CEE Macro Weekly

Macro Research

27 March 2026

Centrum Analiz

Please note that the next issue of CEE Macro Weekly will be released on Thursday, April 2nd.

Inflation up, GDP growth down

Macro Research Team

@PKO_Research

TOP MACRO THEME(S):

- **Macro and geopolitical scenario update (p.3)** – We present a sneak peek of changes to the assumptions for the macroeconomic scenario for Poland, stemming from the implications of the conflict in the Middle East. At the same time, we announce a full update on the Polish economy, which will be published next week.

WHAT ELSE CAUGHT OUR EYE:

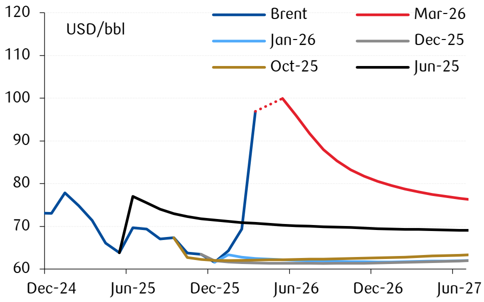
- HUN: **The MNB presented its latest inflation and GDP forecast, with the horizon extended to 2028 (vs. 2027 previously), incorporating the impact of a supply shock triggered by the war in the Middle East.** The inflation path has been revised upward for both 2026 and 2027 (to 3.8% from 3.2% and 3.7% from 3.3%, respectively). The forecast for this year is very close to our expectations. At the same time, in the final year of the projection, the bank expects average annual inflation to be in line with the inflation target at 3%. Inflation will rise above the tolerance band from 3q26 and will only return to target on a sustained basis in 2h27. In its assumptions regarding commodity prices, the MNB relies on futures contracts, which point to a gradual decline in oil prices over the summer (provided that the military conflict ends within a few weeks), while oil and gas prices may normalize by mid-2027. Although this is currently of limited importance, the bank noted that due to favourable repricing at the beginning of the year, the starting point of the March projection was lower than expected in December. The impact of the conflict on prices is, of course, partially mitigated by price caps on fuel prices and margin restrictions, which are set to expire in mid- or late May. The GDP forecast has been revised downward, primarily for 2026, to 1.7% from 2.4% previously. The main driver of growth over the forecast horizon will remain consumption, supported by real wage growth, income-boosting fiscal measures, and the drawdown of savings. Throughout the projection horizon – unlike in previous years – investment will also contribute to growth, mainly due to a pickup in household investment.
- POL: **The government has announced the introduction of fuel price caps and a reduction in taxes imposed on fuels – cutting VAT rate to 8% from 23% and lowering excise duty to the minimum level permitted in the EU.** Altogether, this is expected to reduce prices by approximately PLN 1.2 per liter. At the same time, to ensure that tax cuts are effectively passed through to retail prices, the maximum price will be set daily by the Minister of Energy. The changes could come into force as early as before Easter. The Minister of Finance stated that lowering the VAT rate on fuels will cost the budget PLN 900 mn per month, while the excise duty reduction will cost PLN 700 mn per month. To partially offset this fiscal cost, the government is also planning to introduce a windfall tax on fuel companies.

THE WEEK AHEAD:

- The most noteworthy release will be the **flash estimate of Polish CPI inflation for March**. In our view, due to the surge in energy commodity prices inflation may have accelerated close to the upper band of deviations from the NBP target (~3.5% y/y). In addition, **March PMI indicators for the region** will also be released – sentiment has most likely remained subdued due to the conflict in the Middle East.

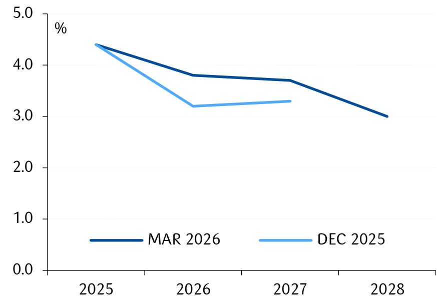
Chart(s) of the week:

Brent oil price – forward curve



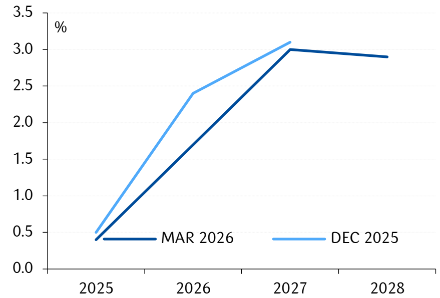
Source: LSEG, PKO Bank Polski.

MNB inflation projection



Source: MNB, PKO Bank Polski.

MNB GDP projection



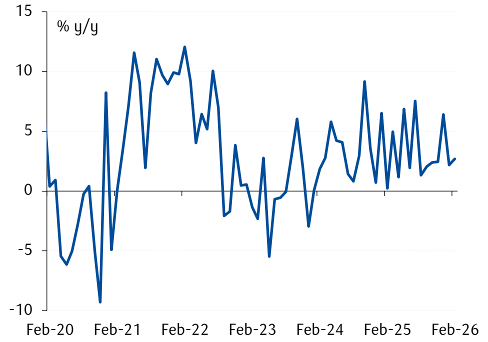
Source: MNB, PKO Bank Polski.

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

CEE macro review

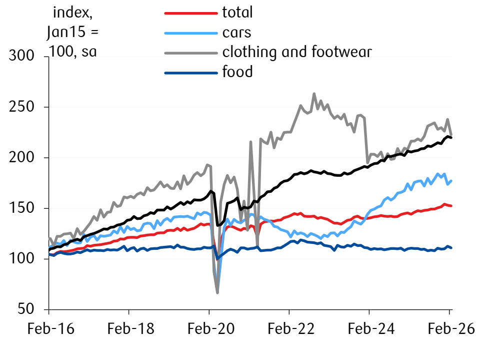
- POL: **Our February GDP nowcast points to 2.7% y/y growth vs. 2.2% in January**, reflecting weak industry and construction results (weather-related) alongside solid consumer demand. We expect GDP growth to slow to 3.1% y/y in 1q26 from 4.0% in 4q25.
- POL: **Moody's carried out a periodic review of Poland's rating but took no action on it. The country's credit rating remains at 'A2', with a negative outlook.** The agency pointed to a deterioration in fiscal prospects resulting from political tensions and the risk of increased spending ahead of the 2027 elections. The GDP growth forecast was raised to 3.7% from 3.2% previously, however, risks are tilted to the downside due to the conflict in the Middle East. The GG deficit is expected to decline gradually (6.8% of GDP in 2025, 6.6% in 2026, 5.9% in 2027), which will not prevent public debt from rising above 70% of GDP by the end of the decade. **A potential stabilisation of the outlook would require a clear reduction in debt dynamics and institutional improvement.** Conversely, an escalation in spending, a deterioration in debt servicing capacity, or an increase in geopolitical risk could result in a rating downgrade.
- POL: **The situation in the construction and housing market is improving**. In 2026, companies assess demand for construction services as stable, with a slight upward trend, alongside improving profitability and the financial standing of enterprises. A land bank larger by 15% relative to planned investments reduces the risk of supply constraints. Stable employment and financial support from EU funds and government programmes will ensure a gradual recovery in the construction sector. **In 4q25, the ratio of housing prices to average wages continued to decline, indicating increased housing affordability.** Property prices are rising mainly in large cities, while declines are observed in smaller centres. This situation suggests a fading of price pressure and a more balanced market, which, combined with improved creditworthiness, should increase demand for housing.
- POL: **Retail sales rose by 5.0% y/y in February (from 4.4% in January),** undershooting expectations. The pickup was driven mainly by a rebound in car sales following volatility related to New Year tax changes. Rising fuel prices should lift nominal growth, while precautionary fuel purchases may temporarily support real retail sales in March.
- CZE: **The SAFE programme has been approved by the European Commission and is set to amount to EUR 2.06bn.** The decision will now be submitted to the EU Council, after which the agreement will be finalised and the first disbursements are expected in April.
- POL: **Industrial new orders in February increased by 3.2% y/y, compared with growth of 0.6% y/y in January.** On a m/m basis, orders declined by 2.8% following an increase of 10.0% m/m in the previous month. At the same time, new export orders in February decreased by 3.0% y/y after rising by 0.3% y/y in January.
- ROM: **Industrial new orders in January decreased by 5.3% y/y, compared with growth of 9.5% y/y in December**, signalling a deterioration in production prospects in the coming months. The declines were broad-based across sectors, and modest increases in export-oriented industries did not offset the overall weakness. The industrial sector continues to grapple with structural problems, remaining in a downward trend since the energy crisis. Since March, new challenges have emerged for the sector, which will push back hopes for a recovery.

Monthly GDP growth rate in Poland



Source: PKO Bank Polski. * The presented series is a quarterly GDP series (in constant prices, 2015=100) interpolated using the Litterman-fixed method, based on economic activity data of higher frequencies.

Retail sales in Poland



Source: Macrobond, PKO Bank Polski.

Macro and geopolitical scenario update

- **The prolonged US/Israel–Iran conflict is disrupting energy markets, prompting an upward revision of inflation and a slight downgrade to GDP growth, with Brent expected to remain elevated in the near term. Inflation is rising mainly via energy channels, second-round effects remain limited for now but pose some upside risk if disruptions persist.**

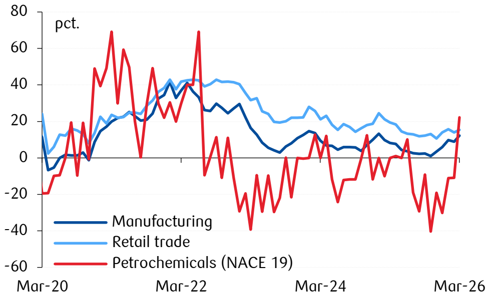
The US/Israel–Iran conflict is persisting, with increasing disruption to energy production and flows. This necessitates a revision of the geopolitical assumptions underpinning our macro forecasts. Previously, we assumed a swift de-escalation and gradual normalization in oil and LNG markets. Currently, with the Strait of Hormuz effectively blocked (albeit with prospects of reopening) and selected production facilities disrupted (oil in Iraq and Kuwait, LNG in Qatar), we expect more persistent and pronounced effects. Our baseline scenario now assumes gradual de-escalation and a slow normalization in energy markets. We expect Brent crude to remain close to USD 100/bbl until end of 2q26, followed by a gradual decline towards c. USD 80/bbl by year-end, broadly in line with current forward curves. We abstract from specific political developments (e.g. ceasefire terms or infrastructure-related decisions) and focus on their market implications.

We will present a full update on the Polish economy next week; below we outline key revisions.

1. **The immediate impact is a sharp increase in consumer fuel prices and wholesale energy prices** (PPI). A CPI revision is warranted following a 20%+ m/m March increase in fuel prices, but will be limited due to "fuel shield" (reduced VAT and taxes on fuels) that should enter into force even before Easter. According to our estimates it will reduce inflation in April by almost 1pp.
2. **Higher inflation reduces real income of households and is a risk factor for private consumption.** Nevertheless we remain relatively optimistic for the time being, as the "fuel shield" will limit the increase in inflation. Should real income growth slow down, households might simply reduce their saving ratio, which in recent quarters was surprisingly high. As for now the high frequency indicators do not point to any significant negative change in the households appetite for spending.
3. **Increased uncertainty traditionally limits investment activity, while investment growth was supposed to be one of the key engines of Poland's GDP growth in 2026.** We maintain an optimistic view on investment activity as in 2026 it will be mainly driven by EU funds (cohesion policy, RRF, SAFE), making it much less sensitive to global shocks than usual.
4. **Rising oil prices generate a terms-of-trade shock**, increasing the trade and current account deficit. In this area we see space for a negative revision, but the scale of the shock is much smaller than in 2021-22.
5. **Surging oil prices narrow the scope for interest-rate cuts, but the shock's magnitude, at least for now, does not warrant any discussion of rate hikes.**

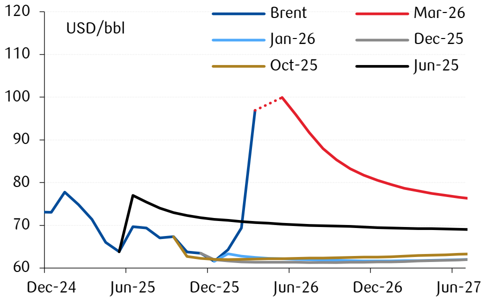
We will publish the full set of updated macro forecasts for Poland next week, on Monday in Polish, and on Thursday in English.

Expected prices by sectors in Poland (survey results)



Source: Statistics Poland, PKO Bank Polski.

Brent oil price – forward curve



Source: LSEG, PKO Bank Polski.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday. 30 March						
HUN: Trade balance (Feb)	7:30	m EUR	12	750	--	--
EUR: Economic Sentiment Indicator (Mar)	10:00	pts.	98,3	96,8	--	--
EUR: Consumer Confidence (Mar. final)	10:00	pts.	-12,2	-16,3	--	--
GER: CPI inflation (Mar. flash)	13:00	% y/y	1,9	2,6	--	--
GER: HICP inflation (Mar. flash)	13:00	% y/y	2,0	2,8	--	--
Tuesday. 31 March						
CZE: GDP growth (4q)	8:00	% y/y	2,8	2,6	--	--
POL: CPI inflation (Mar. flash)	**8:30**	**% y/y**	**2,1**	**3,1**	**3,5**	**Inflation will be driven up primarily by a more than 20% m/m increase in fuel prices.**
GER: Unemployment Rate (Mar)	8:55	%	6,3	6,3	--	--
CZE: M3 money supply (Feb)	9:00	% y/y	4,5	--	--	--
EUR: HICP inflation (Mar. flash)	10:00	% y/y	1,9	2,6	--	--
EUR: Core inflation (Mar. flash)	10:00	% y/y	2,4	2,4	--	--
USA: S&P CoreLogic CS 20-City (Jan)	14:00	% y/y	1,38	--	--	--
USA: Consumer confidence (Mar)	15:00	pts.	91,2	88	--	--
USA: JOLTS Report (Feb)	15:00	--	6,946	--	--	--
Wednesday. 1 April						
CHN: Manufacturing PMI (Mar)	2:45	pts.	52,1	51,7	--	--
ROM: Unemployment Rate (Feb)	7:00	%	6	--	--	--
POL: Manufacturing PMI (Mar)	**8:00**	**pts.**	**47,1**	**47,2**	**47,2**	**Geopolitical uncertainty will weigh on the index, but due to its construction, longer delivery times may push it higher outweighing some of the negative effects.**
GER: Manufacturing PMI (Mar. final)	8:55	pts.	51,7	51,7	--	--
EUR: Manufacturing PMI (Mar. final)	9:00	pts.	51,4	51,4	--	--
USA: ADP National Employment (Mar)	13:15	thous.	63	40	--	--
USA: Retail sales (Feb)	13:30	% m/m	-0,2	0,4	--	--
USA: Retail sales excl. autos (Feb)	13:30	%. m/m	0	0,3	--	--
USA: Manufacturing PMI (Mar. final)	14:45	pts.	52,4	--	--	--
USA: ISM Manufacturing (Mar)	15:00	pts.	52,4	52,3	--	--
Thursday. 2 April						
USA: Trade balance (Feb)	13:30	USD bn	-54,5	-66	--	--
USA: Initial Jobless Claims (Mar)	13:30	thous.	210	--	--	--
Friday. 3 April						
USA: Non-Farm Payrolls (Mar)	13:30	thous.	-92	51	--	--
USA: Average Earnings (Mar)	13:30	% y/y	3,8	--	--	--
USA: Unemployment Rate (Mar)	13:30	%	4,4	4,4	--	--

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

Monetary policy monitor

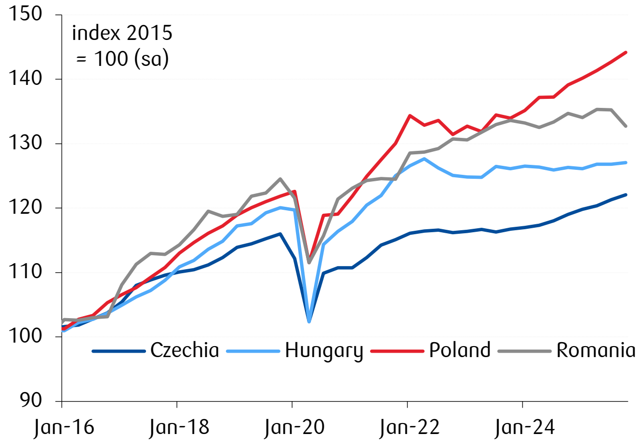
MPC Members	Hawk-o-meter*	Recent policy indicative comments^
J. Tyrowicz	4.9	**"I never vote on how much to raise rates; I vote on where they should be. They should be at 4.75%." (24.03.2026, PAP BIZNES)**
I. Dabrowski	3.1	**"The Monetary Policy Council will be inclined to keep interest rates unchanged." (26.03.2026, Dziennik Gazeta Prawna via PAP Biznes)**
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	**"I wouldn't like to talk about rate hikes today. For now, I'll just say that I tend to rule out further cuts. (...) Right at the very start of this conflict, as soon as it began, we decided to cut interest rates. It seems that this was indeed the last interest rate cut this year." (24.03.2026, TVP Info via PAP BIZNES)**

*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.

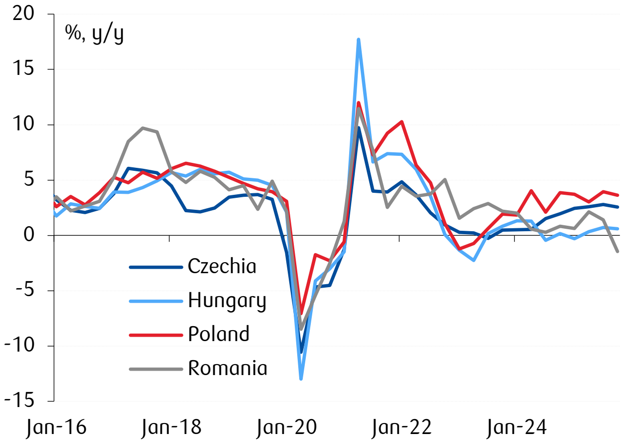
Selected comments from central bankers in other CEEs	
CNB	"So far, the current development does not disrupt the environment of relatively low inflation. The domestic economy still has a favorable starting position thanks to low inflation and solid growth, which gives the central bank's board room to 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

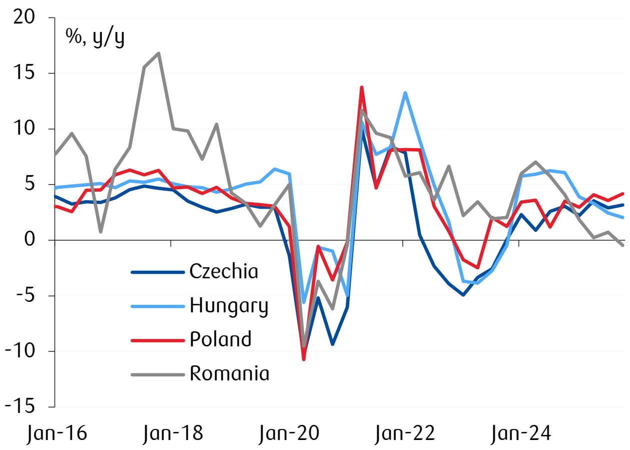
GDP level



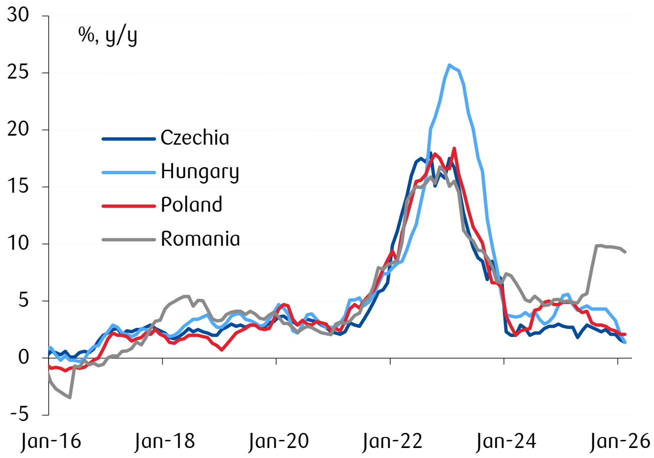
GDP growth



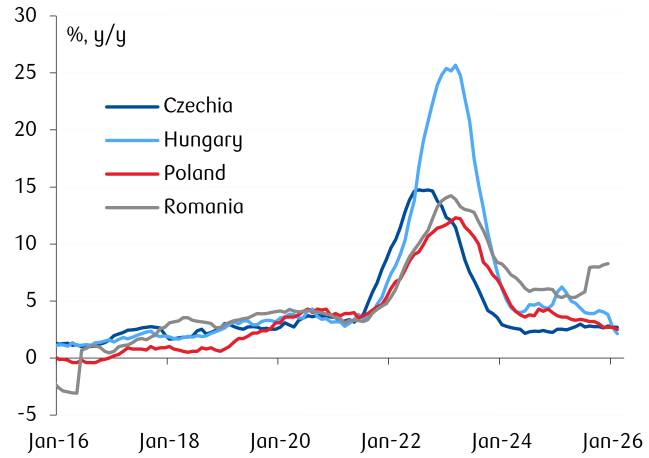
Private consumption growth



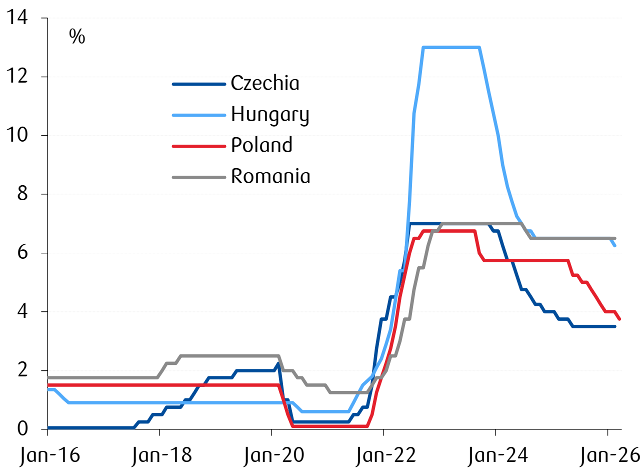
CPI inflation



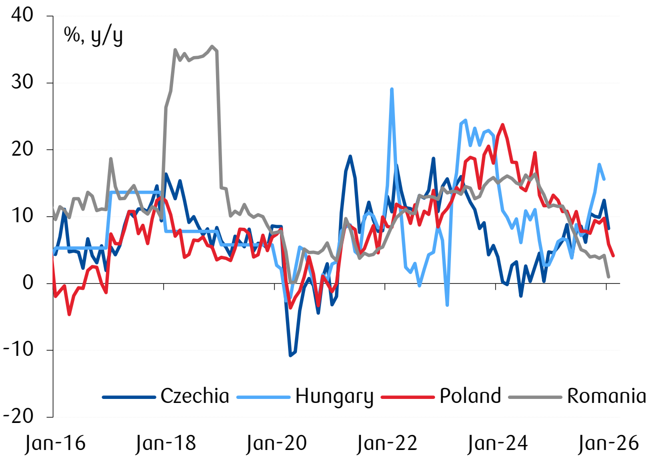
Core CPI inflation



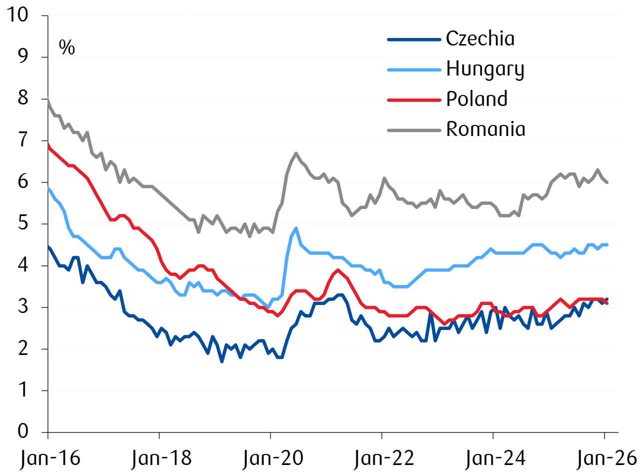
Interest rates (policy rates)



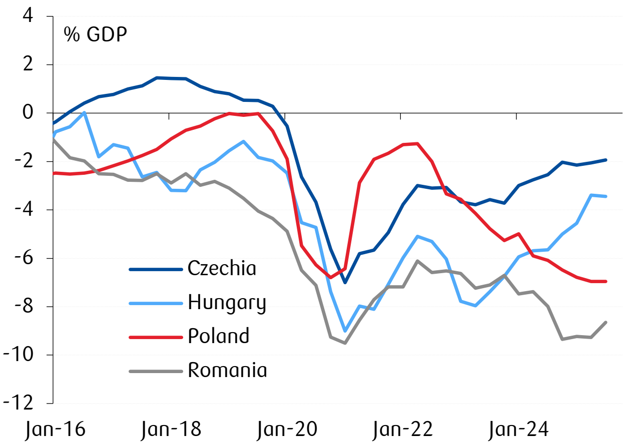
Wages*



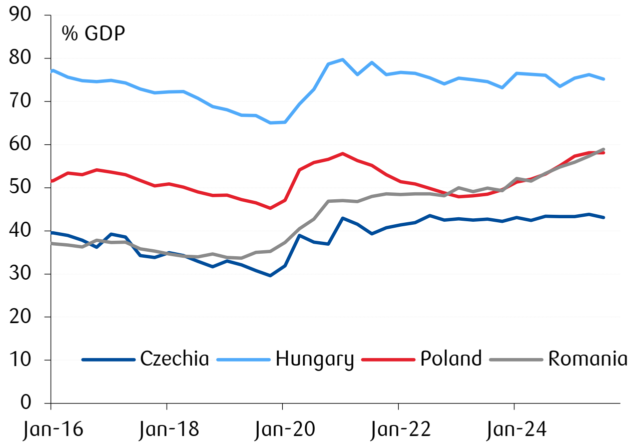
Harmonised unemployment rate



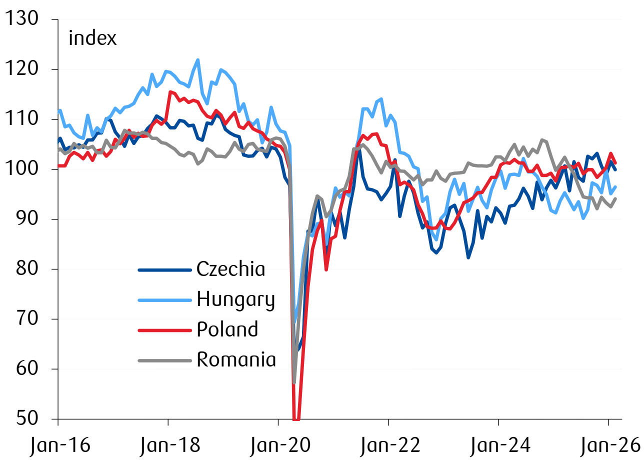
Fiscal deficit (ESA)



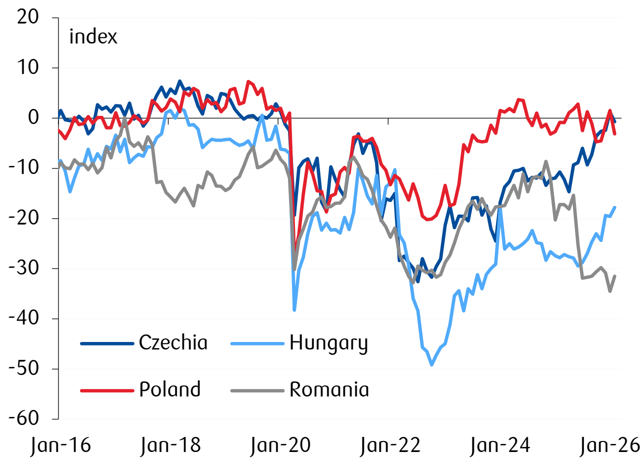
Public debt



ESI



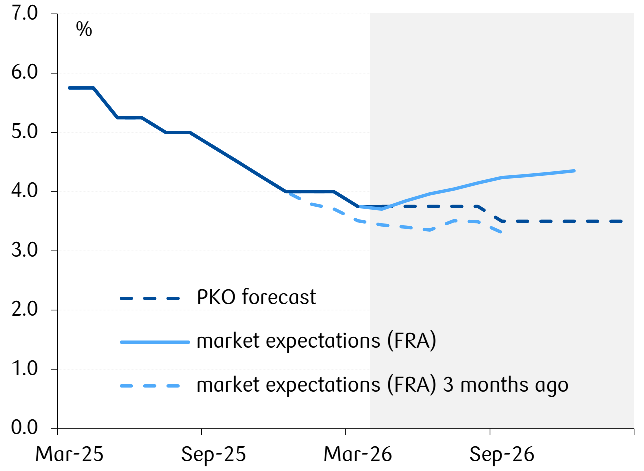
Consumer confidence ESI



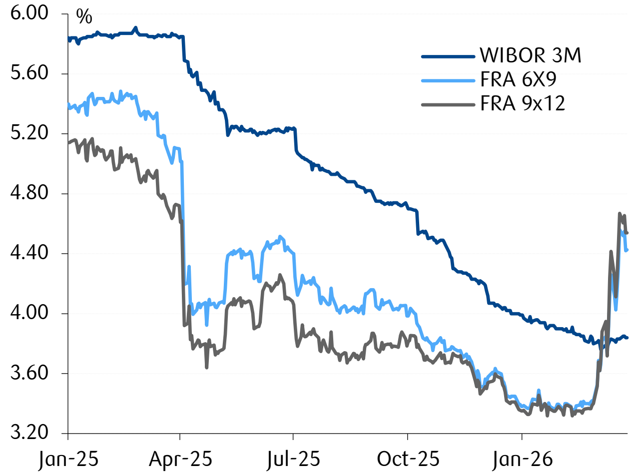
Source: Macrobond, GUS, INSSE, CZSO, KSH, PKO Bank Polski. *for Czechia wages in industry, for Hungary – national economy, Poland and Romania – enterprise sector.

Poland macro chartbook

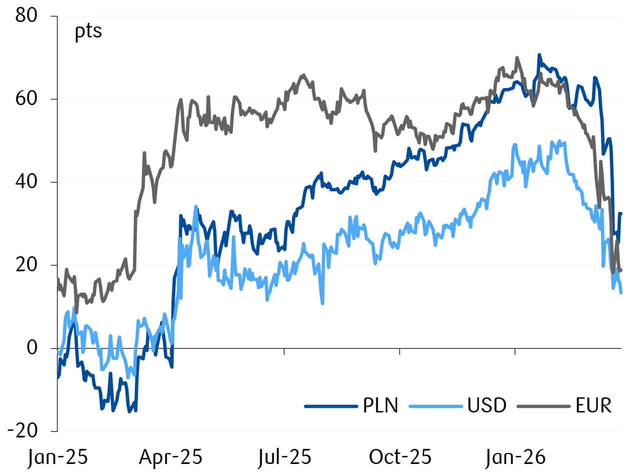
NBP policy rate: PKO BP forecast vs. market expectations



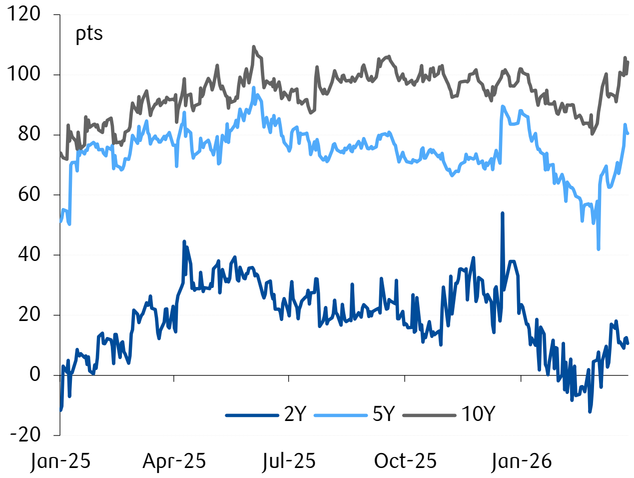
Short-term PLN interest rates



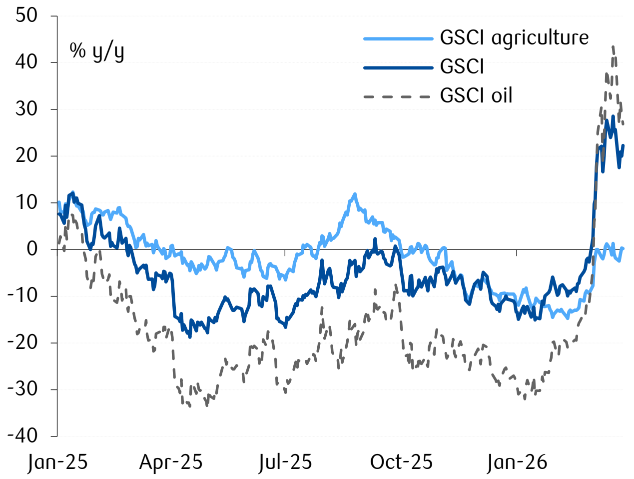
Slope of the swap curve (spread 10Y-2Y)*



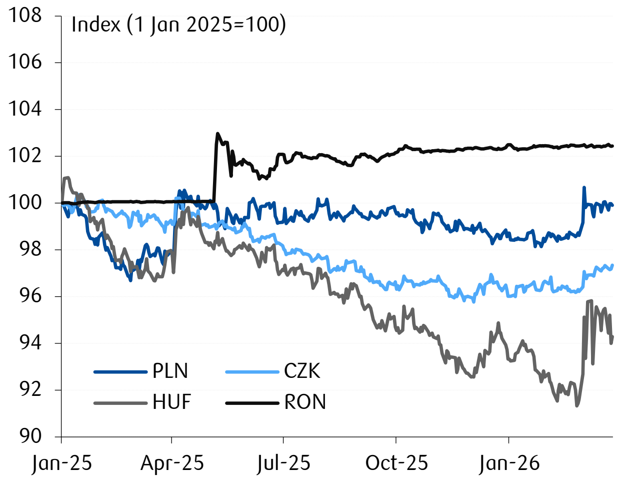
PLN asset swap spread



Global commodity prices (in PLN)

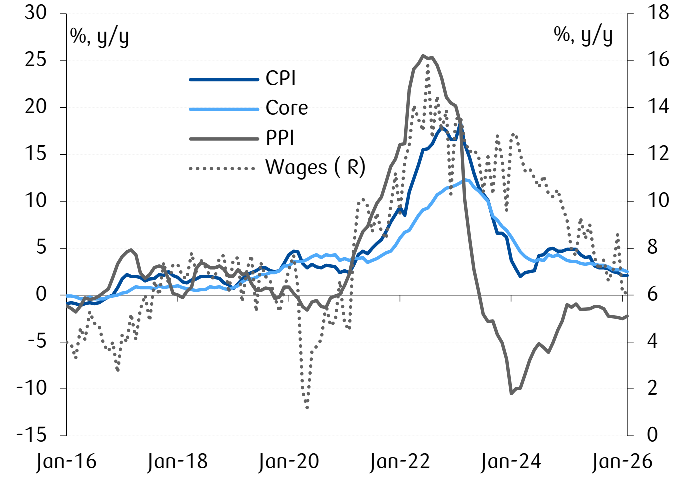


Selected CEE exchange rates against the EUR

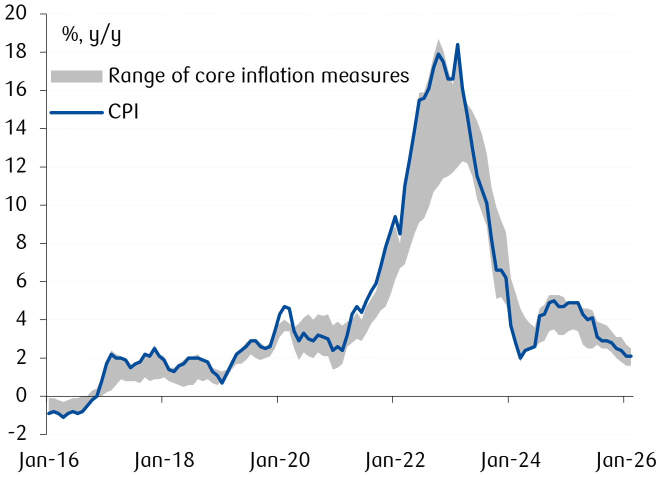


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

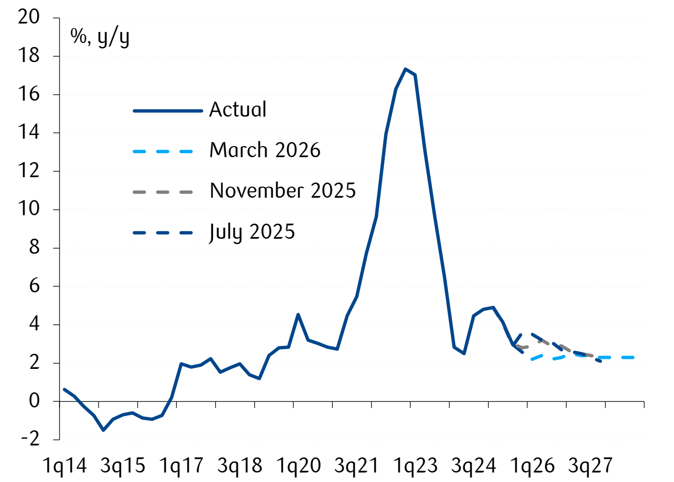
Broad inflation measures



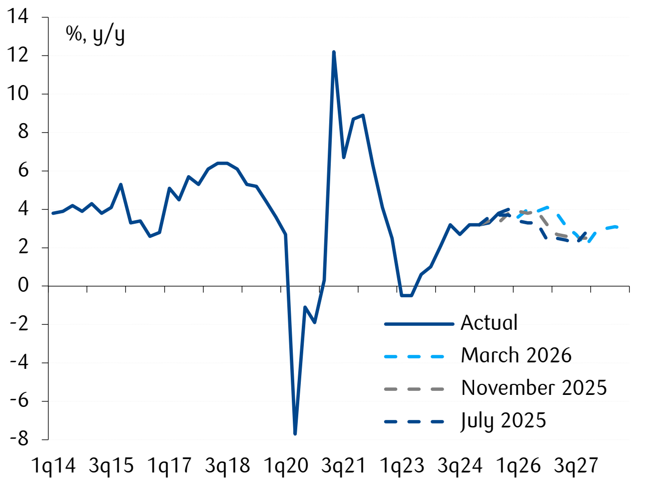
CPI and core inflation measures



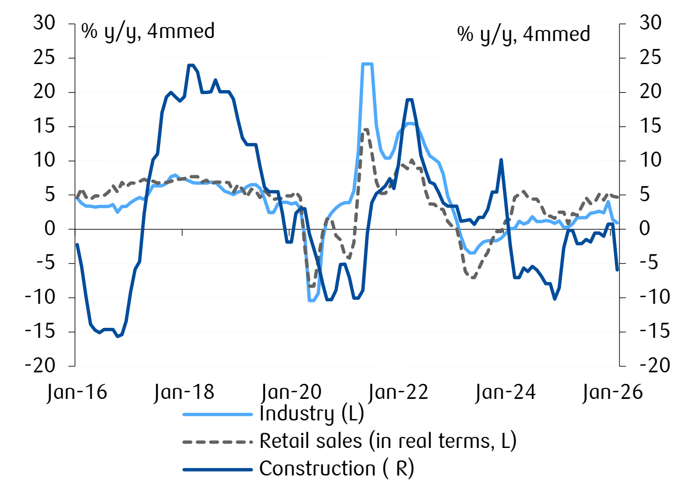
CPI inflation – NBP projections vs. actual



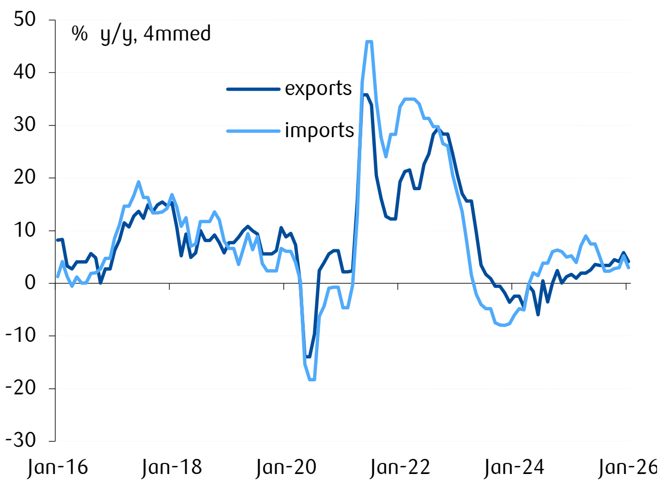
Real GDP growth – NBP projections vs. actual



Economic activity indicators

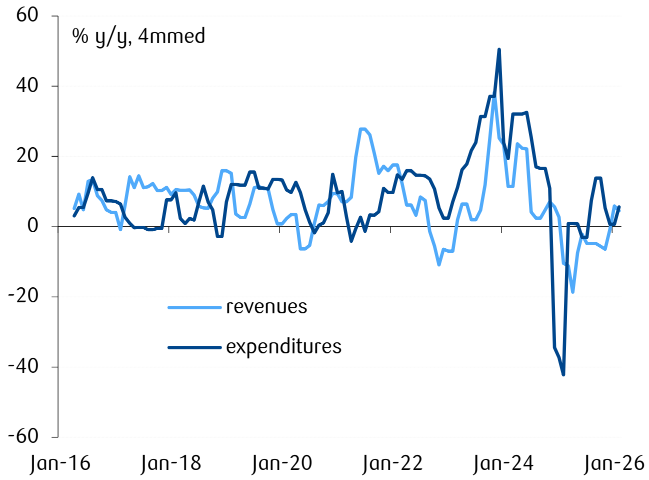


Merchandise trade (in EUR terms)

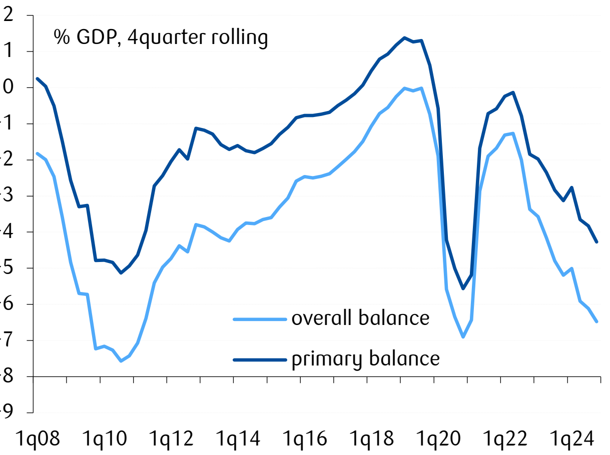


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

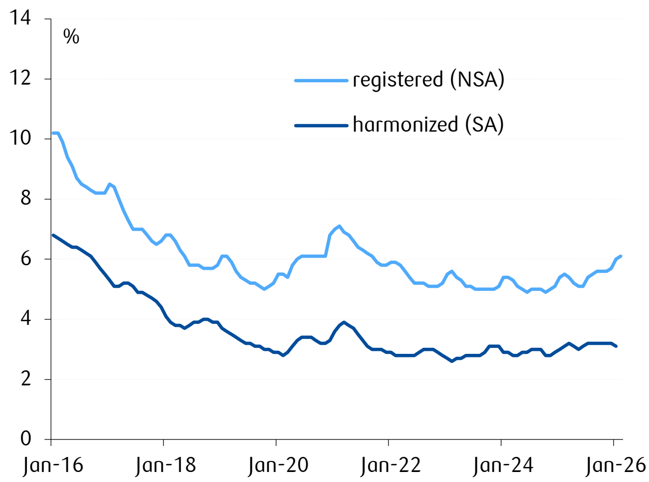
Central government revenues and expenditures*



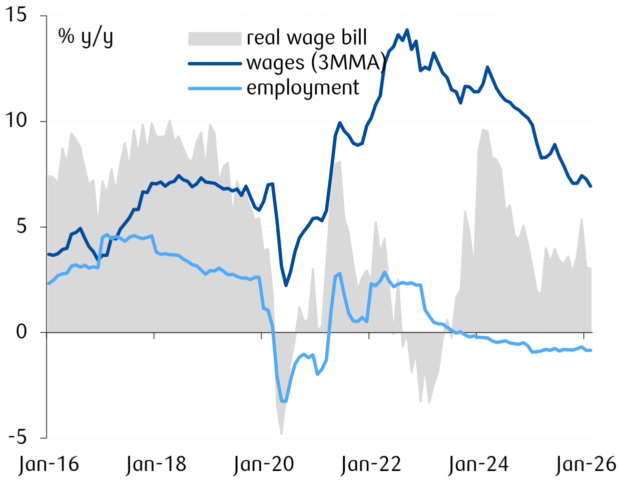
General government balance (ESA2010)



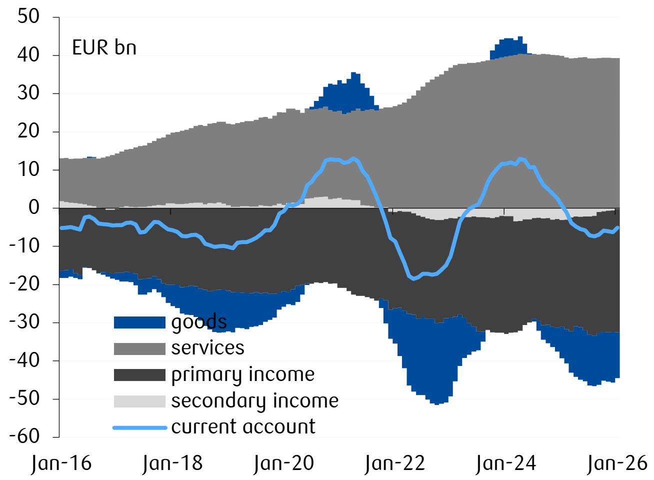
Unemployment rate



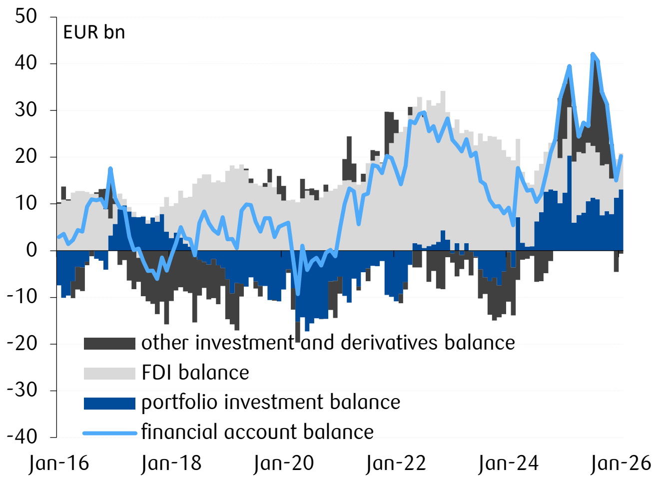
Employment and wages in the enterprise sector



Current account balance



Financial account balance



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

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