **HUN:** PPI deflation deepened to 3.4% y/y in December (vs -2.7% y/y in November). Non-domestic output prices fell faster than domestic ones, by 4.1% y/y versus 1.9% y/y. Producer price growth has been on a downward trend throughout 2025, with an average growth of 4.1%. This bodes well for consumer prices growth in the future.
- **ROM:** Broad money (M2) increased by 7.2% y/y in December, up from 6.6% y/y in November. Credit growth to the private sector stood at 6.2% y/y in December, including 3.5% y/y in domestic currency and 12.7% y/y in foreign currency. Diverging trends are visible across segments: household loans denominated in lei rose by 10.4% y/y, while corporate loans declined by 6.4% y/y.

Registered unemployment rate in CEE



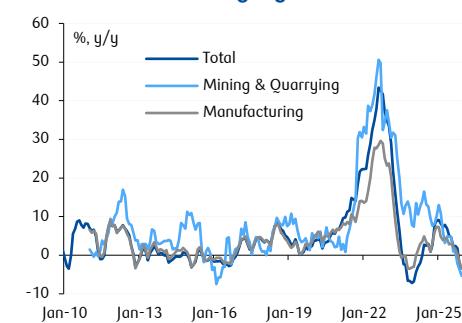
Source: Macrobond, PKO Bank Polski.

Number of unemployed school graduates in Poland (12-month average)



Source: Macrobond, PKO Bank Polski.

PPI inflation in Hungary



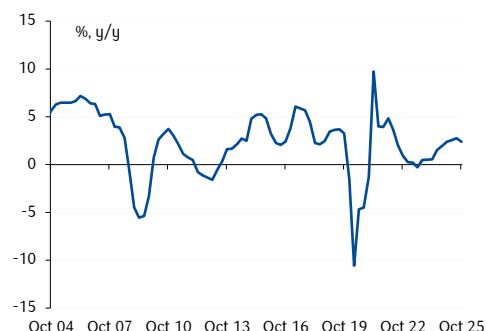
Source: Macrobond, PKO Bank Polski.

## Consumption dominated in 2025

- GDP growth across the CEE region at year-end was driven mainly by consumption, consistent with the pattern seen throughout the year. The data were broadly in line with expectations, although Hungary's outcome was somewhat disappointing. Overall, the releases did not materially change our 2026 growth outlook.

Across 2025, the Czech economy grew by 2.5% against 1% in 2024, which was the fastest pace in three years. The exact structure of growth is not yet known; however, according to the statistical office, activity was driven primarily by domestic demand. On the supply side, the growth in value added stemmed mostly from economic activities in trade, transportation, accommodation, and food services fuelled by good financial situation of households. In 4q25 GDP growth in Czechia decelerated to 2.4% y/y, from 2.8% y/y in 3q25 and the reading was slightly below our expectations, similar to q/q growth which stood at 0.5%. The growth was mainly supported by higher final consumption expenditure, however net exports also have a slightly positive influence.

Annual GDP growth in Czechia



Source: Macrobond, PKO Bank Polski.

Full year growth in Hungary stood at 0.4%, which fell short of our expectations as well as MNB's forecast. It also means that Hungarian economy recorded a mild slowdown against 2024, when it grew by 0.5%. GDP growth in 4q25 picked up only marginally to 0.7% y/y from 0.6% y/y and in seasonally and calendar adjusted quarterly terms economic activity increased by 0.2%. So far, the statistical office has released only limited information on the supply-side structure of growth, indicating that services were the main growth drivers, particularly financial and insurance activities as well as wholesale and retail trade, along with construction. Industry was the main drag on activity, however this is likely to change in 2026 as new production sites of Chinese automotive firms should start to operate in 2026.

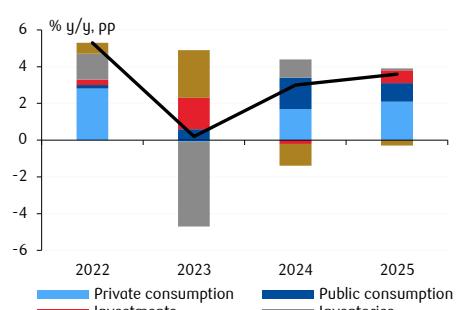
Annual GDP growth in Hungary



Source: Statistics Poland, PKO Bank Polski.

In the case of Poland, the statistical office released only a full-year estimate, but with growth rates for the individual GDP components. GDP growth in 2025 reached 3.6%, up from 3.0% in 2024, and was close to our forecast. The full-year outcome implies that GDP growth in 4q25 was in the range of 3.9-4.2% y/y, indicating a slight acceleration compared with 3q25. In 2025, private consumption increased by 3.7%, following growth of 2.9% in 2024. Wages continued to grow faster (4.8% y/y in 1-3q25) than spending, and an increasing share of unspent income was channelled into savings, providing a buffer for future consumption. Public consumption contributed 1 pp to GDP growth, less than in 2024 (1.7 pp). Investment rose by 4.2% in 2025, after declining by 0.9% in 2024, albeit somewhat more slowly than we had assumed. On the public sector side, investment in the modernisation of the armed forces and in the transformation of energy and rail infrastructure continued. Additional support came from EU funds. The private sector was able to begin implementing investment projects, mainly in 2h25. Net exports reduced GDP growth by 0.3 pp, slightly less than a year earlier. However, subdued foreign demand remained visible, alongside rising imports driven by domestic demand. Inventories added 0.1 pp to growth.

Decomposition of annual GDP growth in Poland



Source: Statistics Poland, PKO Bank Polski.

We expect that in 2026, while consumption remains solid, investment will finally stage a clear recovery. We forecast GDP growth of 3.7% for the Polish economy this year, with the Czech and Hungarian economies expanding by around 2.3%.

## Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
<b>Monday. 2 February</b>						
CHN: Manufacturing PMI (Jan)	1:45	pts.	50.1	50	--	--
POL: Manufacturing PMI (Jan)	8:00	pts.	48.5	--	49.2	We expect the index to rise in line with the improvement in sentiment in Europe.
GER: Manufacturing PMI (Jan. final)	8:55	pts.	47	48.7	--	--
EUR: Manufacturing PMI (Jan. final)	9:00	pts.	48.8	49.4	--	--
USA: Manufacturing PMI (Jan. final)	14:45	pts.	51.8	51.9	--	--
USA: ISM Manufacturing (Jan)	15:00	pts.	47.9	48.3	--	--
<b>Tuesday. 3 February</b>						
USA: JOLTS Report (Dec)	15:00	m	7.146	--	--	--
<b>Wednesday. 4 February</b>						
GER: Services PMI (Jan. final)	8:55	pts.	52.7	53.3	--	--
EUR: Services PMI (Jan. final)	9:00	pts.	52.4	51.9	--	--
EUR: PPI inflation (Dec)	10:00	% y/y	-1.7	--	--	--
EUR: HICP inflation (Jan. flash)	10:00	% y/y	1.9	--	--	--
EUR: Core inflation (Jan. flash)	10:00	% y/y	2.3	--	--	--
USA: ADP National Employment (Jan)	13:15	thous.	41	45	--	--
POL: NBP base rate ()	--	%	4.00	4.00	3.75	We assume that the NBP's internal short-term forecasts, showing inflation falling below the target at the beginning of the year, will prompt the MPC to cut rates.
<b>Thursday. 5 February</b>						
GER: Factory orders (Dec)	7:00	% m/m	5.6	--	--	--
GER: Factory orders (Dec)	7:00	% y/y	10.5	--	--	--
ROM: Retail sales (Dec)	7:00	% y/y	-4	--	--	--
HUN: Retail sales (Dec)	7:30	% y/y	2.5	4.5	--	--
CZE: CPI inflation (Jan. flash)	8:00	% y/y	2.1	1.5	1.7	--
EUR: Retail sales (Dec)	10:00	% y/y	2.3	--	--	--
UK: BoE meeting ()	12:00	%	3.75	3.75	3.75	--
EUR: EBC deposit rate ()	13:15	%	2.0	--	2.0	--
CZE: Central bank meeting ()	13:30	%	3.5	3.5	3.5	--
USA: Initial Jobless Claims ()	13:30	thous.	--	--	--	--
<b>Friday. 6 February</b>						
GER: Industrial production (Dec)	7:00	% m/m	0.8	--	--	--
GER: Industrial output (Dec)	7:00	% y/y	0.8	--	--	--
GER: Exports (Dec)	7:00	% m/m	-2.5	--	--	--
GER: Imports (Dec)	7:00	% m/m	0.8	--	--	--
HUN: Industrial Output (Dec)	7:30	% y/y	-5.4	-1	--	--
CZE: Industrial Output (Dec)	8:00	% y/y	-0.3	--	--	--
USA: Non-Farm Payrolls (Jan)	13:30	thous.	50	70	--	--
USA: Average Earnings (Jan)	13:30	% y/y	3.8	--	--	--
USA: Unemployment Rate (Jan)	13:30	%	4.4	4.4	--	--
USA: University of Michigan sentiment (Feb. flash)	15:00	pts.	56.4	55	--	--

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	"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." (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	"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." (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	"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." (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. Glopinski	2.6	"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%." (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	"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." (16.01.2026, Bloomberg)
M. Zarzecki	New MPC member	"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." (21.01.2026, Bloomberg)

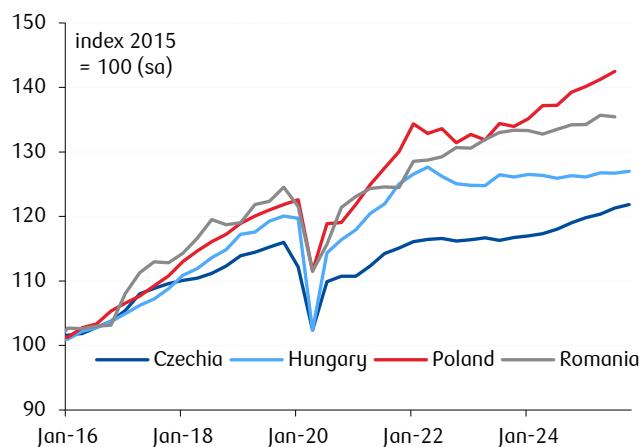
\*The higher the indicator the more hawkish views. The positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5). ^Quotes in bold have been modified in this issue of Poland Macro Weekly.

### Selected comments from central bankers in other CEEs

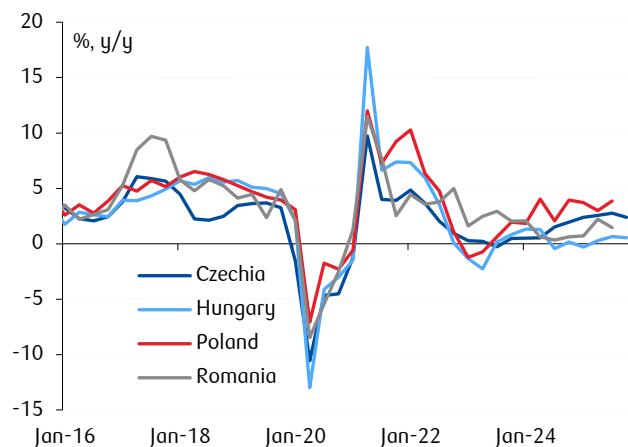
CNB	"I'm inclined to hold rates for some more time, wait for additional data and for the right moment when we can explain to the market that one more cut is appropriate." Board member J.Prochazka (28.01.2026, Bloomberg)
MNB	"Early-year repricing will be closely monitored as it has a major impact on inflation outlook." Governor M.Varga (27.01.2026, Intellinews)
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.Isarescu (14.11.2025, Think ING)

## CEE macro chartbook

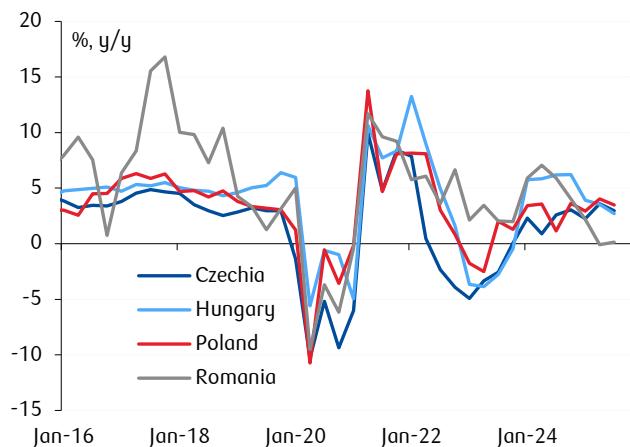
### GDP level



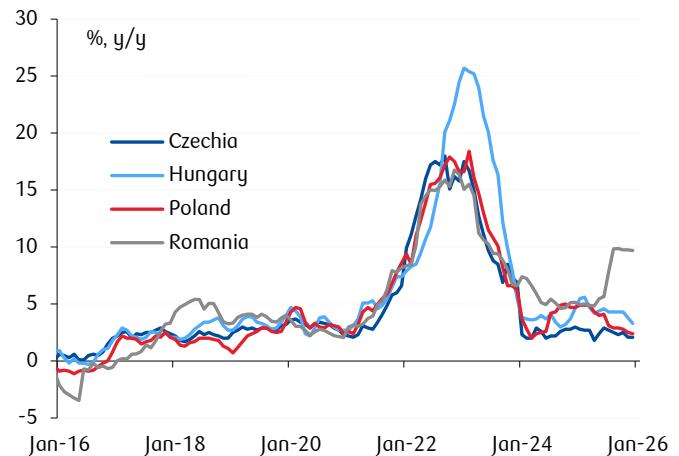
### GDP growth



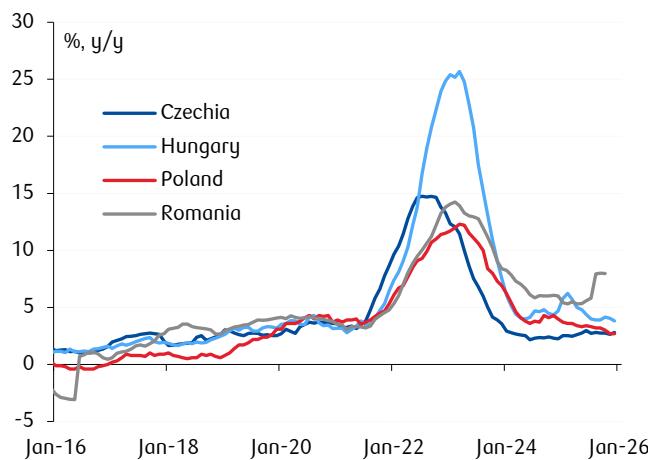
### Private consumption growth



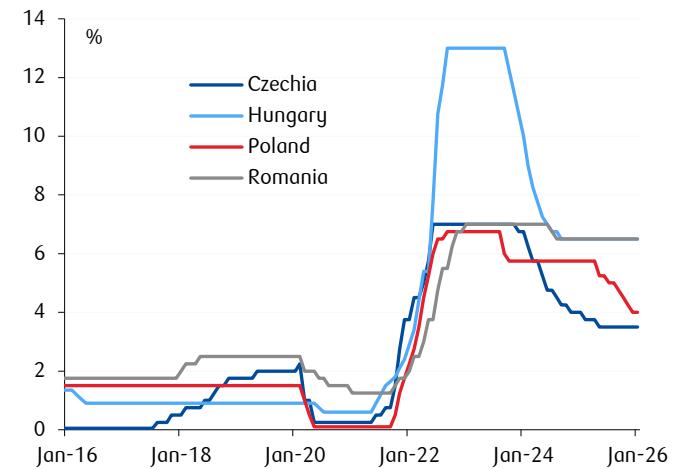
### CPI inflation



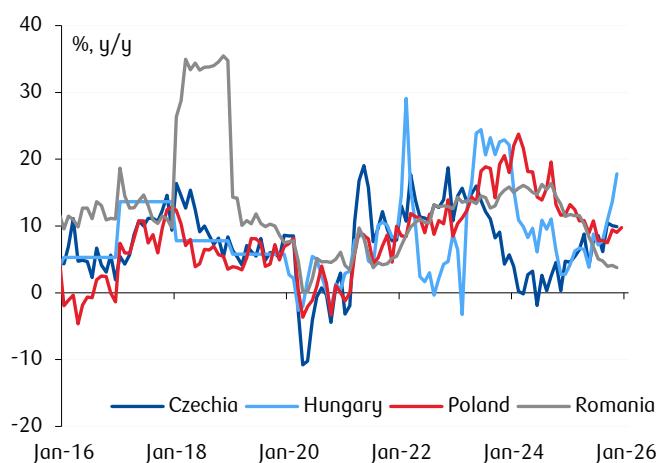
### Core CPI inflation



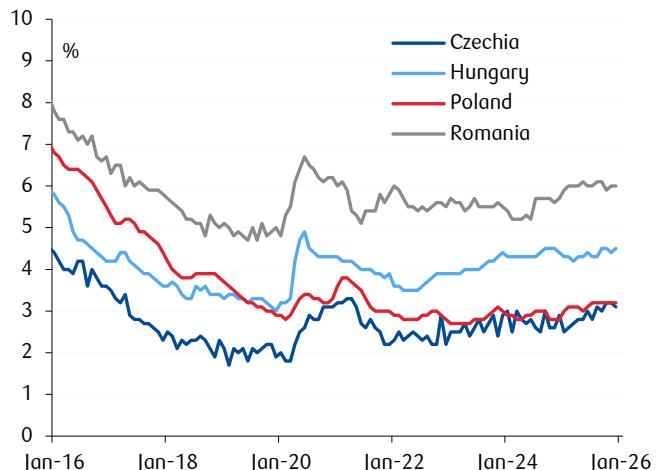
### Interest rates (policy rates)



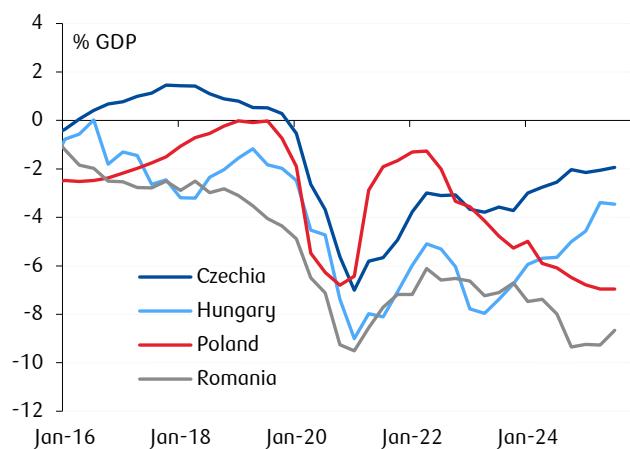
## Wages\*



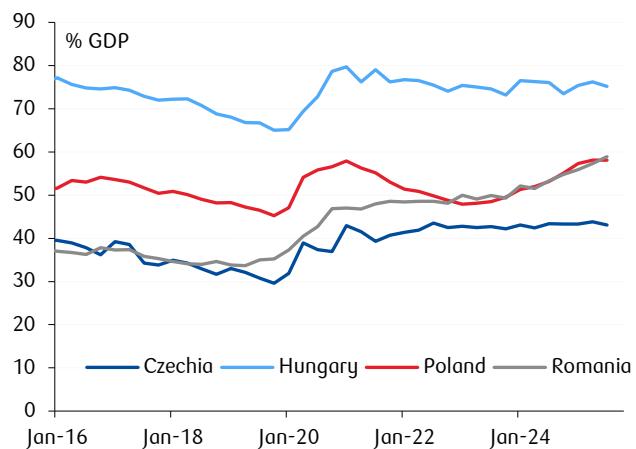
## Harmonised unemployment rate



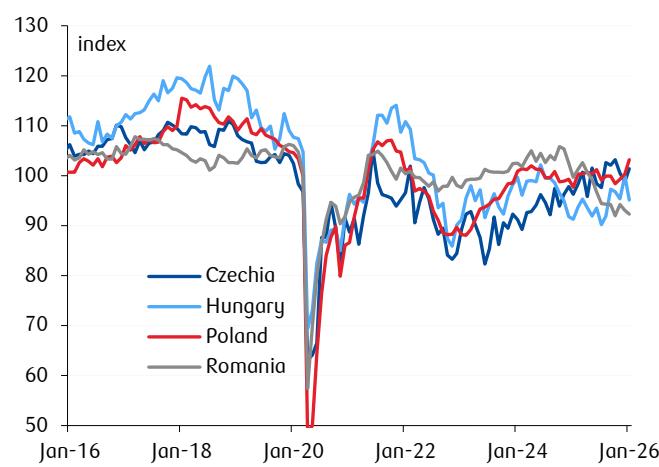
## Fiscal deficit (ESA)



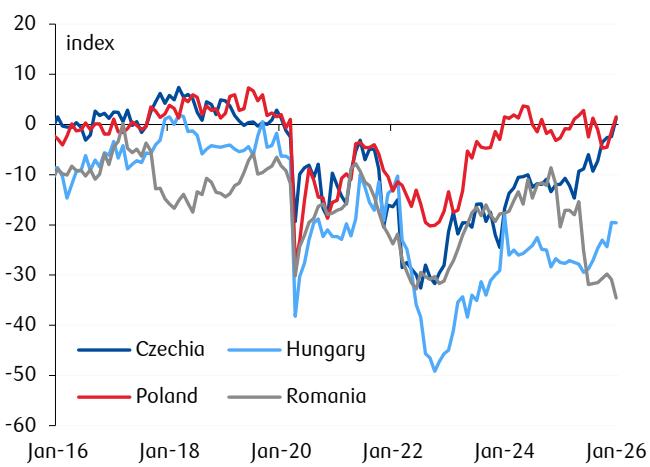
## Public debt



## ESI



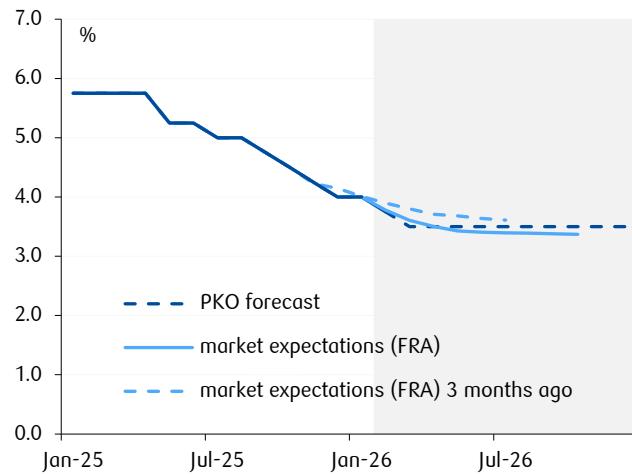
## Consumer confidence ESI



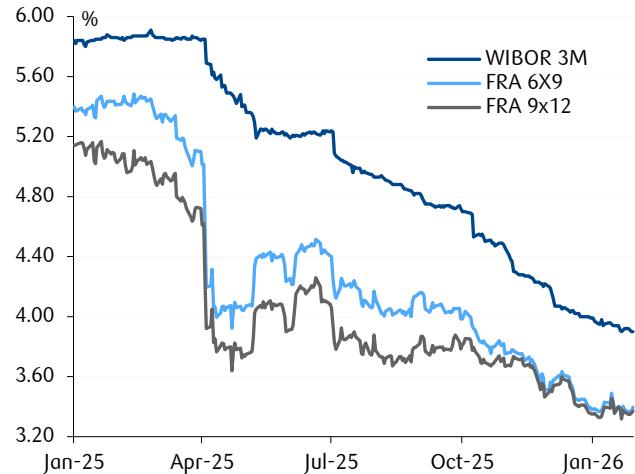
Source: Macrobond, GUS, INSSE, CZSO, KSH, PKO Bank Polski. \*for Czechia wages in industry, for Hungary – national economy, Poland and Romania – enterprise sector.

## Poland macro chartbook

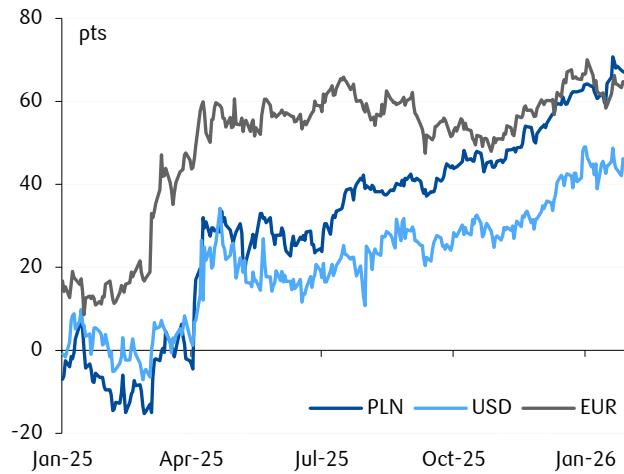
### NBP policy rate: PKO BP forecast vs. market expectations



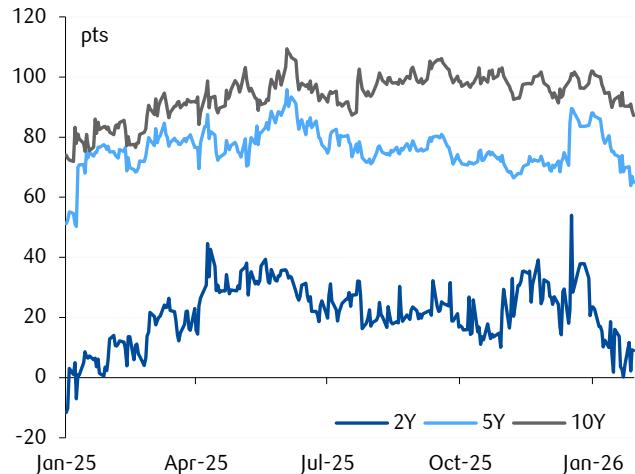
### Short-term PLN interest rates



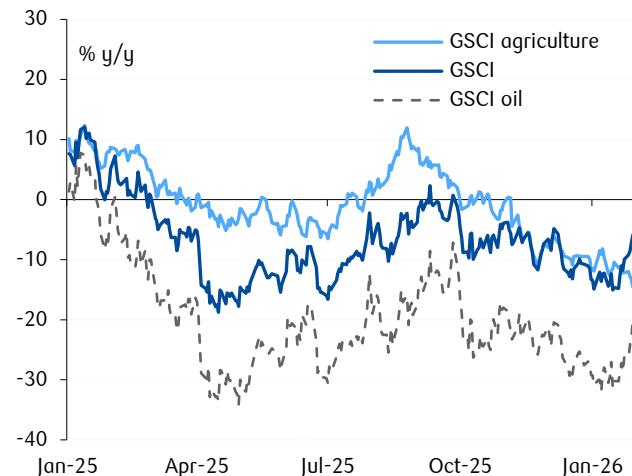
### Slope of the swap curve (spread 10Y-2Y)\*



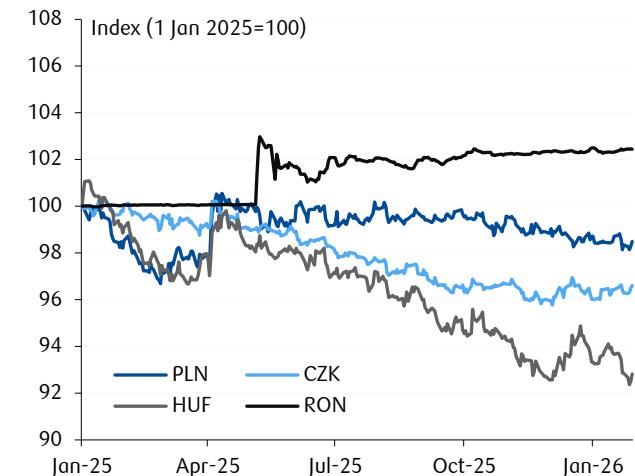
### PLN asset swap spread



### Global commodity prices (in PLN)

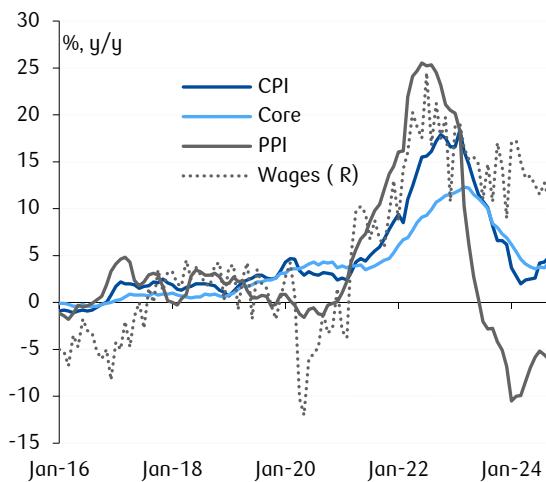


### Selected CEE exchange rates against the EUR

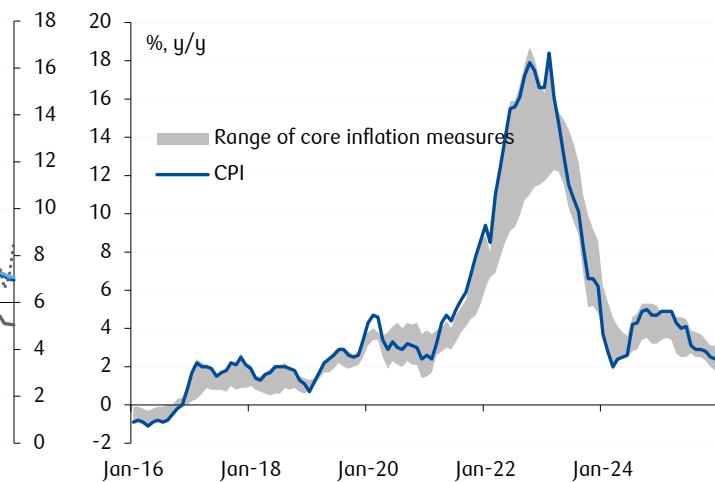


Source: Datastream, NBP, PKO Bank Polski. \*for PLN, and EUR 6M, for USD 3M.

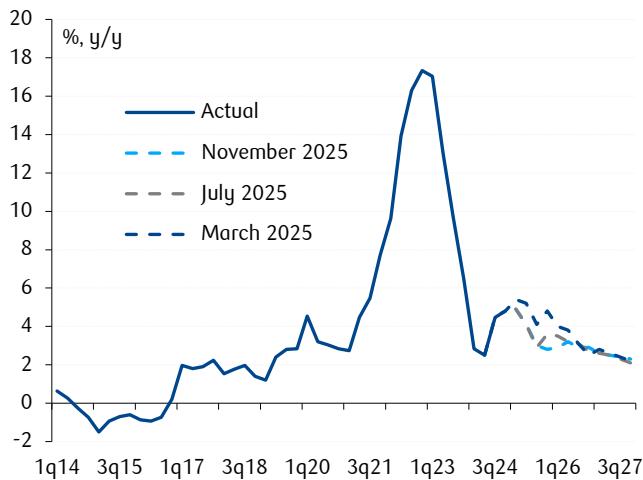
## Broad inflation measures



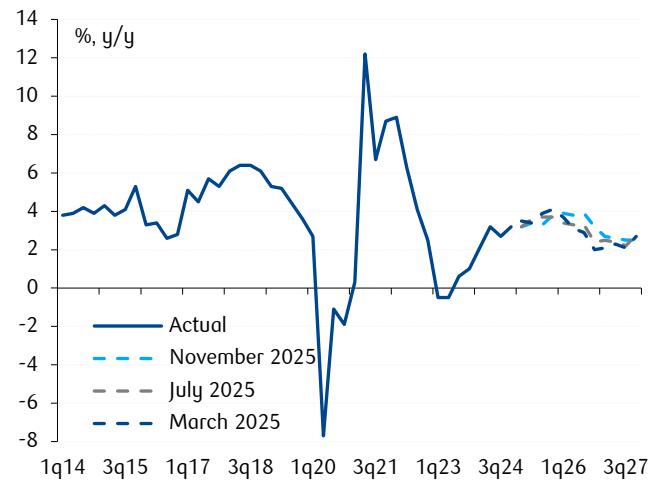
## CPI and core inflation measures



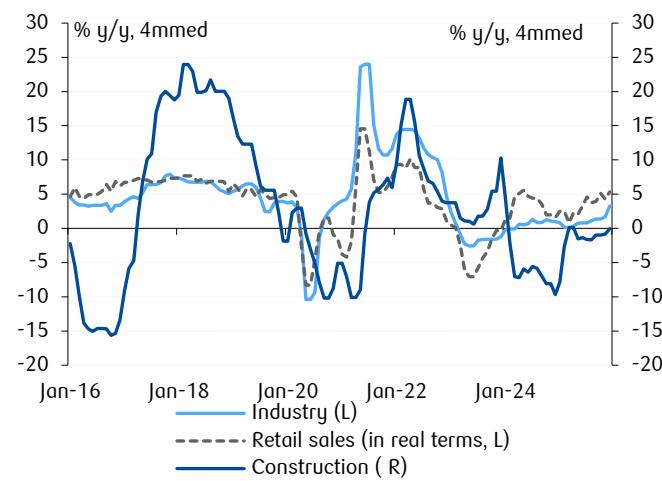
## CPI inflation - NBP projections vs. actual



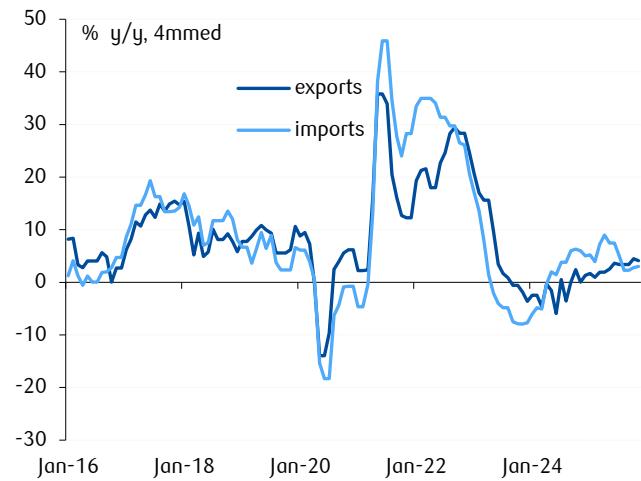
## Real GDP growth - NBP projections vs. actual



## Economic activity indicators

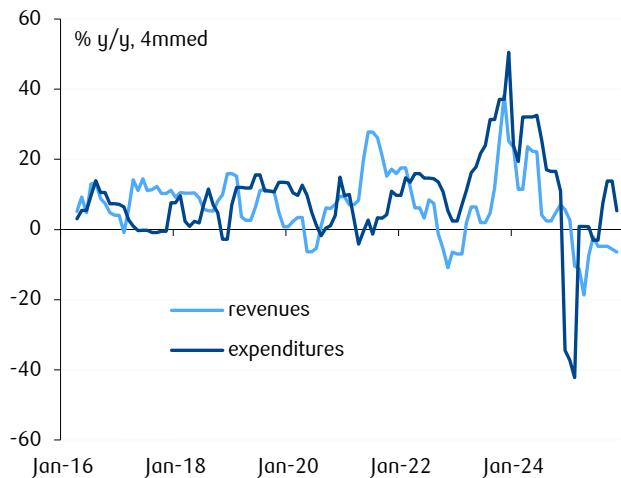


## Merchandise trade (in EUR terms)

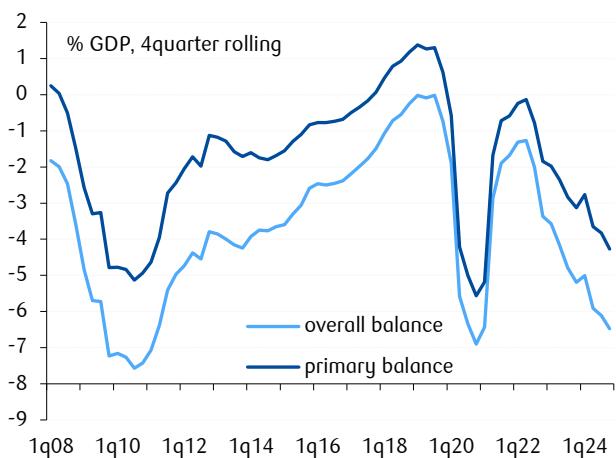


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

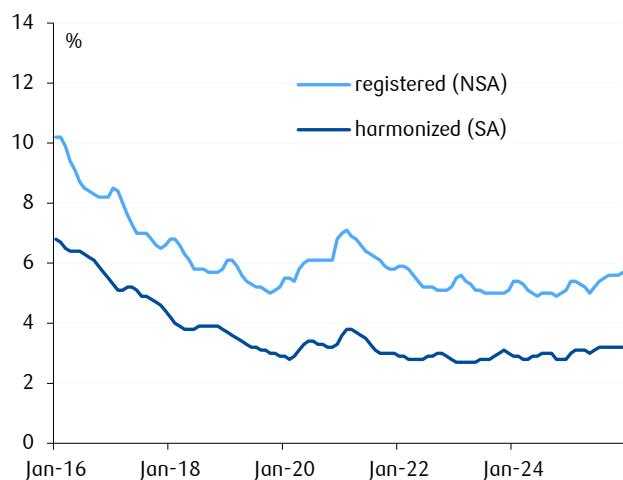
## Central government revenues and expenditures\*



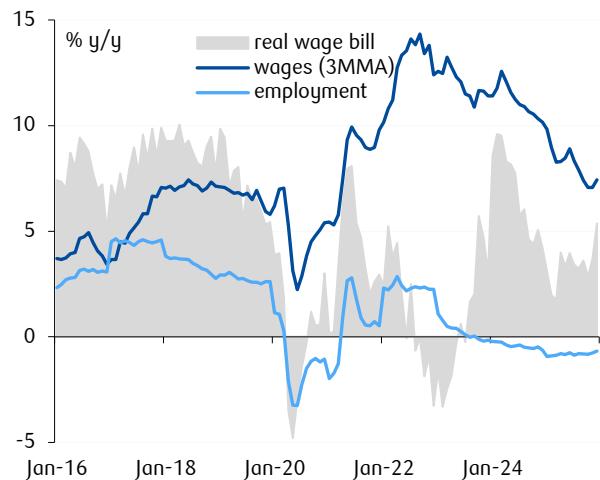
## General government balance (ESA2010)



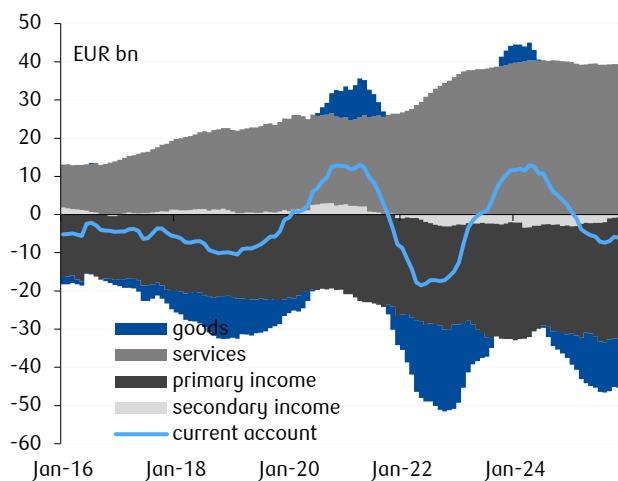
## Unemployment rate



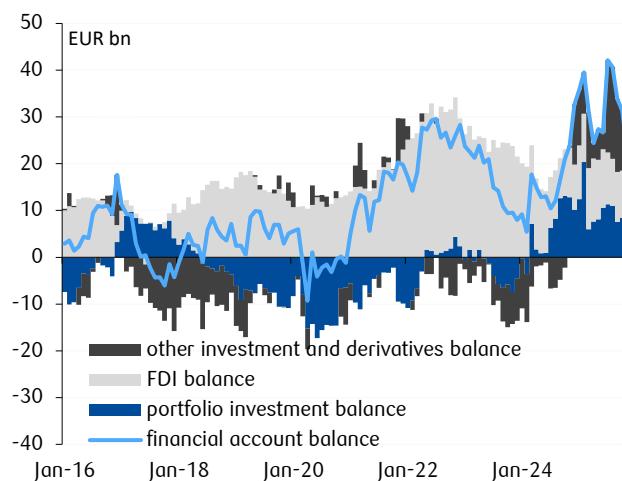
## Employment and wages in the enterprise sector



## 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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