

## Romania's road from austerity to innovation

### TOP MACRO THEME(S):

- **Strong forint and subdued inflation triggered a rate cut in Hungary (p.3)** – The MNB cut rates by 25bp to 6.25%, citing favourable inflation trends and financial stability, it expects inflation to stay below the target in the near term before returning sustainably to 3% in 2h27. While stressing a data-driven approach and FX stability, MNB may deliver further easing in March.

### WHAT ELSE CAUGHT OUR EYE:

- **ROM: The Prime Minister I.Boloyan announced an administration reform bill that includes a range of measures aimed at restructuring the public sector.** These include, among others, a reduction in staff (the number of occupied positions in local governments will be reduced by 10%, and including vacant positions, the reduction will reach 30%), as well as salary cuts in the public sector and stricter enforcement of local taxes. The education and healthcare sectors have been excluded from staff reductions, but they will be required to cut their expenditures. The retirement age for military personnel and police officers will be raised to 65. Local governments have until July 1 to implement these measures. The fiscal impact of these changes is estimated at approximately RON 1.6 bn in 2026 and RON 3 bn in 2027.
- **ROM: In addition to administrative reform, the government approved an economic stimulus package. It is a multi-year package worth RON 5 bn, in force until 2032.** Finance Minister A.Nazare stated that it is designed to shift the growth model from one driven by consumption to one based on innovation and investment. The package includes fiscal incentives, investment programs, and state aid for strategic sectors. Fiscal incentives include, among other measures, a 3% bonus for timely tax payments, an increase in the VAT cash accounting threshold to RON 5 mn in 2026 and RON 5.5 mn in 2027, and a 10% tax credit for R&D activities. Investment support will include, among other instruments, state aid through guarantees and state subsidies for investments between RON 7 mn and RON 50 mn; a state aid scheme for minimum investments of up to RON 75 mn in critical raw materials and clean technologies; and state aid for Romanians living abroad who are willing to start businesses in Romania (EUR 100 mn allocated for 2026–2029). The fiscal impact of this package has not yet been announced, however, the finance minister assured that costs will be covered by savings generated through the administrative reform.
- **POL:** Later today Fitch will make a decision regarding Poland's credit rating; we do not expect any changes (A-, negative outlook).

### THE WEEK AHEAD:

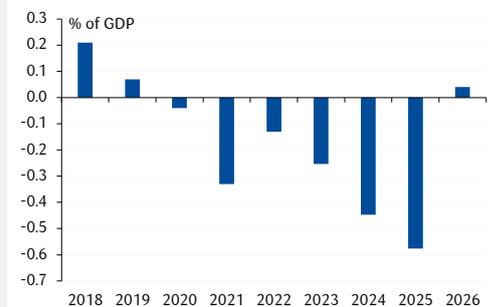
- **The key event of the week will be the NBP meeting (Wed.), where we expect a resumption of the rate-cutting cycle, supported by updated NBP projection with stable low inflation and moderating wage growth.** Such a scenario is also signalled by recent comments from MPC members. The week will begin with the **release of February PMI readings for the region.** On Wednesday, we will receive **flash February inflation data from the Czechia** (we expect stabilisation at 1.6% y/y). **Revised 4q25 GDP estimates** will also be closely watched, as they should help confirm the main drivers of (or drags on) growth.

Macro Research Team

 @PKO\_Research

### Chart(s) of the week:

General government budget in January in Romania

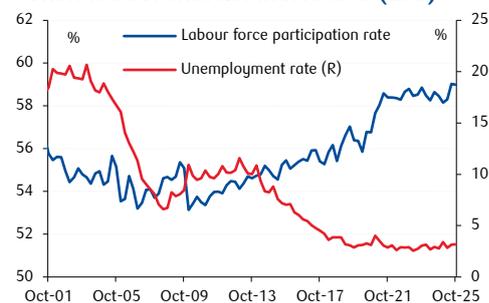


Source: Macrobond, FinMin, PKO Bank Polski.

## CEE macro review

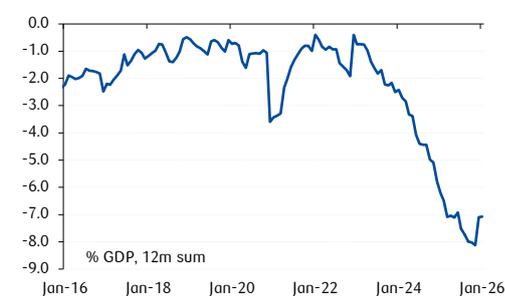
- POL:** The LFS unemployment rate rose to 3.2% in 4q25 from 3.1% in 3q25 and was 0.4pp higher y/y. The number of unemployed increased by 14.5% y/y, the strongest rise since 2q21. These increases, while seemingly concerning, reflect a shift of previously inactive individuals into the labour force who were unable to find jobs, pointing to weak labour demand rather than a deterioration in overall conditions. Notably, the increase in unemployment was more pronounced in urban areas and among highly educated workers, consistent with the hypothesis that layoffs in selected global services branches are affecting these groups. At the same time, employment grew by 0.6% y/y while the labour force participation rate (59%) and the employment rate (57.1%) remained at or near record highs. In January, the registered unemployment rate increased to 6.0% from 5.7% - in line with forecasts and typical seasonal pattern. Overall, the Polish labour market presents several apparent paradoxes: both unemployment and employment are rising. This suggests a broadly resilient labour market, albeit with weak demand and sector- and region-specific challenges and, to some extent, likely the delayed inclusion of foreigners who were already employed.
- POL:** The central government deficit increased to PLN 275.6 bn (7.1% of GDP) in 2025, up from PLN 210.9 bn (5.8% of GDP) in 2024. The wider deficit reflects, among other factors, the reform of local government financing (including the transfer of most PIT revenues to local authorities) and the rollover of off-budget bonds (issued by BGK and PFR) through the state budget, amounting to PLN 56.2 bn – a mechanism not used in previous years. Expenditures rose by 4.3%. Budget revenues declined by 4.6% in 2025; however, on a comparable basis, they would have increased by 11.8%. In detail, VAT revenues accelerated markedly (up 11.8% y/y, with strong momentum that was invisible in recent months, including released earlier data for January 2026), while excise tax revenues remained weak despite higher rates, reflecting softer consumption of excise goods. A robust labour market translated into slightly higher-than-expected PIT revenues (by PLN 0.6 bn relative to the MoF forecast) and a significantly lower-than-planned subsidy to the Social Insurance Institution (ZUS), lower by PLN 17.9 bn. We do not see any reason to revise our General Government deficit forecast. **We continue to expect a GG deficit of around 7.0% of GDP in 2025, followed by a modest consolidation to 6.5% of GDP this year.**
- ROM:** A budget surplus of RON 850mn equal to 0.04% of GDP was achieved in January. It was the first January surplus since 2019. According to the Minister of Finance, A.Nazare, this is a prove that fiscal consolidation measures have been taking effect.
- POL:** In contrast to the weak industrial as well as construction and assembly production reported last week, retail sales in January did not disappoint and increased in real terms by 4.4% y/y, compared with 5.3% y/y in December. Very low temperatures in January did not freeze consumer spending on goods, despite media reports of lower foot traffic in stores. In our view, the fundamentals of retail sales and overall consumption remain very strong. Despite a slowdown at the beginning of 2026, household incomes continue to grow at a pace exceeding inflation, consumer sentiment remains on a medium-term upward trend, and spending on home furnishings is supported by higher activity in the housing market. We forecast that private consumption will increase in real terms by around 3.5% in 2026 as a whole, following growth of 3.7% in 2025.

### Polish labour market indicators (LFS)



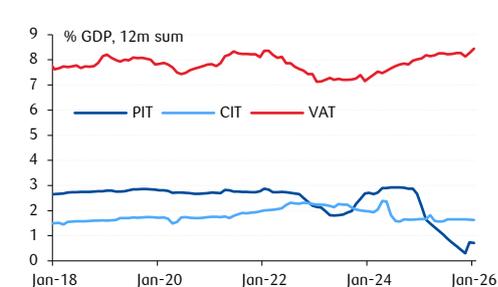
Source: Macrobond, PKO Bank Polski.

### Budget deficit in Poland – rolling 12month sum in relation to GDP



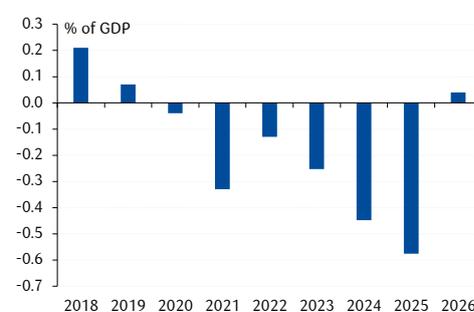
Source: Ministry of Finance, Statistics Poland, PKO Bank Polski.

### Budget revenues in relation to GDP in Poland



Source: Ministry of Finance, Statistics Poland, PKO Bank Polski.

### General government budget in January in Romania



Source: Macrobond, FinMin, PKO Bank Polski.

## Strong forint and subdued inflation triggered a rate cut in Hungary

- The MNB cut interest rates by 25bp, including the base rate to 6.25%, earlier than we had expected, citing favourable underlying inflation trends and stable financial markets. Both the MNB and we expect inflation to remain below the 3% target in the coming months before rising later this year. Inflation is projected to return sustainably to target in 2h27. Governor M.Varga stressed a data-driven approach and the importance of forint stability. We see scope for another rate cut in March, with potential further easing in June, despite election-related FX risks.

At its Tuesday meeting, the MNB lowered interest rates by 25bp, including the base rate to 6.25%, contrary to our expectation that rates would remain unchanged. The decision was justified by favourable developments in underlying inflation and the stability of financial markets. Following the deeper-than-expected decline in inflation in January to 2.1%, we assessed that the MNB's willingness to cut rates had increased significantly. However, given the various one-off factors that supported the low reading, we had expected the MNB to take such a step only in March, alongside the release of a new forecast. The cut was the first since September 2024.

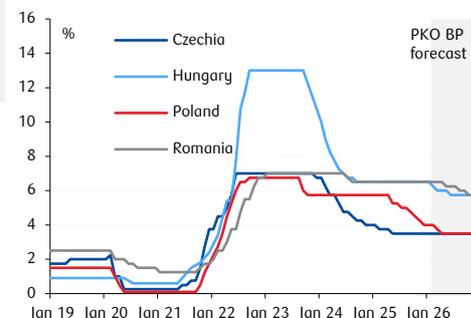
In the [press release](#) the assessment was maintained that the general improvement in the external cost environment and the pass-through of the stronger forint into import prices are supporting disinflation. Indeed, since the beginning of the year, the forint has appreciated more strongly than any other currency in the region.

At the same time, it was emphasized that the scale of New Year price adjustments in market services was among the lowest in recent years (service prices rose by 0.4% m/m in January, the slowest pace since 2019). It was also noted that the magnitude of these price changes was consistent with the December projection.

Similar to the MNB, we expect inflation to remain below the 3% target in the coming months (in February, it may even fall below 2%) before rising toward the upper bound of the tolerance band. At this stage, the margin caps on selected food and hygiene products are set to expire in June, and a higher fuel excise tax will be introduced in July. The estimated impact of these changes is to be presented in the March Inflation Report. The central bank assumes that inflation will return to target in a sustainable manner in 2h27.

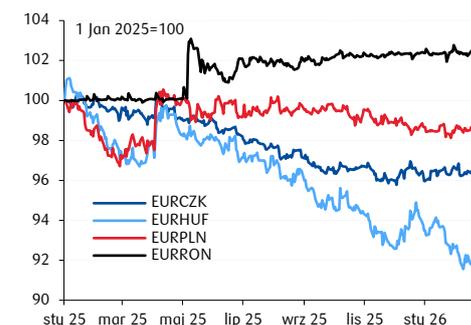
During the press conference, Governor M. Varga stated that the MNB will take decisions in a data-driven manner and is not committing to a cycle of interest rate cuts. He emphasized that forint stability is crucial for anchoring inflation expectations and, consequently, for bringing inflation back to target. In our view, the next rate cut could take place as early as the March meeting, as this would be an appropriate moment for such a move for several reasons. First, the Bank will have access to the new forecast and to an assessment of the inflationary impact of the extension of the margin caps. Second, with elections scheduled for 12 April, the subsequent months may bring increased volatility in the FX market, an important element in the MNB's reaction function. Under these conditions, we assume that, following a March move, further monetary easing could take place in June.

Interest rates in CEE



Source: Macrobond, PKO Bank Polski.

FX developments in CEE



Source: Macrobond, PKO Bank Polski.

## Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
<b>Monday, 2 March</b>						
HUN: Trade balance (Jan)	7:30	EUR	333	512	--	--
POL: Manufacturing PMI (Feb)	8:00	pts.	48.8	49.5	49.3	We expect the slight improvement to be driven by better demand prospects, while employment is likely to remain the weak link.
GER: Manufacturing PMI (Feb. final)	8:55	pts.	49.1	50.7	--	--
POL: GDP growth (4q)	9:00	% y/y	3.8	4.0	4.0	Consumption most likely remained the main driver of growth.
CZE: M3 money supply (Jan)	9:00	% y/y	3.8	--	--	--
EUR: Manufacturing PMI (Feb. final)	9:00	pts.	49.5	50.8	--	--
USA: Manufacturing PMI (Feb. final)	14:45	pts.	52.4	51.2	--	--
USA: ISM Manufacturing (Feb)	15:00	pts.	52.6	51.8	--	--
<b>Tuesday, 3 March</b>						
HUN: GDP growth (4q)	7:30	% y/y	0.7	0.7	--	--
CZE: GDP growth (4q)	8:00	% y/y	2.4	2.4	--	--
EUR: HICP inflation (Feb. flash)	10:00	% y/y	1.7	1.7	--	--
EUR: HICP inflation (Feb. flash)	10:00	% y/y	1.7	1.7	--	--
EUR: Core inflation (Feb. flash)	10:00	% y/y	2.2	2.1	--	--
<b>Wednesday, 4 March</b>						
CHN: Manufacturing PMI (Feb)	1:45	pts.	50.3	50	--	--
ROM: Unemployment Rate (Jan)	7:00	%	6	--	--	--
CZE: CPI inflation (Feb. flash)	8:00	% y/y	1.6	1.6	1.6	--
GER: Services PMI (Feb. final)	8:55	pts.	52.4	53.4	--	--
EUR: Services PMI (Feb. final)	9:00	pts.	51.6	51.8	--	--
EUR: PPI inflation (Jan)	10:00	% y/y	-2.1	-2.4	--	--
USA: ADP National Employment (Feb)	13:15	thous.	22	42	--	--
POL: NBP base rate ()	--	%	4.0	3.75	3.75	Low inflation and moderating wage growth, in light of the new projection, will support a rate cut.
<b>Thursday, 5 March</b>						
HUN: Retail sales (Jan)	7:30	% y/y	3.5	2	--	--
EUR: Retail sales (Jan)	10:00	% y/y	1.3	1.7	--	--
USA: Initial Jobless Claims ()	13:30	thous.	212	--	--	--
<b>Friday, 6 March</b>						
GER: Factory orders (Jan)	7:00	% m/m	7.8	-5	--	--
GER: Factory orders (Jan)	7:00	% y/y	13	13.1	--	--
ROM: GDP growth (4q)	7:00	% y/y	0.1	0.1	--	--
HUN: Industrial Output (Jan)	7:30	% y/y	-1	-2.4	--	--
EUR: GDP growth (4q)	10:00	% y/y	1.3	1.3	--	--
EUR: Employment (4q)	10:00	% y/y	0.6	--	--	--
USA: Retail sales (Jan)	13:30	% m/m	0	-0.3	--	--
USA: Retail sales excl. autos (Jan)	13:30	% m/m	0	0	--	--
USA: Non-Farm Payrolls (Feb)	13:30	thous.	130	60	--	--
USA: Average Earnings (Feb)	13:30	% y/y	3.7	3.7	--	--
USA: Unemployment Rate (Feb)	13:30	%	4.3	4.3	--	--

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	"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	<b>"As an economist, I see 3.5% as the target level for the NBP's main policy rate. Moving below that level would be very challenging and would require a very thorough analysis."</b> (25.02.2026, subiektywnieofinansach.pl)
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	"If the information about the possibility of inflation falling to the target level in the first quarter of 2026 is confirmed and inflation continues to remain at the target level in the following quarters, and the NBP's March inflation projection confirms this, then I see a real chance for the Monetary Policy Council to cut interest rates in March." (12.02.2026, PAP Biznes)
H. Wnorowski	2.7	"Currently, there are no strong arguments against a cut in March, therefore its probability is higher than three weeks ago, after the January meeting of the Monetary Policy Council." (11.02.2026, PAP Biznes)
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	"In my view (...) if our projection shows nothing concerning—which at this stage seems unlikely (...); if no unexpected external events occur (...), then, in my conviction, the answer is yes." answer to a question on the possibility of a rate cut in March (5.02.2026, PAP Biznes, PKO translation)
P. Litwiniuk	2.5	<b>"A rate cut in March is likely, and another one – if current trends continue – may even be necessary."</b> (24.02.2026, ISBnews)
L. Kotecki	1.9	"There's room for another rate cut, and I think it might not be the last. March would be a very good time to make another 25bps cut. I don't see the need to cut even further, by 50bps at once, because we're close to the target rate level of 3.75-3.50%, where I think the Monetary Policy Council should stay for a while." (12.02.2026, PAP Biznes)
M. Zarzecki	New MPC member	"There are some grounds for a 25bp rate cut (in March) but I don't see justification for a quick reduction of 50bps." (20.02.2026, Bloomberg)

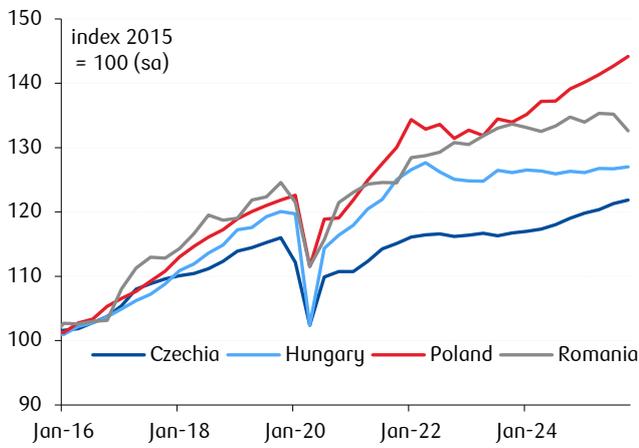
\*The higher the indicator the more hawkish views. The positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5). ^Quotes in bold have been modified in this issue of Poland Macro Weekly.

### Selected comments from central bankers in other CEEs

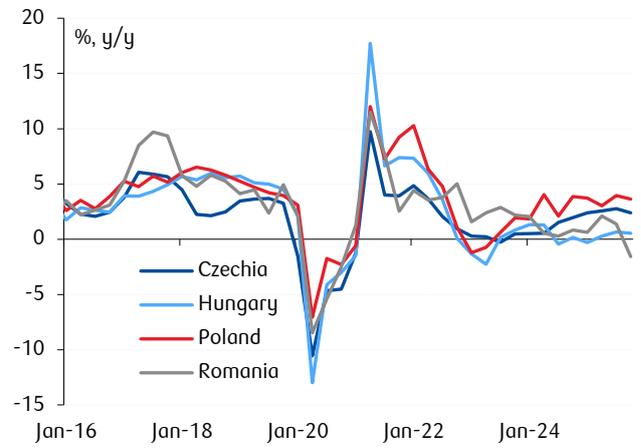
CNB	"If it (domestic price pressure) calms down, it could provide room for lowering interest rates by some 25 basis points. Our policy is based on incoming data." Deputy governor E.Zamrazilova (20.02.2026, MF Dnes via Bloomberg)
MNB	<b>"This wasn't the start of an interest-rate cutting cycle."</b> Governor M.Varga (24.02.2026, Bloomberg)
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

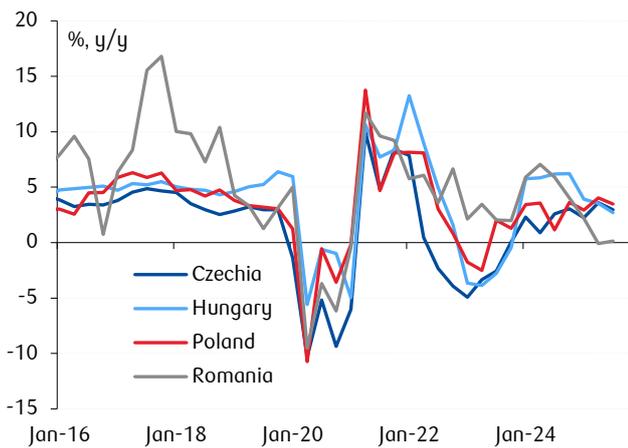
GDP level



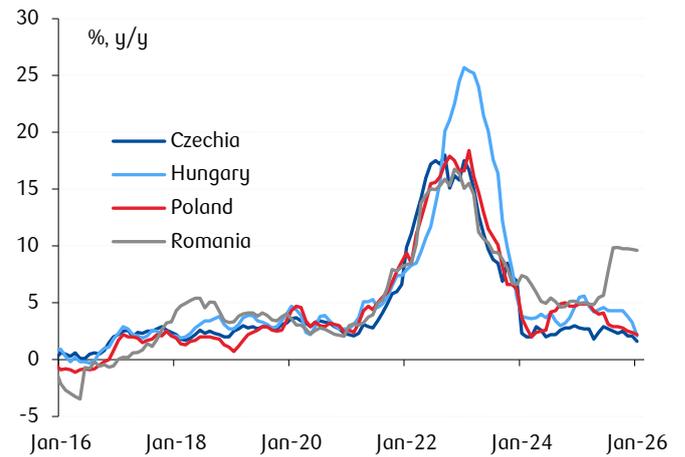
GDP growth



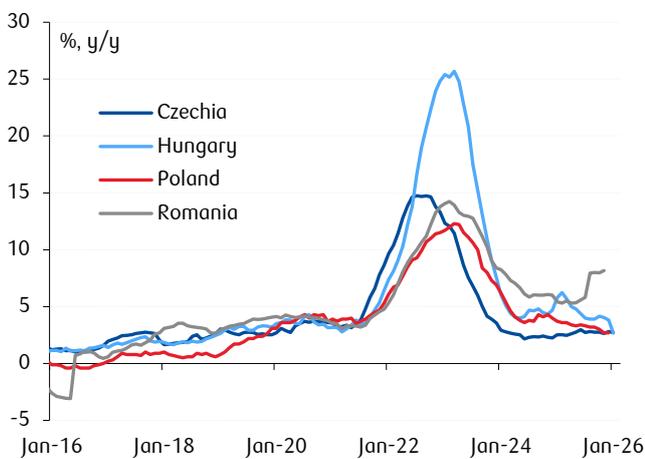
Private consumption growth



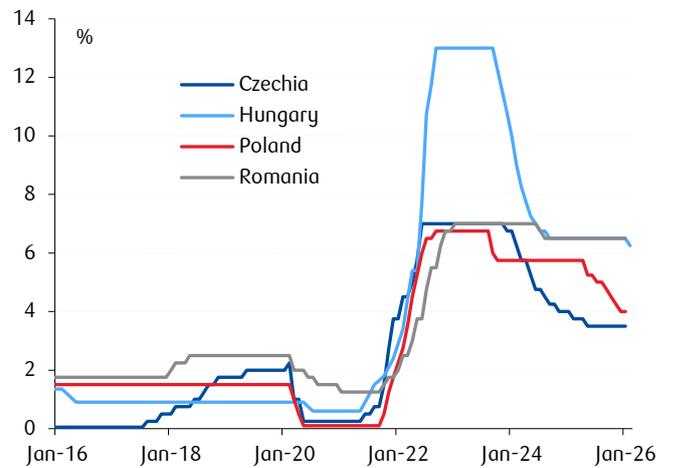
CPI inflation



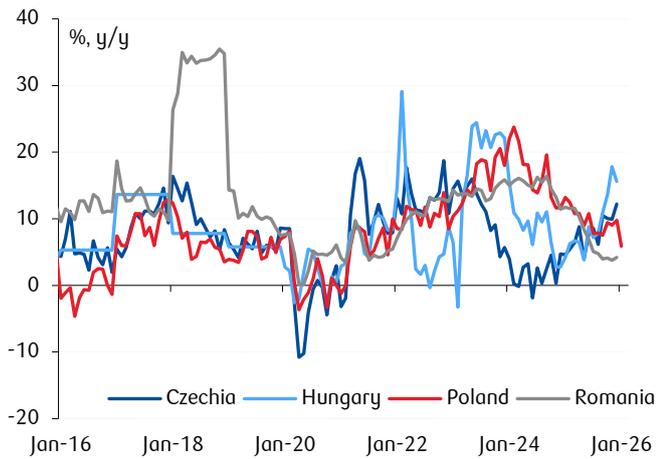
Core CPI inflation



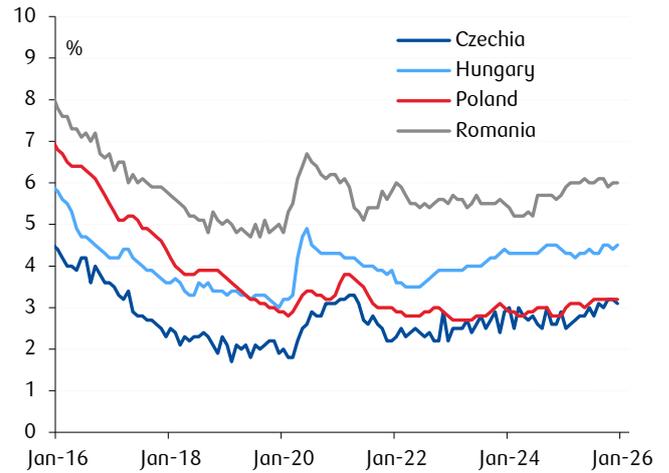
Interest rates (policy rates)



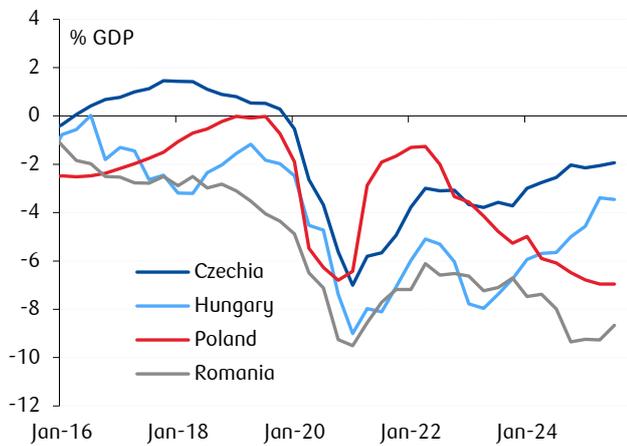
### Wages\*



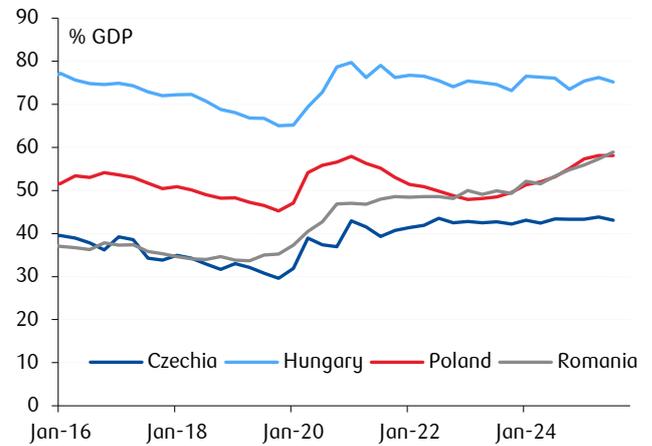
### Harmonised unemployment rate



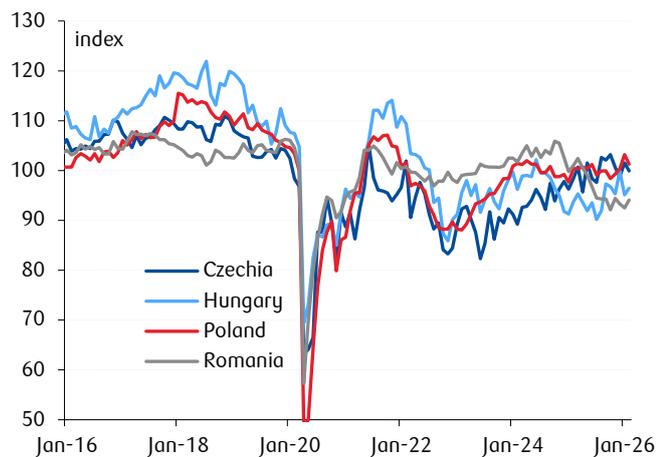
### Fiscal deficit (ESA)



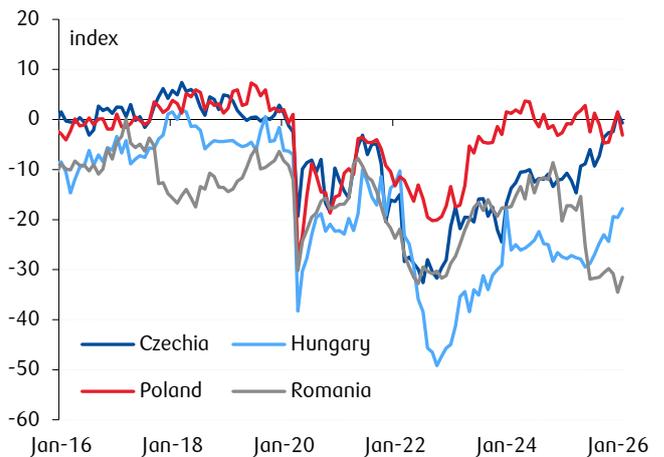
### Public debt



### ESI



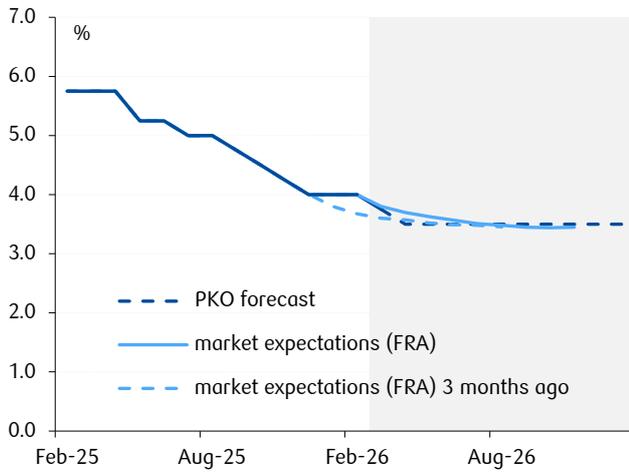
### Consumer confidence ESI



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

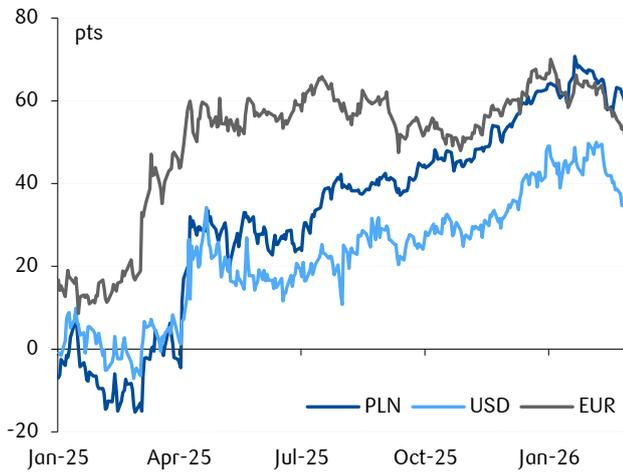
NBP policy rate: PKO BP forecast vs. market expectations



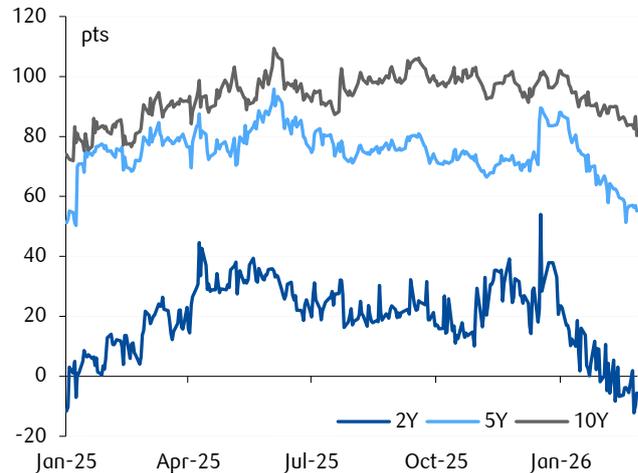
Short-term PLN interest rates



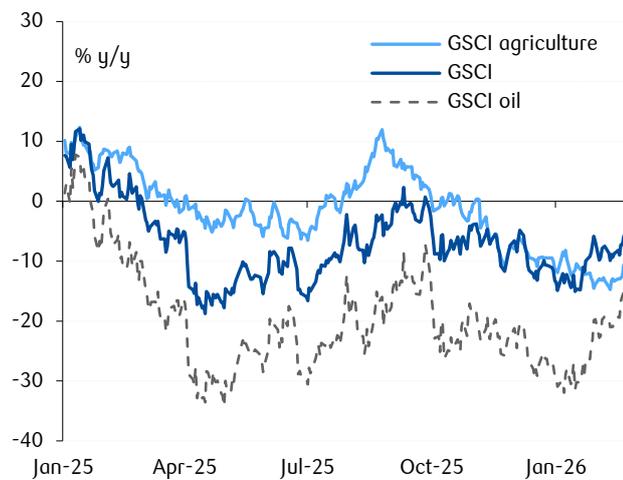
Slope of the swap curve (spread 10Y-2Y)\*



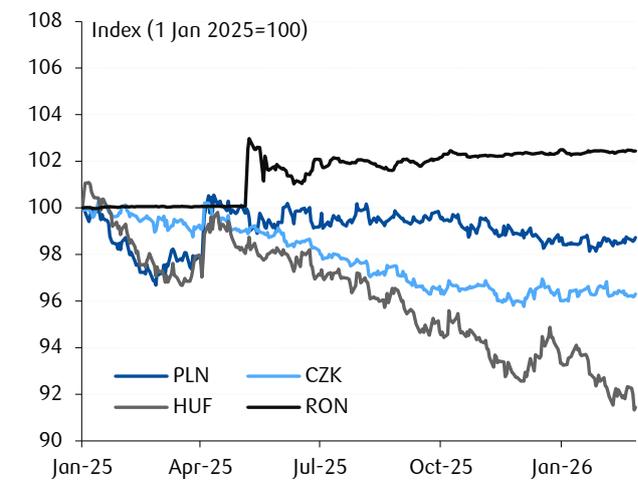
PLN asset swap spread



Global commodity prices (in PLN)

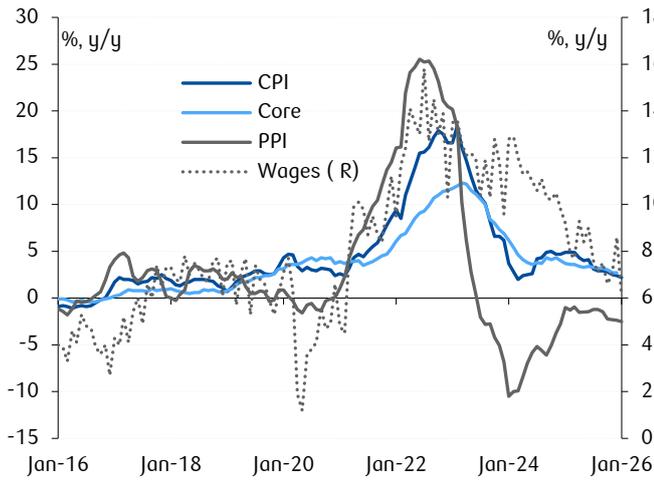


Selected CEE exchange rates against the EUR

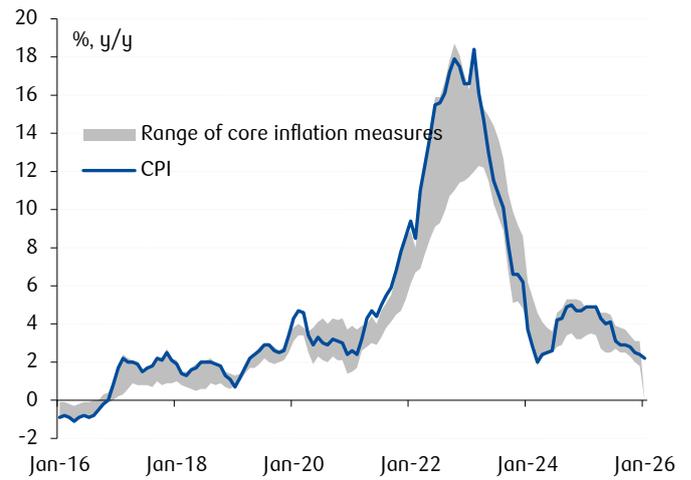


Source: Datastream, NBP, PKO Bank Polski. \*for PLN, and EUR 6M, for USD 3M.

### Broad inflation measures



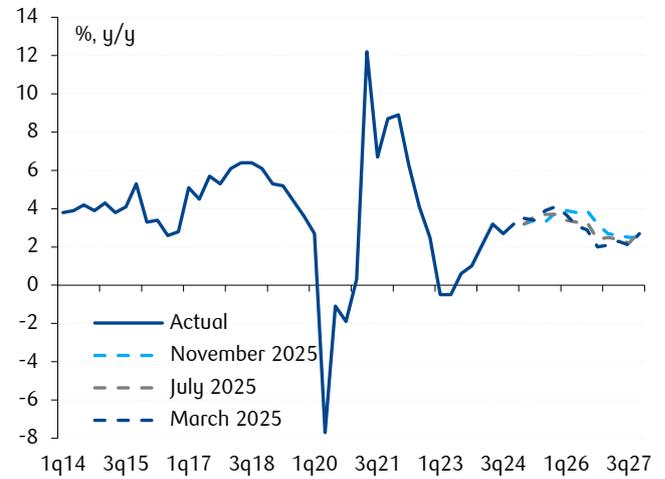
### CPI and core inflation measures



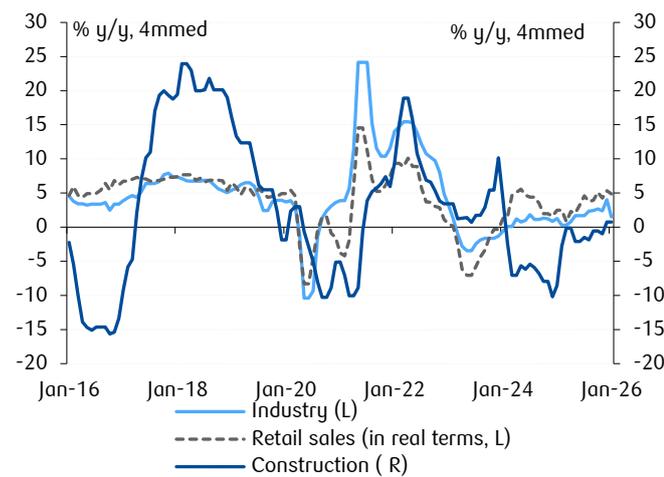
### CPI inflation – NBP projections vs. actual



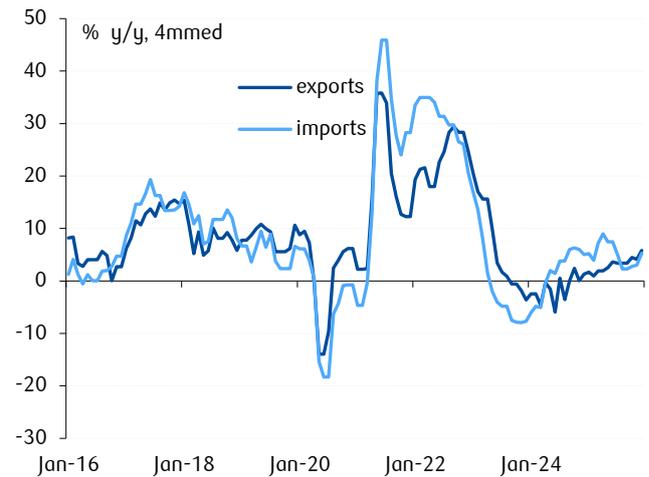
### Real GDP growth – NBP projections vs. actual



### Economic activity indicators

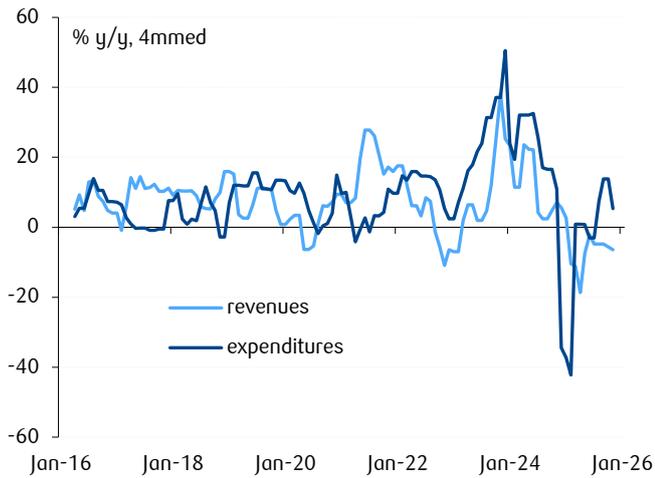


### Merchandise trade (in EUR terms)

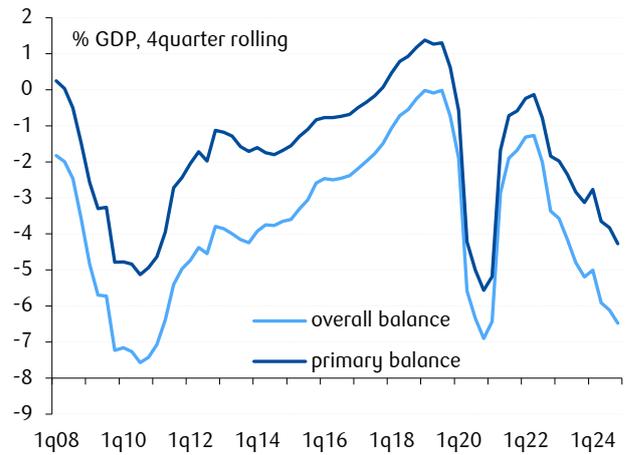


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

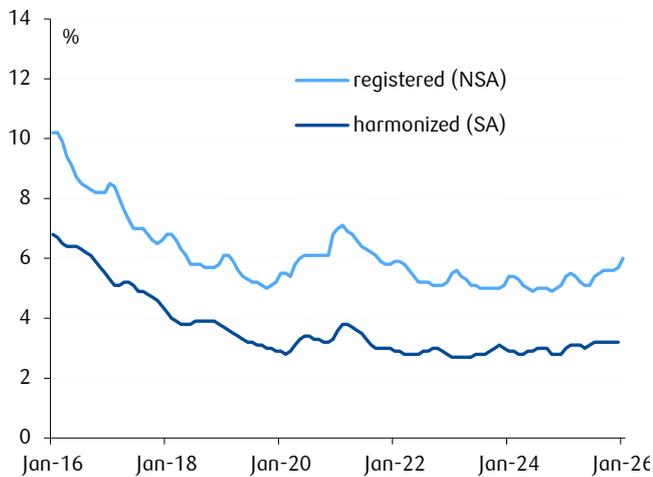
### Central government revenues and expenditures\*



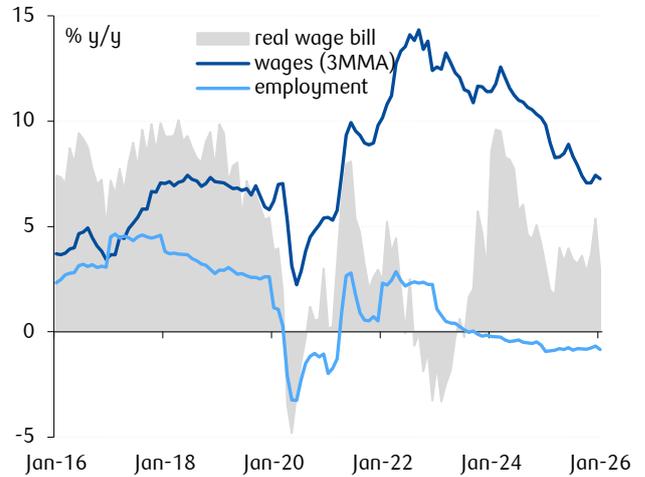
### General government balance (ESA2010)



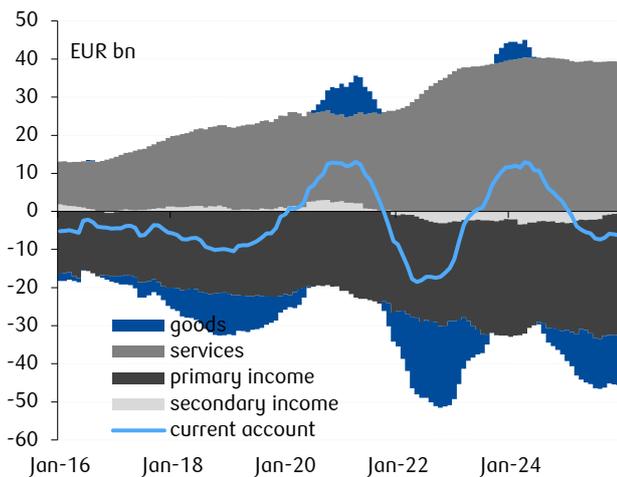
### Unemployment rate



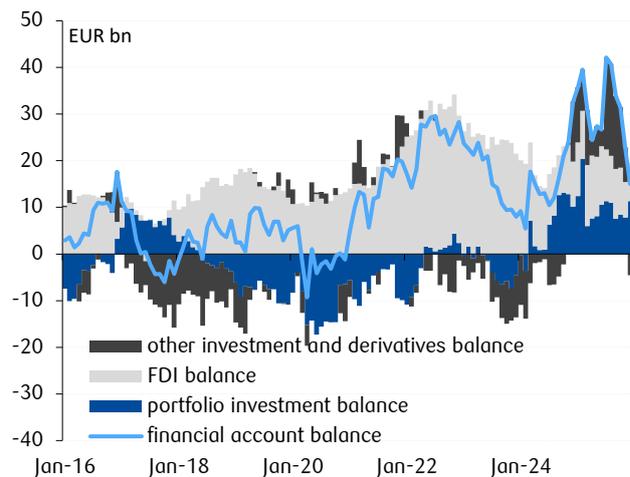
### Employment and wages in the enterprise sector



### 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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