

Small tweaks to the CEE macro scenario (as for now)

TOP MACRO THEME(S):

- **Economy is holding out for spring (p.3)** – Data published so far indicate that GDP growth in 1q26 most likely slowed relative to 2h25. We would, however, expect the lost output to be recovered gradually over subsequent quarters.

WHAT ELSE CAUGHT OUR EYE:

- **CEE:** Poland remains the most attractive investment destination for German enterprises in CEE - according to a [KPMG survey](#). In 2026, as many as 56% of companies planning new investments indicate Poland as the primary destination for capital allocation. Ukraine ranks second (43% of responses), while Romania and Czechia are tied for third place, each with 35%. The key factors supporting investment in the region are primarily access to sales markets and still relatively low labour costs. The region's principal vulnerabilities remain political and military risks, alongside corruption - the latter cited by 47% of respondents.
- **POL:** Prime Minister D.Tusk confirmed that there will be no obstacles to transferring EU funds to Poland under the SAFE programme. Earlier, the government plenipotentiary indicated that Poland is expected to receive an advance of 15% of the requested funds as early as the beginning of April, amounting to approximately EUR 6.5bn. These funds, together with resources from the RRF, will support domestic investment already this year. In result solid economic growth in Poland should not be at risk despite emerging global threats. Assuming that the full loan amount of EUR 43.7bn flows to Poland under SAFE and that 80-90% of these funds are channelled to domestic enterprises, our estimates suggest that this transfer could increase domestic output by approximately 4.5-5.3% of GDP. The loan does not create fully new demand - in its absence, investment would still take place, but on a smaller scale due to budget constraints. These funds will therefore provide a growth impulse to the Polish industrial sector.
- **CEE:** The first consensus forecasts for CEE countries, published by Consensus Economics, suggest that the impact of the conflict in the Middle East is viewed as clearly negative for the economic outlook. GDP growth projections have been revised slightly downward, while inflation expectations have been adjusted upward. However, should the conflict persist, a more pronounced deterioration in the macroeconomic outlook is likely.
- **CZE:** The CNB kept interest rates unchanged at 3.50%. Inflation declined to 1.4% y/y in February, marking the lowest level in a decade, and is projected to remain below 2% in 2026 before moving closer to target in 2027. The Bank emphasises the need to maintain a relatively restrictive monetary policy amid a strong labour market, solid wage growth, rising consumption, and persistent price pressures in services and the real estate market. The conflict in the Middle East remains an additional risk factor. We assume that the CNB will keep interest rates unchanged this year.

THE WEEK AHEAD:

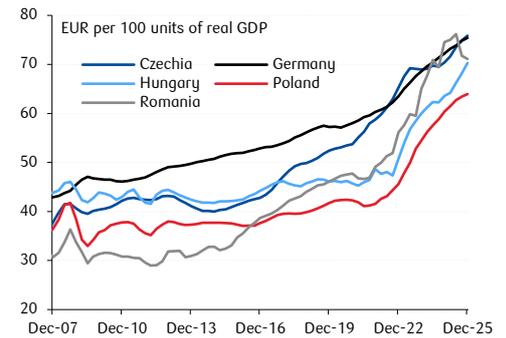
- The coming week is expected to be relatively calm, at least in terms of scheduled data releases. Later today Moody's will update Poland's foreign currency rating (A2) - we do not anticipate any changes. On Monday, February data on retail sales and M3 money supply will be released. On Tuesday, Hungary's MNB will announce its decision, with interest rates expected to remain unchanged.

Macro Research Team

 @PKO_Research

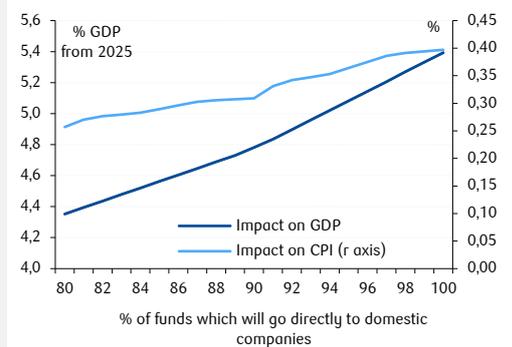
Chart(s) of the week:

Unit labor costs



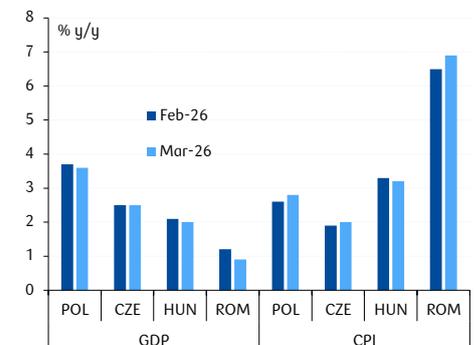
Source: Eurostat, PKO Bank Polski.

Impact of SAFE funds on Polish economy*



Source: PKO Bank Polski. * Depending on the assumed share of SAFE funds that will go directly to domestic companies.

Shift in consensus forecasts for CEE countries before and after the outbreak of the Middle East war

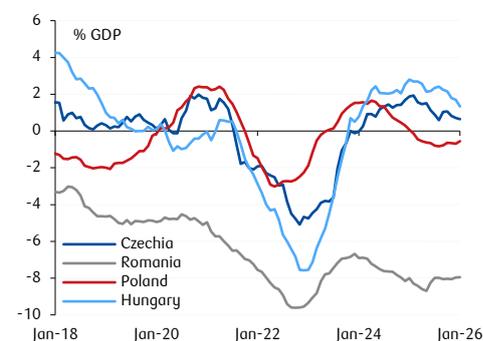


Source: Consensus Economics, PKO Bank Polski.

CEE macro review

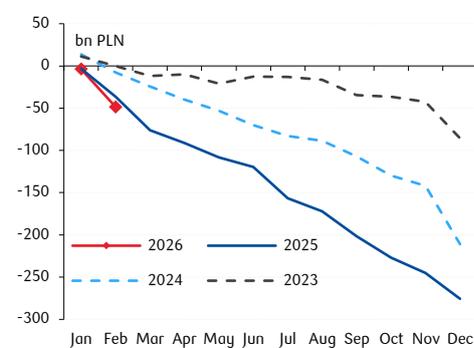
- CEE:** Across the region, January current account data point to an overall improvement in balances. In Poland, the current account recorded a surplus of EUR 1.15bn in January, compared with a deficit of EUR 1.70bn in December. The improvement was primarily driven by a stronger decline in imports (-6.1% y/y) than in exports (-1.8% y/y), alongside a persistently high services surplus. The data were also affected by severe weather, which limited activity in industry and construction, as well as by a lower number of working days. On a rolling annual basis, the deficit narrowed to 0.6% of GDP from 0.7% a month earlier. In the coming months, a deterioration in the balance toward around -1.6% of GDP is expected. In Hungary, the current account deficit widened to EUR 0.46bn from EUR 0.18bn in December. On a rolling annual basis, the surplus declined to 1.3% of GDP from 1.7% a month earlier. Goods exports increased by 1% y/y, while imports rose by 6.7% y/y. In Czechia, the current account recorded a surplus of EUR 1.2bn, compared with EUR 0.2bn in December. On a rolling annual basis, the surplus declined to 0.6% of GDP from 0.7% a month earlier. The deterioration was mainly driven by a lower surplus in services and higher primary income outflows, alongside a weakening goods trade balance. In Romania, the current account deficit narrowed to EUR 0.98bn from EUR 2.6bn in both December and November. On a rolling annual basis, the deficit improved to 7.9% of GDP from 8.0% a month earlier. The improvement was mainly driven by a smaller deficit in goods, with exports declining by 4.7% y/y and imports by 7.7% y/y, alongside a negative contribution from services and primary income. In the coming months, current account balances in CEE countries are expected to deteriorate, primarily due to rising prices of imported energy commodities and a revival of EU-funded investment, which is typically highly import-intensive. In addition, the recovery in global demand, including in the euro area, is becoming increasingly uncertain, limiting the prospects for stronger export growth.
- POL:** The state budget deficit after February amounted to PLN 48.5bn (YTD), representing 17.8% of the limit set out in the budget act. Revenues declined by 19.6% y/y in February, primarily due to lower VAT receipts resulting from shifts in advance refund payments from December. Expenditure increased by 9.9% y/y. The fiscal position remains challenging, particularly in the context of prospects for higher yields and potential tax changes aimed at limiting energy price growth.
- POL:** Consumer sentiment in March deteriorated markedly compared with February, amid rising fuel prices and persistent uncertainty. The current consumer confidence index declined by 3.1 pts to -12.2 pts, marking the sharpest monthly drop (with one exception) since the onset of the war in Ukraine. The negative shock is materialising primarily through the price channel - consumers, justifiably, assess that the inflation outlook is worsening. According to 63.6% of respondents, prices are expected to increase faster or at a similar pace, implying a rise of 9pp m/m.
- POL:** The aggregated economic sentiment indicator (PKOe) declined to 0.0 pts in March, down from 1.2 pts in February. This suggests that the improvement observed at the beginning of the year has been reversed, although the indicator remains above its end-2025 level. The most pronounced deterioration was recorded in industry and transport—sectors particularly exposed to the effects of the conflict in the Middle East.

Current account in the CEE region



Source: Macrobond, PKO Bank Polski.

Central government deficit in Poland



Source: Ministry of Finance, PKO Bank Polski.

Consumer sentiment in Poland



Source: Statistics Poland, PKO Bank Polski.

Economic sentiment in Poland



Source: Statistics Poland, PKO Bank Polski.

The economy is holding out for spring

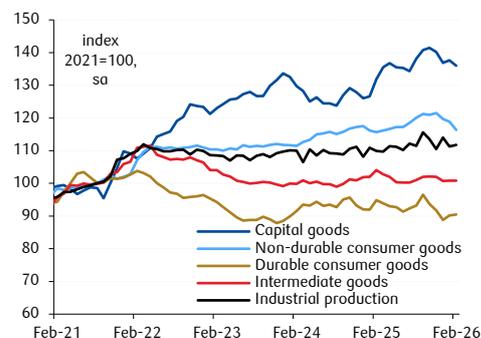
- Data published so far indicate that GDP growth in 1q26 most likely slowed compared with 2h25. However, we expect lost output to be gradually recovered in subsequent quarters.
- That said, the prolonged conflict in the Middle East and the energy shock pose risks to both the inflation and GDP growth outlook.

February data from the production sector confirmed its weakness at the beginning of the year. Industrial production increased by 1.5% y/y after a decline of 1.5% y/y a month earlier. Construction and assembly production deepened its decline to 13.7% y/y from 12.9% y/y in January. A closer look at the detailed data shows that in February production growth was recorded in 17 out of 34 industrial divisions, accounting for 54.8% of total output, suggesting **that the sector is not yet clearly in expansionary territory**. The February result was still weighed down by severe winter weather, which limited activity in some energy-intensive industries while at the same time boosting production in energy-related segments (+7.7% y/y, the highest since mid 2024). Meanwhile, the weakness in construction was broad based - the weakest performance was seen in building construction (-16.7% y/y), but clear declines were also visible in specialised works (-12.2% y/y) and civil engineering (-11.7% y/y). Severe winter weather hit renovation works the hardest (-29.8% y/y), alongside a more moderate decline in investment works (-5.3% y/y). **The weak start of the year in industry and construction reflects one-off factors, primarily exceptionally severe winter weather rather than a deterioration in underlying fundamentals. In the coming months, activity should gradually recover as work deferred at the start of the year is made up.** That said, we see downside risk for the most energy-intensive sectors, like chemicals or manufacture of other non-metallic mineral products.

The labour market remained hibernated in February. The average wage in the enterprise sector increased by 6.1% y/y, unchanged from January, while average employment declined by 0.8% y/y. Wage data point to normalisation in wage growth at the start of the year, linked, among other factors, to a smaller increase in the minimum wage than in previous years. In February, average employment in the enterprise sector declined by a further 3k jobs, broadly in line with the seasonal pattern. The annual rate of employment growth has remained negative since the end of 2023, reflecting shrinking labour supply and the growing popularity of alternative forms of employment. Despite the nominal slowdown, real wages grew at a solid pace of around 4.0% y/y at the beginning of 2026. The sharp increase in fuel prices following the attack on Iran is likely to push inflation higher, limiting real wage growth in the coming months. However, even under less favourable scenarios, nominal wage growth is expected to remain above inflation. **In our opinion, subdued labour demand in recent quarters does not support a renewed build-up of wage pressures in response to rising inflation.**

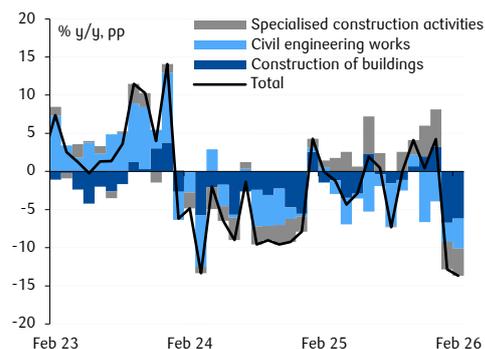
Data published so far indicate that GDP growth in 1q26 most likely slowed compared with 2h25. However, we expect lost output to be gradually recovered in subsequent quarters. In 2026 as a whole, industry and construction should be among the main beneficiaries of the investment boom financed by the RRF and SAFE. The main risk, however, remains the war in the Middle East, which - through the energy price channel and heightened trade uncertainty - may significantly weaken economic performance.

Production in the main industrial sectors



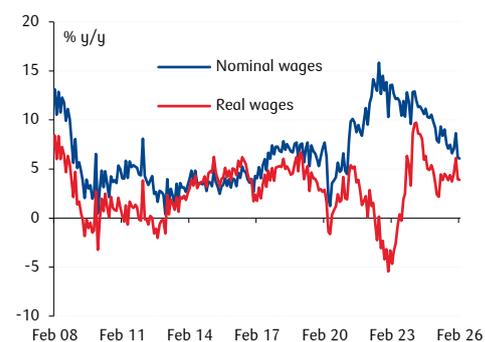
Source: Statistics Poland, PKO Bank Polski.

Decomposition of construction activity



Source: Statistics Poland, PKO Bank Polski.

Enterprise sector wages



Source: Statistics Poland, PKO Bank Polski.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday, 23 March						
POL: Retail sales (Feb)	8:30	% y/y	4.4	5.9	6.1	We expect retail sales to maintain strong growth momentum, driven primarily by sales of consumer durables. Money supply growth is set to stabilise at 10% y/y.
POL: Money Supply M3 (Feb)	13:00	% y/y	10.0	10.0	10.0	
EUR: Consumer Confidence (Mar. flash)	15:00	pts.	-12.2	-15.0	--	
Tuesday, 24 March						
GER: Services PMI (Mar. flash)	8:30	pts.	53.5	52.4	--	--
GER: Manufacturing PMI (Mar. flash)	8:30	pts.	50.9	49.9	--	--
POL: Unemployment Rate (Feb)	8:30	%	6.0	6.1	6.1	The monthly increase is driven by seasonal factors, while labour market fundamentals remain stable.
EUR: Manufacturing PMI (Mar. flash)	9:00	pts.	50.8	49.4	--	--
EUR: Services PMI (Mar. flash)	9:00	pts.	51.9	50.7	--	--
HUN: MNB meeting	13:00	%	6.25	6.25	6.25	Amid elevated uncertainty, MNB is likely to keep interest rates unchanged.
USA: Manufacturing PMI (Mar. flash)	13:45	pts.	51.6	--	--	--
ROM: M2 money supply (Feb)	--	% y/y	6.9	--	--	--
Wednesday, 25 March						
GER: Ifo Business Climate Index (Mar)	9:00	pts.	88.6	85.9	--	--
USA: Current account balance (4q)	12:30	USD bn	-226.4	--	--	--
Thursday, 26 March						
NOR: Norges Bank meeting	9:00	%	4.0	4.0	4.0	--
EUR: M3 money supply (Feb)	9:00	% y/y	3.3	3.2	--	--
USA: Initial Jobless Claims (Mar.)	12:30	k	205	--	--	--
Friday, 27 March						
HUN: C/A balance (4q)	7:30	EUR	932	--	--	--
HUN: Unemployment Rate (Feb)	7:30	%	4.6	4.7	--	--
USA: University of Michigan sentiment (Mar. final)	14:00	pts.	55.5	--	--	--

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	"Inflation today is too high for us not to worry about external shocks, even on a small scale." (12.03.2026, Radio Trójka via PAP BIZNES)
I. Dabrowski	3.1	"At present, we observe that inflation in the forecasts may potentially shift from the lower deviation band to the upper one, but it is difficult to determine for how long. Assuming that the conflict is not prolonged, that there will be no ground operation but rather an exchange of fire, as missile resources will simply be depleted, we will see a short-term increase in inflation via the fuel price channel." (19.03.2026, PAP Biznes, PKO BP translation)
A. Glapinski	2.9	"I never comment on what we will do at the next meeting, but this time I would emphasize that we are unable to predict it, because dark clouds have gathered over our optimism. And that optimism stems from our inflation report and the projections that we will remain roughly within the inflation target this year and next." (5.03.2026, PAP Biznes, PKO translation)
M. Zarzecki	2.9	"From the perspective of the Monetary Policy Council (RPP), the key issue today is not to react mechanically to a new shock, but to preserve the ability to assess its persistence. If the conflict proves to be short-lived, its impact on the medium-term inflation path may be limited. However, if high energy prices persist, the exchange rate weakens, and inflation expectations rise, the room for further easing would clearly diminish." (10.03.2026, PAP Biznes)
G. Maslowska	2.9	"The decision to raise interest rates would have to be based on an assessment of the situation that would indicate a sustained upward trend in inflation in Poland and globally. (...) Sustained, meaning not a one-off occurrence, not lasting just one or two quarters." (13.03.2026, Bloomberg)
I. Duda	2.8	"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)
H. Wnorowski	2.8	"We definitely need to forget about further interest rate cuts as long as the war continues. The end of the war will reopen the possibility of returning to discussions about rate cuts." (6.03.2026, Bloomberg via PAP Biznes)
W. Janczyk	2.8	"I think the "wait and see" approach will be used for the next few months. We will continuously analyze the incoming information. Interest rates are currently at the appropriate level even in the horizon of several quarters." (12.03.2026, PAP BIZNES)
P. Litwiniuk	2.3	"A rate cut in March is likely, and another one – if current trends continue – may even be necessary." (24.02.2026, ISBnews)
L. Kotecki	2.2	"The escalation of the conflict in the Middle East has ended the discussion within the Monetary Policy Council about further interest rate cuts." (12.03.2026, Puls Biznesu)

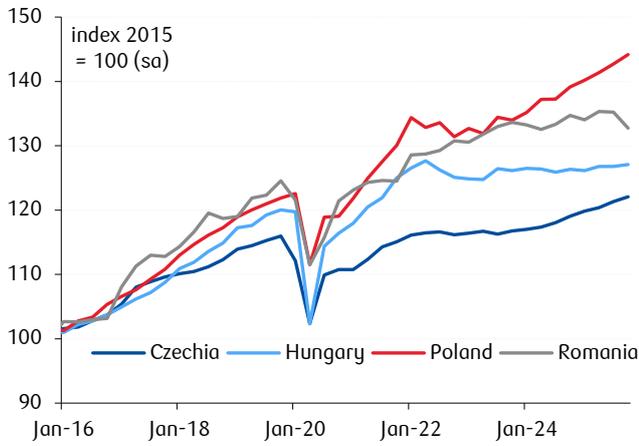
*The higher the indicator the more hawkish views. The positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5). ^Quotes in bold have been modified in this issue of Poland Macro Weekly.

Selected comments from central bankers in other CEEs

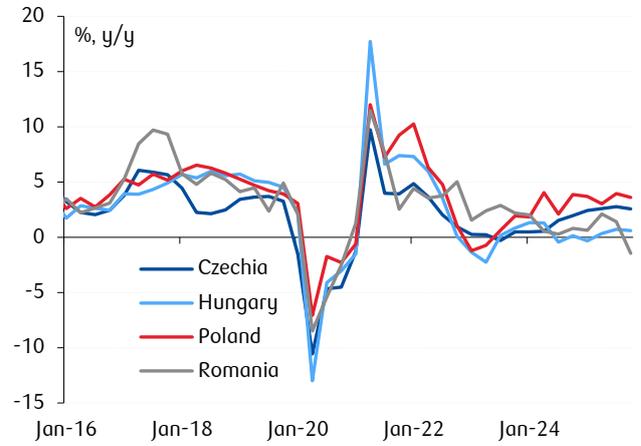
CNB	"So far, the current development does not disrupt the environment of relatively low inflation. The domestic economy still has a favorable starting position thanks to low inflation and solid growth, which gives the central bank's board room to assess the situation and, if necessary, respond according to further developments." Governor A.Michl (19.03.2026, Seznamzpravy, PKO BP translation)
MNB	"This wasn't the start of an interest-rate cutting cycle." 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

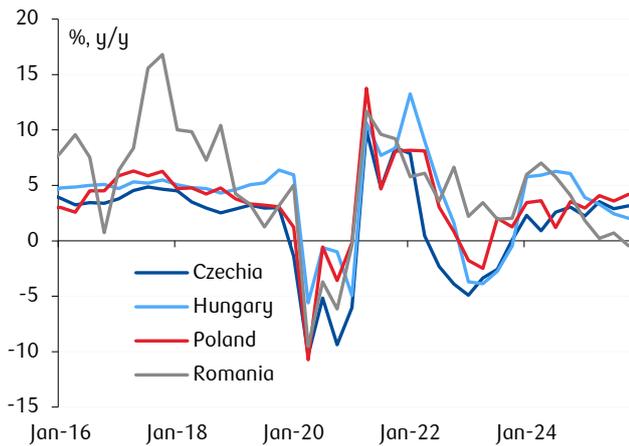
GDP level



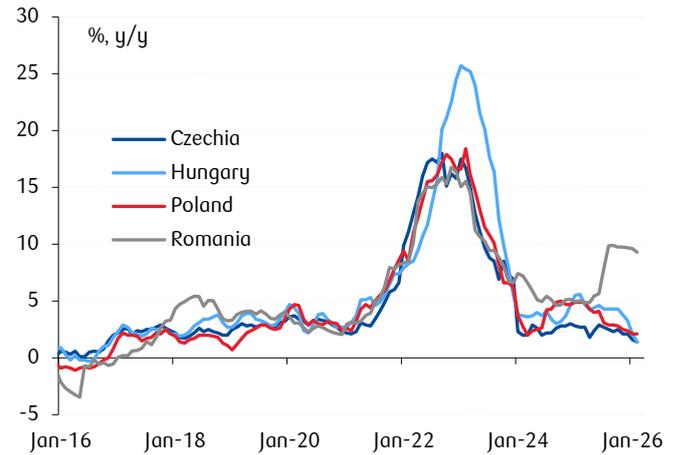
GDP growth



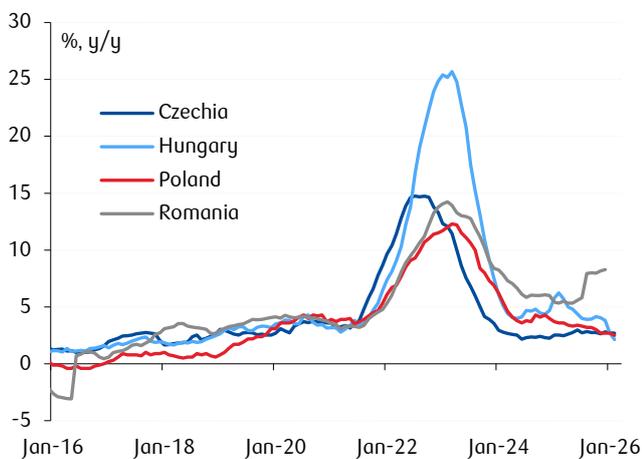
Private consumption growth



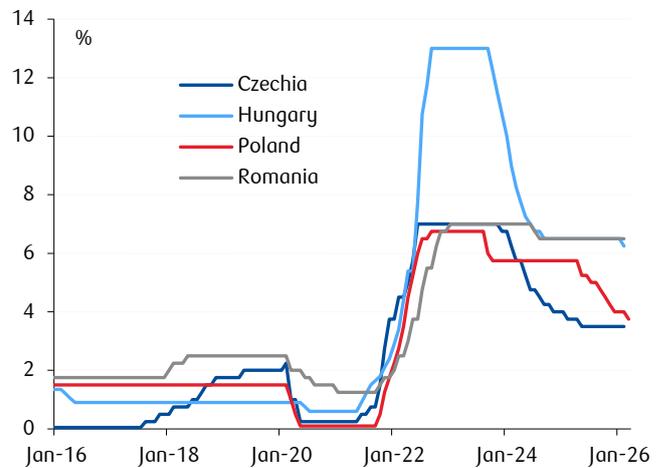
CPI inflation



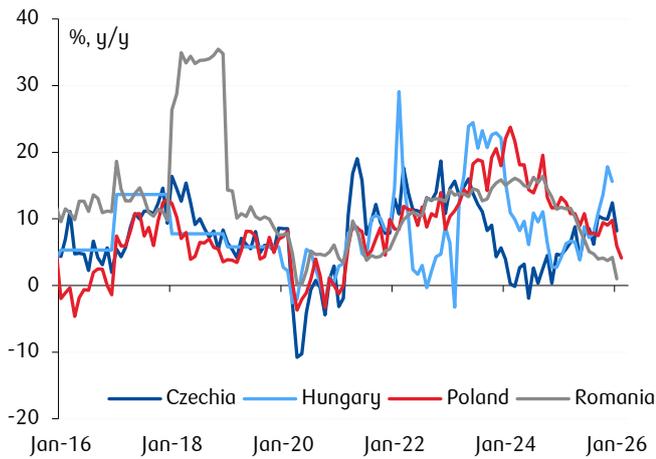
Core CPI inflation



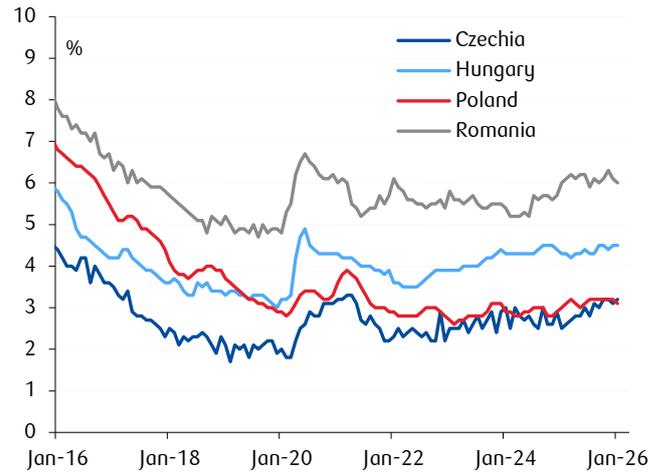
Interest rates (policy rates)



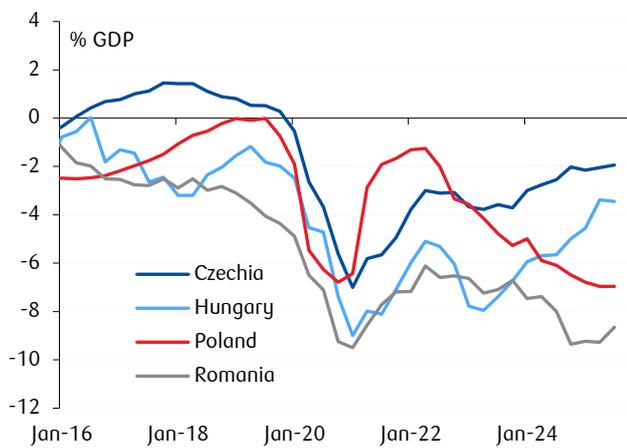
Wages*



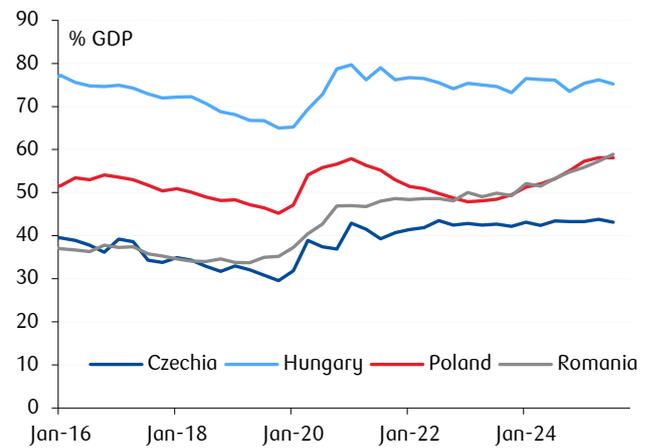
Harmonised unemployment rate



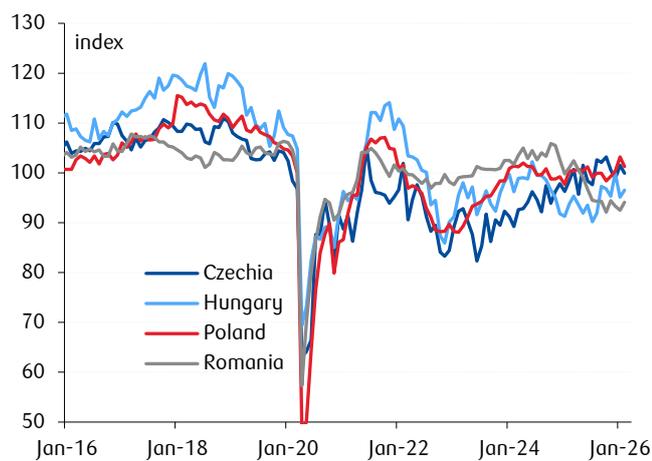
Fiscal deficit (ESA)



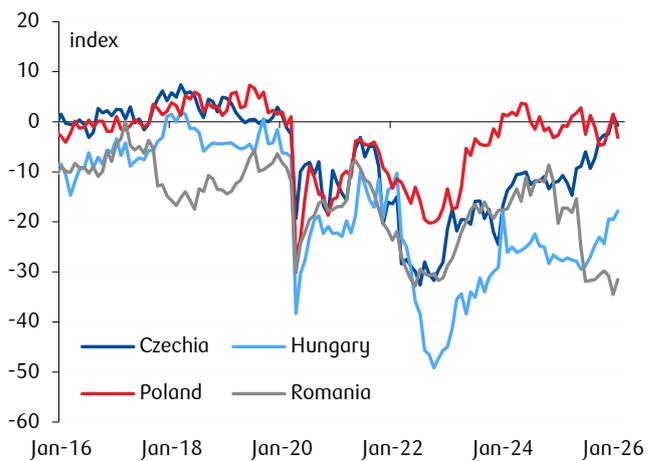
Public debt



ESI



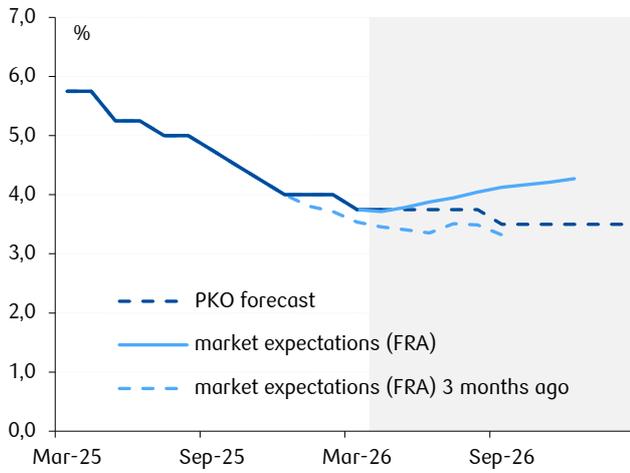
Consumer confidence ESI



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

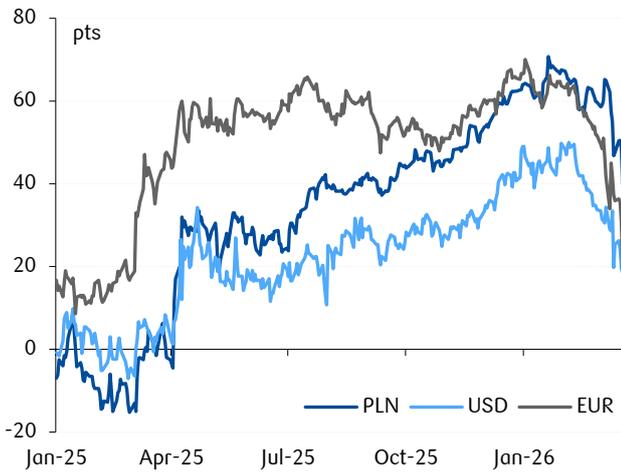
NBP policy rate: PKO BP forecast vs. market expectations



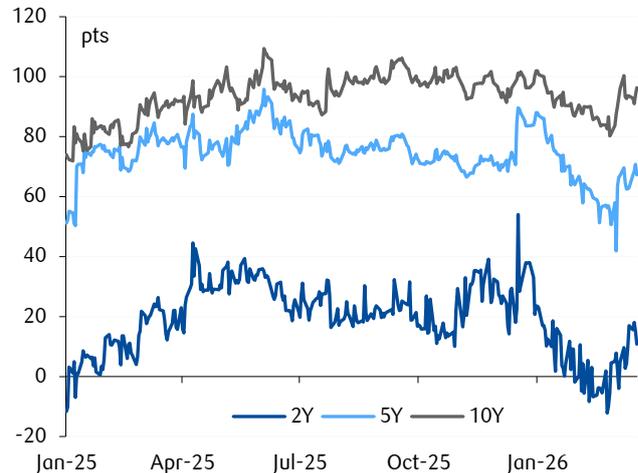
Short-term PLN interest rates



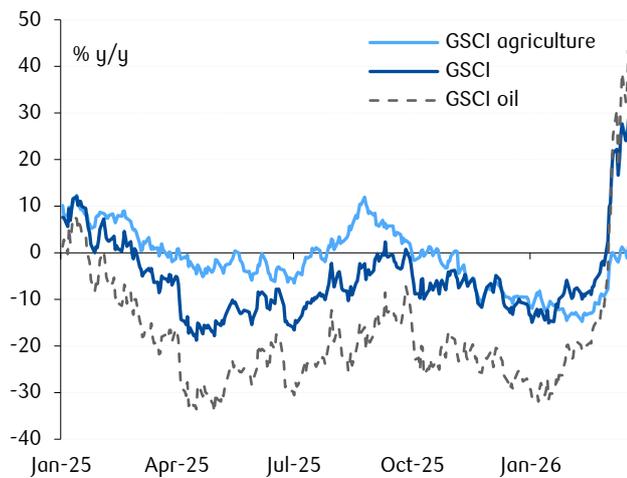
Slope of the swap curve (spread 10Y-2Y)*



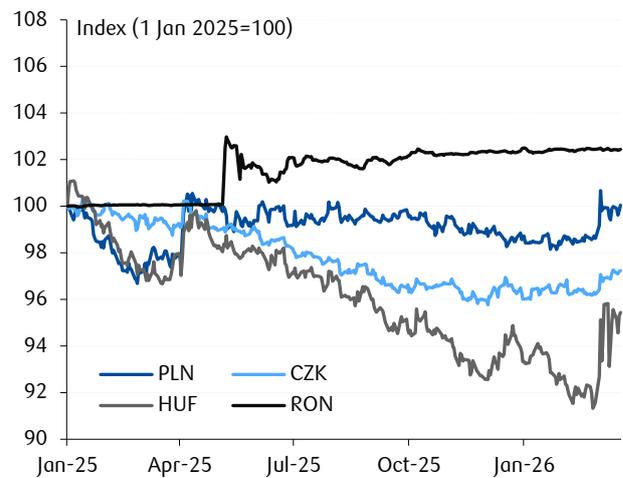
PLN asset swap spread



Global commodity prices (in PLN)

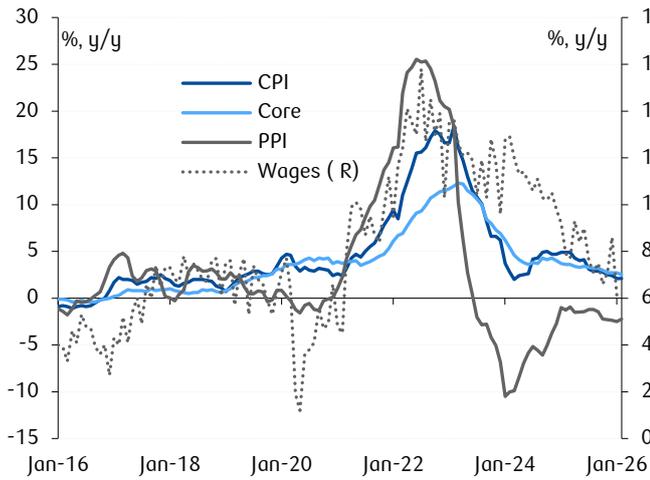


Selected CEE exchange rates against the EUR

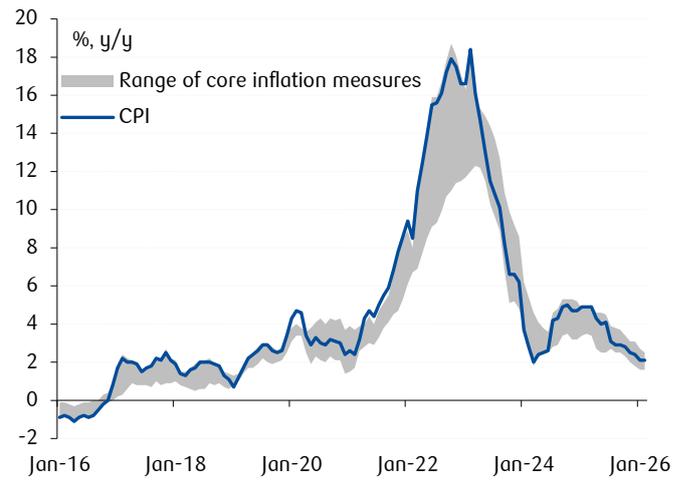


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

Broad inflation measures



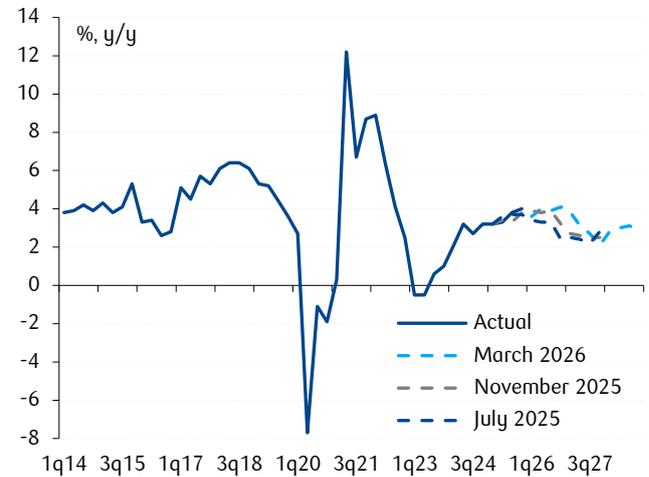
CPI and core inflation measures



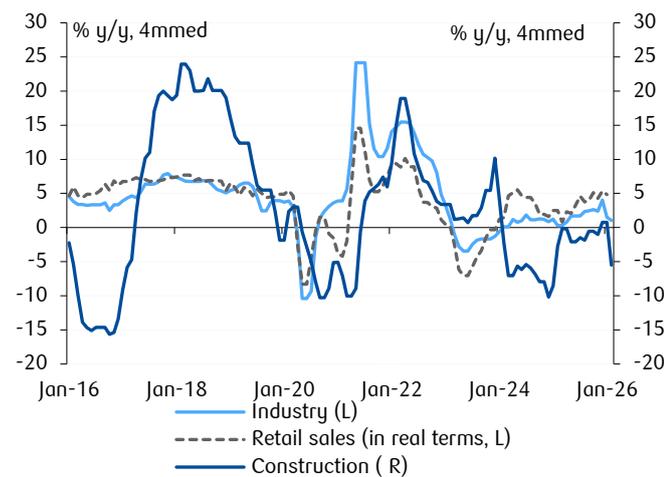
CPI inflation – NBP projections vs. actual



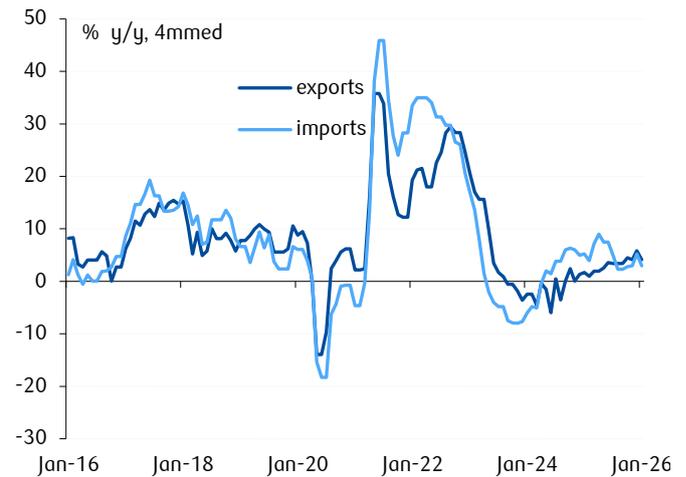
Real GDP growth – NBP projections vs. actual



Economic activity indicators

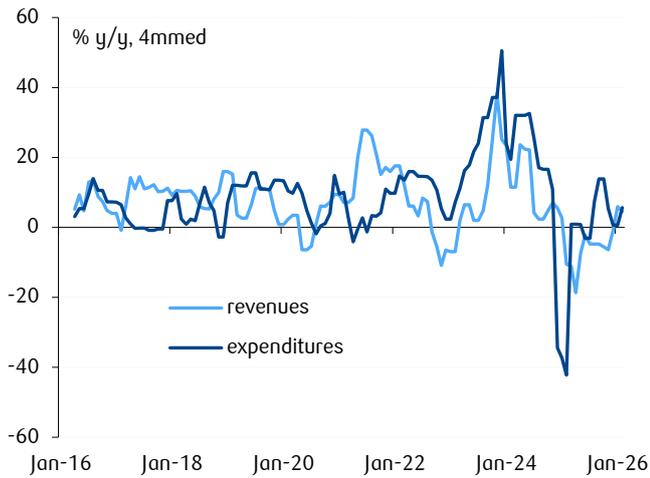


Merchandise trade (in EUR terms)

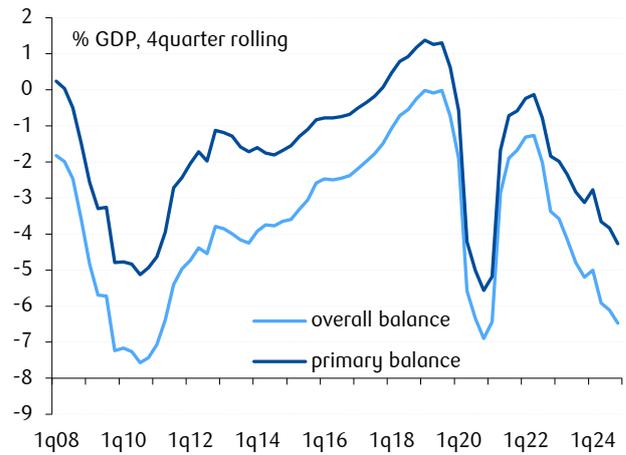


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

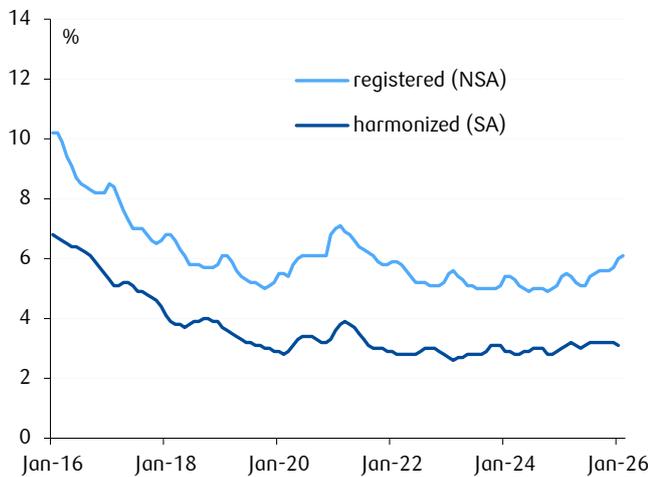
Central government revenues and expenditures*



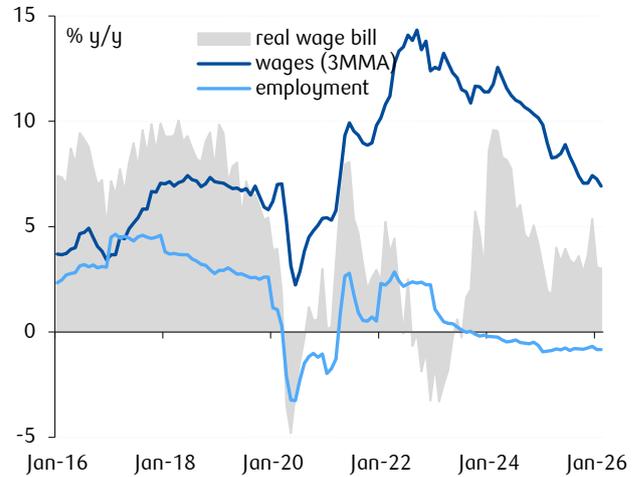
General government balance (ESA2010)



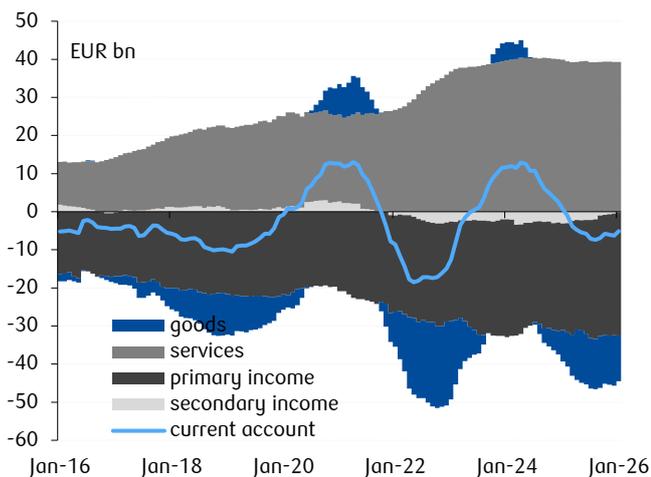
Unemployment rate



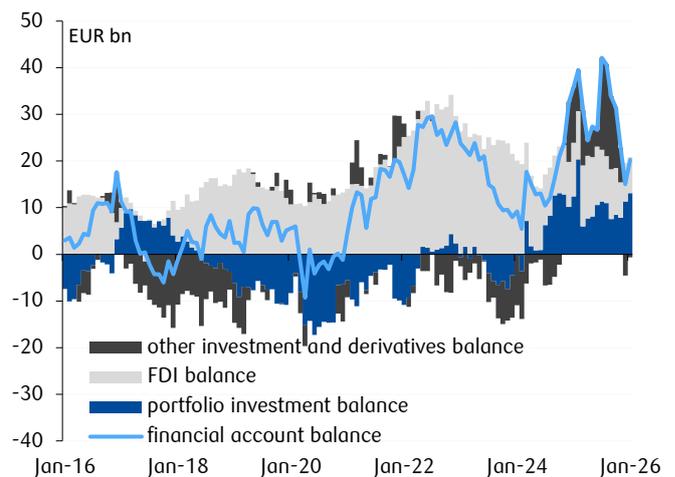
Employment and wages in the enterprise sector



Current account balance



Financial account balance



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

Previous issues of CEE Macro Weekly:

- [Central banks in the grip of \(geo\)politics](#) (Mar 13, 2026)
- [NBP rate cut despite global turbulence](#) (Mar 6, 2026)
- [Romania's road from austerity to innovation](#) (Feb 27, 2026)
- [Polish economy in a deep freeze – but just temporarily](#) (Feb 20, 2026)
- [Ambiguous inflation in the region](#) (Feb 13, 2026)
- [Inflation below target does not always imply rate cuts](#) (Feb 6, 2026)
- [The consumer was calling the shots last year](#) (Jan 30, 2026)
- [A golden outlook ahead](#) (Jan 23, 2026)
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- [Prosperous New Year!](#) (Jan 9, 2026)
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