CEE – Monthly Forecast Update

Macro Research

11 May 2026

Bank Polski | Centrum Analiz

Poland's macro in a nutshell

	2024	2025	2026	Comment
Real economy				Improved weather conditions in March and stronger "precautionary demand" allowed part of the losses from January and February to be recovered. Our GDP nowcast for 1q26 points to a milder slowdown than previously feared – to around 3.5% y/y from 4.1% y/y in 4q25. At this stage, we see no reason to revise down our full-year GDP growth forecast (3.5%). Private consumption should slow only slightly, to 3.2% from 3.7% in 2025, while investment is expected to accelerate to 10.7% from 4.4% in 2025. In our view, both categories are relatively resilient to the shock – accumulated household savings should help smooth the consumption path, while inflows of EU funds are independent of the global situation. The balance of risks is tilted to the downside, with the main threat remaining a supply shock stemming from the war in the Middle East.
- real GDP (%)	3.0	3.6	3.5	
Prices				CPI inflation rose to 3.2% y/y in April from 3.0% y/y in March, due to a smaller-than-expected decline in fuel prices (despite the reduction in VAT and excise duties and the introduction of price caps) and a likely increase in core inflation. We have significantly raised our inflation forecast – in the coming months CPI may approach 4% y/y, partly because of worsening food price prospects linked to drought and frost. At the same time, we expect inflation to remain below 4% y/y by the end of the year, assuming global energy prices normalise. Second-round effects from higher energy prices should remain limited due to the lack of demand pressure and the weaker bargaining position of employees, while higher gas prices should not materially boost CPI thanks to market regulation by the Energy Regulatory Office (URE) and the decline in contract prices over the past year. Nevertheless, the balance of risks for inflation remains tilted to the upside due to geopolitical factors.
- CPI inflation (%)	3.6	3.6	3.3	
Monetary aggregates				Household lending continues to recover, although at the turn of the year we observed a temporary weakening in the momentum of mortgages. Corporate lending is accelerating. Deposit growth is gradually slowing.
- loans / deposits (%)	5.0/9.7	5.0/9.2	6.9/5.8	
External balance				Higher oil and gas prices are increasing the value of imports, while higher inflation is boosting nominal export and import growth. Disruptions in supply chains, more expensive freight and weaker conditions among trading partners are limiting trade volumes. As a result, the current account deficit in 2026 will slightly exceed 2% of GDP.
- current account balance (% GDP)	0.3	–0.9	–2.1	
Fiscal policy				The fiscal deficit in 2025 reached the second-deepest level in the history of comparable data. In 2026, we expect a slight improvement, although the balance of risks remains persistently tilted towards a deeper deficit.
- fiscal balance (% GDP)	–6.4	–7.3	–6.9	
Monetary policy				The Monetary Policy Council (RPP) concluded that, given the uncertainty surrounding geopolitical developments, keeping interest rates unchanged is warranted. NBP Governor A. Glapiński admitted that the probability of a rate hike has increased, and that a rise in inflation above target combined with unfavourable forecasts would justify such a move. Our baseline scenario assumes unchanged rates, but the probability of a hike in July – if inflation exceeds 3.5% y/y – is considerable.
- NBP reference rate (%)	5.75	4.00	3.75	

Source: GUS, NBP, Eurostat, PKO Bank Polski.

CEE macro in a nutshell

	2024	2025	2026	Comment
Czechia				In 1q26, economic growth in Czechia slowed to 2.1% y/y from 2.7% y/y in 4q25, coming in below expectations and the CNB's forecast prevailing at the time. In q/q terms, the economy expanded by 0.2%. Domestic demand was the main growth driver, particularly household consumption and investment. Net exports, however, made a negative contribution to growth, with weak external demand already evident before the outbreak of the conflict in the Middle East. Under these conditions, we slightly lowered our growth forecast for this year to 2.5%. According to the preliminary estimate, inflation in Czechia rose to 2.5% y/y in April from 1.9% y/y in March, due to higher energy prices (up 1.5% y/y after a 1.7% y/y decline in March). Fuel prices were the main source of volatility, while the increase in retail electricity prices remains limited thanks to long-term fixed-price energy contracts. In our baseline scenario, we assume that CNB interest rates will remain unchanged until the end of this year. However, the probability of a rate hike is not zero.
- real GDP (%)	1.1	2.6	2.5	
- CPI inflation (%)	2.4	2.5	2.1	
Hungary				According to the preliminary estimate, the Hungarian economy expanded by 0.8% q/q (sa) in 1q26, above market expectations and marking the fastest pace since 3q23. In annual terms, activity rose by 1.7% (sa), the strongest growth since 3q22. Services made the largest contribution to growth, while industry also contributed positively to GDP after a prolonged period. In 1q26, retail sales grew at a solid pace, averaging 5.2% y/y, with a pronounced acceleration in March (above 8%), driven by stronger demand for fuel amid the ongoing war in the Middle East. P.Magyar's Tisza party achieved a landslide victory in the parliamentary elections, securing a constitutional majority. Recent reports suggest that the party will inherit a significantly deeper-than-expected budget deficit in 2026, which will substantially complicate the fiscal consolidation envisaged in its programme. Given the ongoing geopolitical conflict, we decided to revise down our GDP forecast for this year to 1.7%, despite the positive surprise in 1q26 data, which nevertheless shifts the balance of risks for this forecast to the upside. Inflation stood at 1.8% y/y in March, below the inflation target, before edging up slightly to 2.1% y/y in April. At its latest meeting, the central bank maintained a wait-and-see stance, emphasising its intention to preserve restrictive monetary conditions. We still see room for monetary easing later this year due to the strengthening of the forint and the decline in the risk premium relative to the rest of the region, although we have postponed the expected resumption of rate cuts to 4q26. Any rate cut decision will depend on a normalisation of the situation in the Middle East.
- real GDP (%)	0.5	0.4	1.7	
- CPI inflation (%)	3.7	4.4	3.4	
Romania				Available data suggest a slight economic recovery in 1q26 compared with 4q25, although annual GDP growth likely slowed below zero (from 0.2% y/y in 4q25). Since July 2025, annual retail sales growth has remained negative (with sales falling on average by 5% y/y in 1q26), reflecting the negative impact of fiscal consolidation measures. Industrial activity has also declined in recent months. The short-term economic outlook is overshadowed by the political situation following the collapse of I.Bolojan's pro-European government. As a consequence, the RON weakened by more than 2%, which is a significant move under the managed floating exchange rate regime. The NBR assessed the depreciation as part of "normal market dynamics", posing no threat to financial stability. The weaker currency may fuel inflation in the near term. In April, inflation accelerated to 9.9% y/y, mainly due to significantly higher fuel prices, although the reading came in below expectations of above 10%. Inflation will remain elevated in the coming months before declining to around 4% y/y by the end of the year, partly due to favourable base effects. We maintain our previous annual average inflation forecast, although it is now subject to greater uncertainty. In our view, the prospect of an interest rate cut has been pushed back to at least 4q26, and the scope for monetary easing remains limited.
- real GDP (%)	0.9	0.7	0.8	
- CPI inflation (%)	5.6	7.3	7.3	

Source: Eurostat. INSSE. CZSO. KSH. PKO Bank Polski.

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Selected macroeconomic indicators: data and forecasts

	3q25	4q25	1q26	2q26	3q26	4q26	2023	2024	2025	2026
Economic activity										
Real GDP (% y/y)	3,8	4,1	3,4	3,4	3,4	3,9	0,2	3,2	3,6	3,5
Domestic demand (% y/y)	3,9	4,6	3,8	4,1	4,4	5,2	-3,0	4,8	4,2	4,4
Private consumption (% y/y)	3,5	4,3	3,5	2,8	3,5	3,0	-0,3	2,9	3,7	3,2
Gross fixed capital formation (% y/y)	6,8	6,6	7,0	10,1	11,5	12,4	12,7	0,4	4,4	10,8
Inventories (pp)	-1,0	-0,9	0,0	-0,1	-0,5	0,0	-5,7	1,1	0,1	-0,2
Net exports (pp)	0,1	-0,3	-0,3	-0,6	-0,8	-1,2	3,2	-1,3	-0,4	-0,7
Industrial output (% y/y)^	3,9	3,0	3,2	4,4	3,2	2,6	-2,1	1,1	2,1	3,4
Construction output (% y/y)^	-1,9	3,0	-8,1	2,2	7,1	3,1	4,8	-7,7	0,2	1,9
Retail sales (real. % y/y)^	4,7	4,6	6,1	3,0	3,3	2,0	-3,2	3,2	3,9	3,5
Nominal GDP (PLN bn)	979,1	1110,4	943,7	995,3	1047,0	1198,1	3415	3670	3913	4184
Labour market										
Registered unemployment rate‡(%)	5,6	5,7	6,1	5,7	5,7	5,8	5,1	5,1	5,7	5,8
Employment in enterprises (% y/y)	-0,8	-0,8	-0,8	-0,8	-0,5	-0,2	0,3	-0,4	-0,8	-0,6
Wages in enterprises (% y/y)	7,4	7,4	6,3	6,5	7,0	5,9	11,9	11,2	8,0	6,4
Prices^										
CPI inflation (% y/y)	3,0	2,6	2,4	3,6	3,6	3,8	11,4	3,6	3,6	3,3
Core inflation (% y/y)	3,2	2,8	2,6	3,0	2,9	3,1	10,1	4,3	3,3	2,9
15% trimmed mean (% y/y)	3,0	2,5	2,5	x	x	x	x	x	x	x
PPI inflation (% y/y)	-1,4	-2,4	-1,8	0,4	0,5	1,3	2,6	-6,7	-1,6	0,1
Monetary aggregates‡										
Money supply M3 (PLN bn)	2642,7	2737,7	2783,8	2842,7	2891,1	2970,1	2268,2	2479,8	2737,7	2970,1
Money supply M3 (% y/y)	11,1	10,4	10,7	9,9	9,4	8,5	8,5	9,3	10,4	8,5
Real money supply M3 (% y/y)	7,9	7,6	8,1	6,1	5,6	4,5	-2,6	5,5	6,5	5,0
Loans. total (PLN bn)	1552,7	1575,3	1564,4	1590,6	1610,5	1630,5	1428,1	1499,6	1575,3	1630,5
Loans. total (% y/y)	4,6	5,0	3,2	3,5	3,7	3,5	-0,1	5,0	5,0	3,5
Deposits. total (PLN bn)	2415,3	2474,1	2547,3	2574,3	2590,2	2632,4	2065,3	2266,0	2474,1	2632,4
Deposits. total (% y/y)	10,0	9,2	8,6	6,3	7,2	6,4	9,3	9,7	9,2	6,4
Balance of payments										
Current account balance (% GDP)	-1,0	-0,9	-0,9	-1,1	-1,5	-2,1	1,6	0,3	-0,9	-2,1
Trade balance (%GDP)	-1,5	-1,5	-1,4	-1,5	-1,8	-2,1	0,6	-0,7	-1,5	-2,1
FDI (% GDP)	1,4	1,2	0,8	0,8	1,0	1,8	2,9	1,1	1,2	1,8
Fiscal policy*										
Fiscal balance (% GDP)	-7,2	-7,3	-7,8	-7,4	-7,1	-6,9	-5,2	-6,4	-7,3	-6,9
Public debt (% GDP)	57,9	59,7	61,8	63,6	65,3	66,6	49,5	54,8	59,7	66,6
Monetary policy‡										
NBP reference rate (%)	4,75	4,00	3,75	3,75	3,75	3,75	5,75	5,75	4,00	3,75
NBP lombard rate (%)	5,25	4,50	4,25	4,25	4,25	4,25	6,25	6,25	4,50	4,25
NBP deposit rate (%)	4,25	3,50	3,25	3,25	3,25	3,25	5,25	5,25	3,50	3,25
WIBOR 3Mˣ (%)	4,72	3,99	3,85	3,82	3,82	3,82	5,88	5,84	3,99	3,82
Exchange ratesˣ‡										
EUR-PLN	4,27	4,23	4,29	4,27	4,26	4,25	4,35	4,27	4,23	4,25
USD-PLN	3,63	3,60	3,74	3,65	3,61	3,57	3,94	4,10	3,60	3,57
CHF-PLN	4,56	4,54	4,68	4,64	4,58	4,47	4,68	4,54	4,54	4,47
EUR-USD	1,18	1,17	1,15	1,17	1,18	1,19	1,10	1,04	1,18	1,19

Source: GUS. NBP. PKO Bank Polski.
^period averages for quarterly and yearly data.
‡period end values.
*under revision