

A tale of two economies

TOP MACRO THEME(S):

- **Growth leader and laggard in CEE (p.3)** – the latest GDP data highlight a widening divergence in CEE region, with Poland sustaining a balanced expansion while Romania slips into technical recession.

WHAT ELSE CAUGHT OUR EYE:

- **ROM: According to media reports, the President of Romania is considering four options for the formation of a new government:** a minority government led by the PSD, a minority government led by the PNL, a technocratic government, or a government headed by a technocratic prime minister. The reappointment of I.Bolovan is not being considered. The President aims to nominate a prime ministerial candidate by the end of May. President will hold consultations with parliamentary parties on Monday.
- **ROM: As expected, the NBR left interest rates unchanged, with the policy rate remaining at 6.50%.** The press release referred to the new macroeconomic projection, the details of which will be published next week. According to the NBR, inflation in 2q26 will exceed previously projected levels due to higher fuel prices. A substantial downward correction is expected in 3q26, after which inflation should decline gradually, re-entering the target tolerance band in 3q27. The central bank indicated that disinflationary pressure should stem primarily from the aggregate demand contraction resulting from fiscal consolidation. However, it also stressed that, under the current political conditions, further fiscal consolidation remains subject to high uncertainty.
- **CZE: President P.Pavel signed a bill which would allow a hard cap on fuel prices. The current mechanism covers margins only.** A hard price cap could remain in place for up to 12 months, although in practice this deadline may be extended. At this stage, it remains unclear whether fuel retailers will receive compensation; otherwise there is a risk of fuel shortages.
- **HUN: Finance minister-designate A.Karman said the government would need about six weeks to assess the true state of the public finances.** Revision of 2026 budget will be presented by the end of the summer (the deficit was supposed to reach 5% of GDP, although after becoming familiar with government documents P.Magyar signalled that it could reach almost 7% of GDP), while draft budget for 2027 will be ready by the end of October, slightly later than usual. A.Karman expressed his confidence in preventing any loss of the EU funds as well as finding savings in public procurement, cutting government propaganda costs, as well as debt servicing costs.
- **POL: In March, the current account deficit came in lower than expected, at EUR 234m.** On a rolling 12-month basis, the deficit narrowed to 0.8% of GDP from 0.9% of GDP in February. Exports increased by 7.4% y/y, while imports rose by 3.8% y/y, with fuel imports recording particularly strong growth, reflecting both higher fuel prices and inventory accumulation.

THE WEEK AHEAD:

- **The week will be dominated by April data on economic activity in Poland.** The calendar effect was neutral last month. Our forecasts point to solid, although slower than in March, growth in industrial production (4,5% y/y), while construction activity may see a slight acceleration (to 1,2% y/y). In the labour market, we expect employment to continue declining at the same rate as in March (-0,9% y/y), while wage growth should remain close to 6%.

Macroeconomic Research Bureau

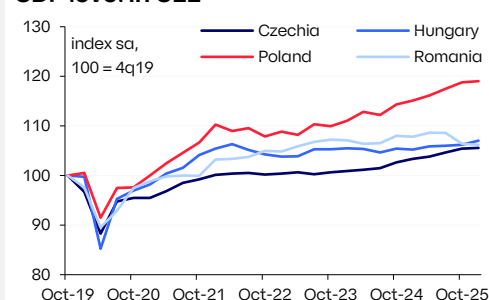
pkoresearch@pkobp.pl

X @PKO_Research

centrumanaliz.pkobp.pl

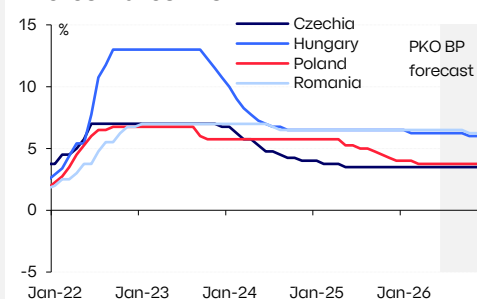
Chart(s) of the week:

GDP level in CEE



Source: Macrobond, PKO Bank Polski.

Interest rates in CEE

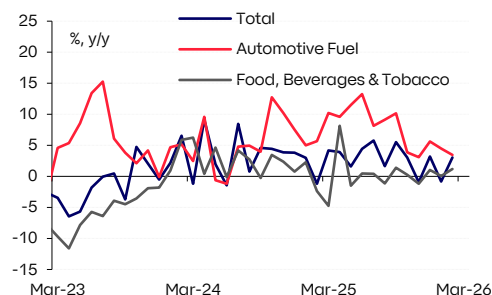


Source: Macrobond, PKO Bank Polski.

CEE macro review

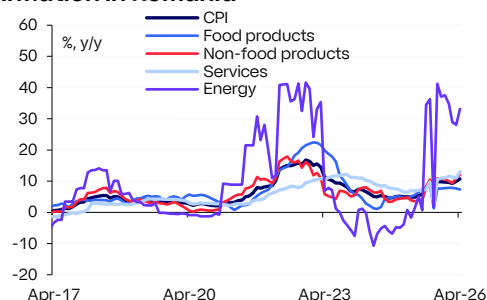
- CZE: Retail sales rose by a stronger-than-expected 4.9% y/y in March**, driven mainly by food purchases, where real spending accelerated to 4.8% y/y from 0.9% y/y in February amid the first decline in food prices in 19 months. Fuel sales growth slowed to 2.6% y/y, while the non-food segment recorded the strongest performance, with sales up 5.5% y/y. The robust data increase the likelihood of an upward revision to the preliminary 1q26 GDP growth estimate of 0.2% q/q, as suggested during the CNB forecast presentation.
- ROM: Inflation accelerated to 10.7% y/y in April from 9.9% y/y in March, exceeding the double-digit threshold for the first time since June 2023.** The reading was in line with market expectations. The acceleration in price growth was broad-based across all major categories, with the exception of food prices, which slowed to 7.4% y/y. As in recent months, energy prices recorded the strongest increase, rising by 33.1% y/y compared to 28.1% y/y in March, reflecting the impact of the expiry of the electricity price cap as well as higher fuel prices. On a m/m basis, footwear and clothing prices posted the strongest increases. Fuel prices rose by "only" 0.3% m/m following a sharp 6.5% m/m increase in March. In the coming months, inflation is likely to remain slightly above 10% y/y.
- ROM: Industrial production declined by 2.2% y/y (wda) following a 1.6% y/y decrease previously, bringing the average result for 1q26 to -2.4% y/y.** The sharpest annual contraction was recorded in the automotive sector, where output fell by 12% y/y. Manufacturing activity has remained in negative territory since the beginning of the year, despite supportive base effects. Industrial sector performance is likely to remain weak in the coming months. Domestic demand remains subdued, while export demand may provide a glimmer of hope. According to the PMI survey, the new export orders index moved above the neutral threshold in April, marking only the second such occurrence in the history of the series.
- POL: April CPI inflation was confirmed at 3.2% y/y, up from 3.0% y/y in March. The increase was driven by energy prices and core inflation**, which, on our estimate, rose to 2.9–3.0% y/y from 2.7% y/y in March. Core inflation was lifted by second-round effects stemming from the sharp increase in fuel prices, with air travel prices surging by 62% m/m, while the annual decline in airfares moderated to -1.3% y/y from -19.4% y/y in March.
- CZE: April CPI print was confirmed at 2.5% y/y, close to CNB forecast (2.4% y/y).** Data reflected mainly an increase in fuel prices due to the Middle East conflict (a cumulative increase of 30% over a two-month period). Food prices are reducing the headline inflation. Core inflation was unchanged in April, at 2.9% y/y. CNB assessed that cost of owner-occupied housing accelerated to 5.5% y/y which should mark the peak of dynamics in this category. CNB expects inflation to fall to 2.1% y/y in both May and June, while core inflation is expected to stay around 3% this year.
- CZE: In March, the current account posted a surplus of CZK 5.9bn (0.0% of GDP on a rolling 12-month basis), nearly CZK 21bn lower than in March 2025 (when it stood at 1.6% of GDP).** Both the goods trade balance and the services balance remained positive, with the combined surplus amounting to CZK 52bn. The goods balance improved relative to February despite the ongoing conflict in the Middle East. However, the impact of the conflict on trade data is likely to materialise with a lag, while the March figures still largely reflected the execution of orders placed prior to the outbreak of hostilities. At the same time, the services surplus narrowed, with transport services likely proving more sensitive to geopolitical tensions and higher commodity prices. We expect the balance of payments position to deteriorate in the coming months, particularly with regard to the goods and services balances.

Retail sales in Czechia



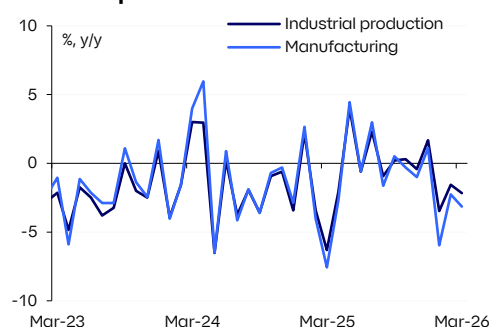
Source: Macrobond, PKO Bank Polski.

Inflation in Romania



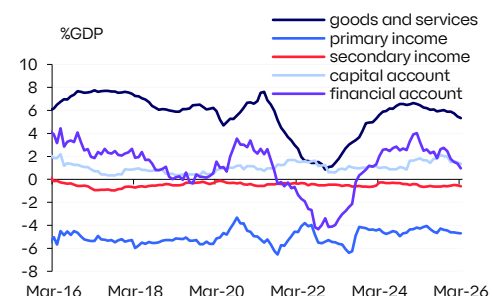
Source: Macrobond, PKO Bank Polski.

Industrial production in Romania



Source: Macrobond, PKO Bank Polski.

Current account balance in Czechia



Source: Macrobond, PKO Bank Polski.

A growth leader and a growth laggard in CEE

- The GDP data released over the past week paint two entirely different stories. In Poland, the figures support the realization of a “Goldilocks” scenario in 1q26, with growth remaining solid and balanced. In contrast, it is difficult to find a similarly positive narrative for Romania, as the economy has entered a technical recession.

In Poland, GDP growth slowed to 3.4% y/y in 1q26, in line with our forecast and slightly below the market consensus of 3.6% y/y, compared with 4.1% y/y in 4q25. On a q/q basis, GDP expanded by 0.5% (sa), marking the sixth consecutive quarter of uninterrupted growth momentum. Detailed GDP breakdown data will be released in early June, however, private consumption likely remained the key contributor to GDP growth.

The slowdown in activity in 1q26 was driven mainly by temporary negative factors. Adverse weather conditions in January and February particularly affected the construction sector, where average output contracted by 8.7% y/y during the quarter. Despite weaker construction activity, overall investment is likely to have increased. We continue to observe a shift in the composition of investment in Poland, with a smaller share directed toward construction and a larger share toward capital goods. The effects of projects financed under the Recovery and Resilience Facility (RRF) should also become increasingly visible, especially in public-sector investment. Although investment growth may still have been moderate this quarter, we expect a strong double-digit acceleration in the coming months.

Consumer spending was affected by two opposing forces. On the one hand, severe frosts forced consumers to limit spending on services, leading to weaker growth in this category. On the other hand, households increased expenditure on goods, especially in March (8.7% y/y), supported by pre-Easter food purchases (with Easter falling in early April) and higher fuel sales. However, these were largely one-off factors that are likely to weigh on growth in 2q26, when consumption dynamics are expected to soften. Higher inflation should constrain spending on both services and goods.

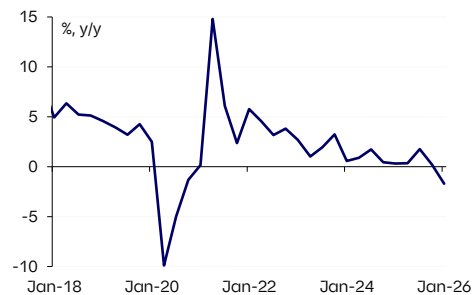
Looking ahead, rising commodity prices – especially fuel prices – represent the key challenge for the remainder of the year, nevertheless, households still hold excess savings that should help stabilize consumption during the shock period, while corporates have repeatedly demonstrated resilience in challenging conditions. As a result, **we maintain our full-year GDP growth forecast at around 3.5%.**

Romania's economic growth in 1q26 disappointed and came in significantly weaker than widely expected (Bloomberg consensus: -0.3% y/y). Economic activity contracted by 1.7% y/y following a marginal increase of 0.2% y/y previously. On a q/q basis, GDP declined by 0.2%, pushing the economy into a technical recession, despite expectations of a modest rebound.

We do not yet know the detailed breakdown, but it appears that **weaker than expected private consumption and insufficient investment growth were the main sources of the downside surprise.** Retail sales fell by an average of 5.0% y/y in 1q26, while industrial activity also remained in negative territory. Construction was the bright spot, however, with growth averaging 6.5% y/y in January and February.

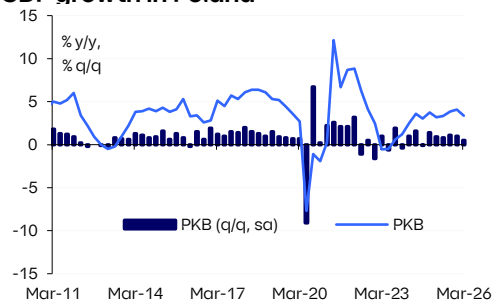
So far, our GDP growth forecast stood at 0.8%; however, the 1q26 data put this projection into question unless we add a minus sign in front of it. However, we will wait for the GDP breakdown data before making a final revision to our forecast. In addition to fiscal consolidation, private consumption in 2q26 is likely to be negatively affected by somewhat higher inflation driven by the increase in global commodity prices, as well as by currency depreciation.

GDP growth in Romania



Source: Macrobond, PKO Bank Polski.

GDP growth in Poland



Source: Statistics Poland, PKO Bank Polski.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday, 18 May						
POL: Core inflation (Apr)	13:00	% y/y	2.7	2.9	2.9	Core inflation accelerated on the back of second-round effects of the fuel price increase.
ROM: Current Account YTD (Mar)	--	EUR bn	-3.191	--	--	
Tuesday, 19 May						
EUR: Trade balance (Mar)	10:00	bn bn	7	--	--	--
Wednesday, 20 May						
GER: PPI inflation (Apr)	7:00	% y/y	-0.2	--	--	We assume that sentiment will not deteriorate further, although it is likely to remain weak.
POL: Consumer Confidence (May)	8:30	pts.	-14.1	-14.9	-15	
EUR: HICP inflation (Apr. final)	10:00	% y/y	3	3	--	--
EUR: Core inflation (Apr. final)	10:00	% y/y	2.2	2.2	--	--
USA: Minutes Fed	19:00	--	--	--	--	--
Thursday, 21 May						
GER: Manufacturing PMI (May. flash)	8:30	pts.	51.4	51	--	In the labour market, we expect existing trends to continue.
GER: Services PMI (May. flash)	8:30	pts.	46.9	47.2	--	
POL: Wages (Apr)	8:30	% y/y	6.6	6.1	6.0	Amid neutral calendar effects, both industry and construction are expected to deliver solid performances.
POL: Employment (Apr)	8:30	% y/y	-0.9	-0.9	-0.9	
POL: Industrial production (Apr)	8:30	% y/y	9.4	4.2	4.5	
POL: PPI inflation (Apr)	8:30	% y/y	-0.8	-0.1	0.0	
POL: Construction output (Apr)	8:30	% y/y	0.4	1.3	1.2	
EUR: Manufacturing PMI (May. flash)	9:00	pts.	52.2	51.6	--	--
EUR: Services PMI (May. flash)	9:00	pts.	47.6	47.9	--	--
USA: Initial Jobless Claims (May)	13:30	k	211	--	--	--
USA: Housing starts (Apr)	13:30	m	1.502	1.42	--	--
USA: Building Permits (Apr. flash)	13:30	mln	1.363	1.38	--	--
USA: Manufacturing PMI (May. flash)	14:45	pts.	54.5	53.6	--	--
EUR: Consumer Confidence (May. flash)	15:00	pts.	-20.6	-20	--	--
Friday, 22 May						
GER: GDP growth (1q)	7:00	% y/y	0.4	0.3	--	--
GER: Ifo Business Climate Index (May)	9:00	pts.	84.4	84.3	--	--
USA: University of Michigan sentiment (May. final)	15:00	pts.	48.2	48.2	--	--

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	"Under these circumstances, the likelihood of interest rate cuts drops dramatically" (30.04.2026, Bloomberg)
A. Glapinski	2.9	"A rate cut cannot be said to be entirely ruled out, but it is highly unlikely. Rate hikes are a plausible scenario, although they may not materialize, as inflation remains within the target range.." (7.05.2026, PAP Biznes)
M. Zarzecki	2.9	"The time for interest rate cuts has passed, and we are now thinking in terms of a pause or - in a less likely scenario - the need to raise rates." (12.05.2026, 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	"Even if inflation were to exceed 3.5 pct at some point, our response would not be automatic or immediate." (14.05.2026, Bloomberg via PAP Biznes)
W. Janczyk	2.8	"Poland will likely keep interest rates unchanged in coming quarters as inflation is set to stay within the central bank's tolerance range despite pressures from the Iran war." (13.04.2026, Bloomberg)
P. Litwiniuk	2.3	"If price developments triggered by the conflict in the Middle East were to lead to a loss of anchor, or a threat of a loss of anchor, in inflation expectations, and to an increased risk of an impact on prices and wages, then the Council should be, and is, ready to raise interest rates." (13.05.2026, PAP Biznes)
L. Kotecki	2.2	"All the forecasts we have seen over the last two days indicate that inflation will remain on target" (8.05.2026, Tok FM via PAP Biznes)

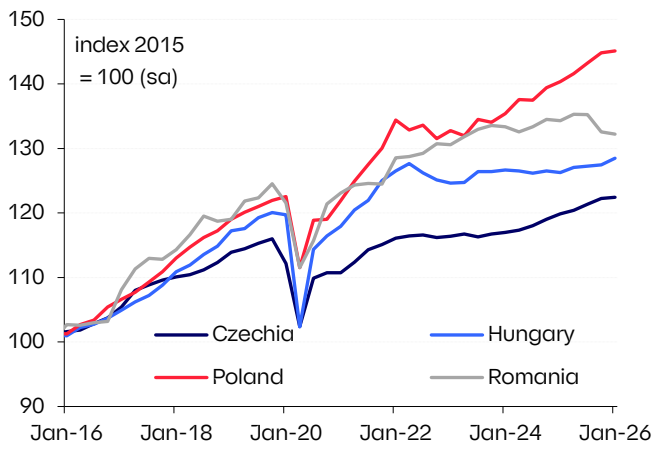
*The higher the indicator the more hawkish views. The positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5). ^Quotes in bold have been modified in this issue of Poland Macro Weekly.

Selected comments from central bankers in other CEEs

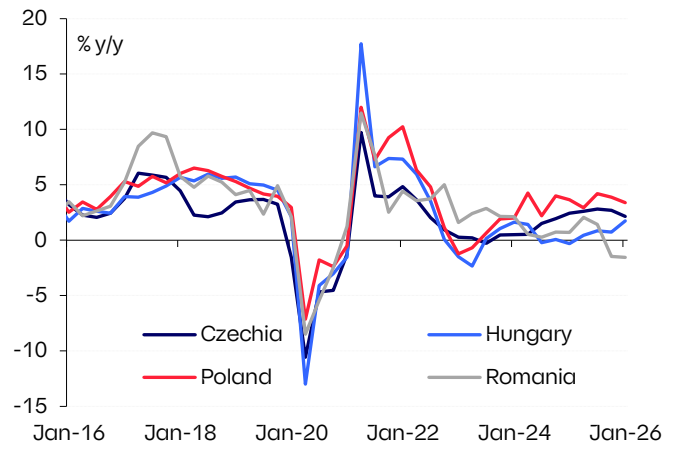
CNB	"For the time being, we have only first-round effects at play and we have enough room to consider and evaluate new, fresh data carefully." Deputy Governor E.Zamrazilova (11.05.2026, Bloomberg)
MNB	"Although the impact of the Iranian conflict on domestic prices did raise inflation, the stronger forint and price restriction measures were slowing down the rate of price increases." Governor M.Varga (5.05.2026, MNB)
NBR	"Thus, the central bank's approach so far, a conditional wait-and-see, is likely to continue for some time, even if other central banks may decide to act. Given the current monetary conditions and disinflation estimates, the central bank's conduct is relatively well positioned to navigate the current uncertainties." Deputy governor C.Marinescu (12.05.2026, Bloomberg)

CEE macro chartbook

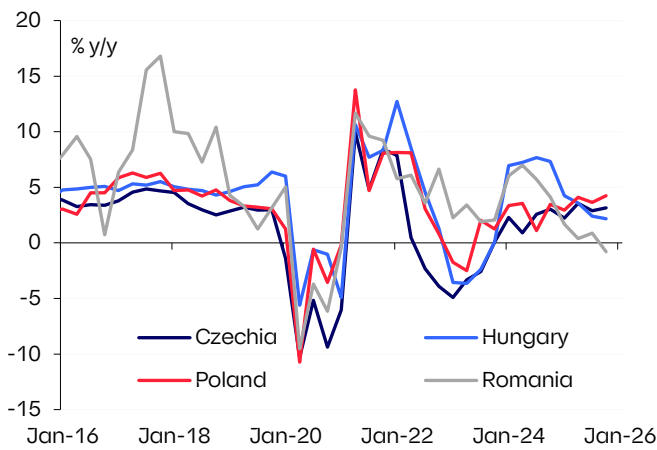
GDP level



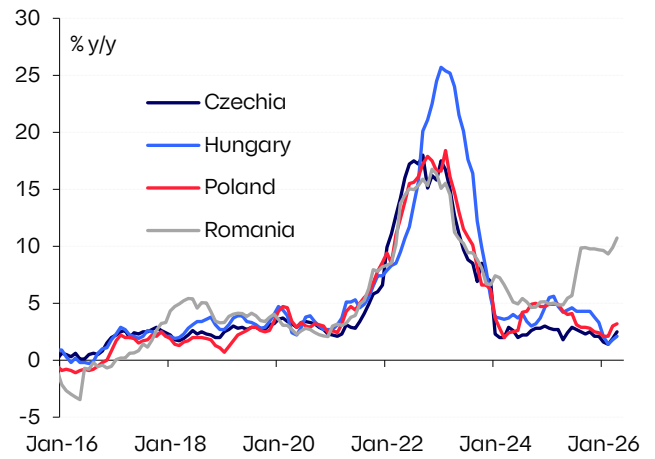
GDP growth



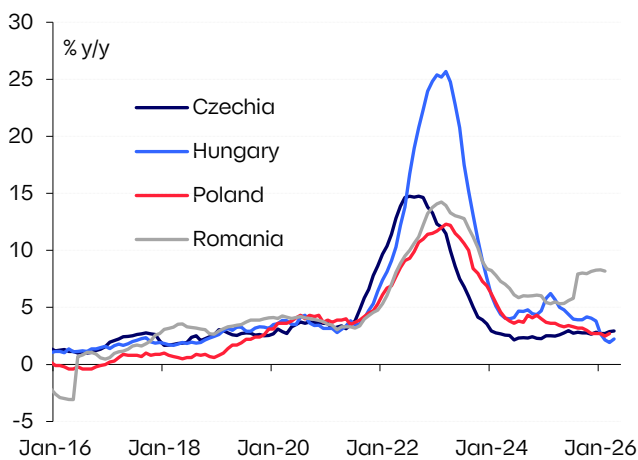
Private consumption growth



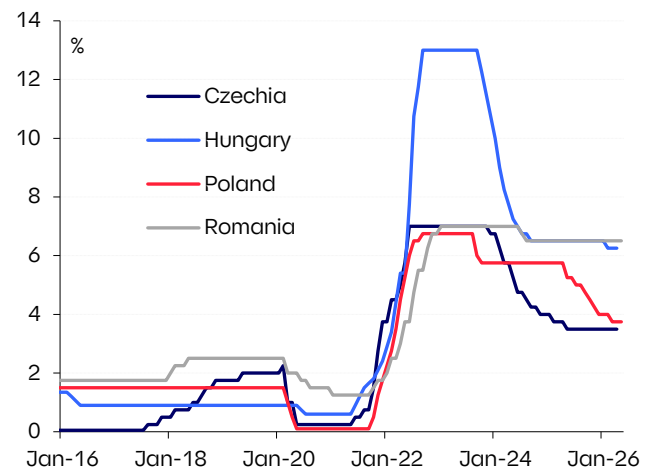
CPI inflation



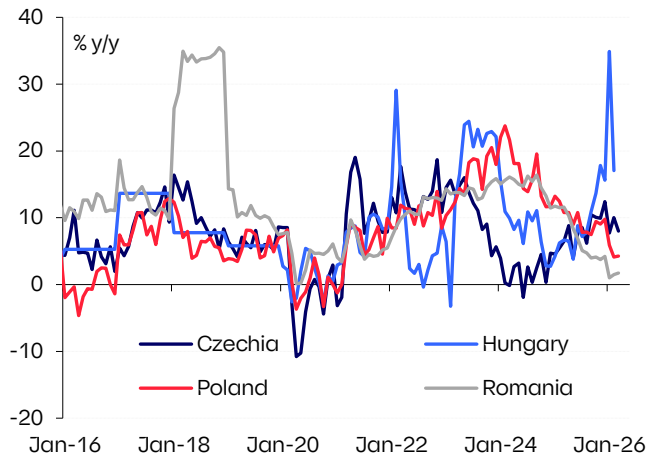
Core CPI inflation



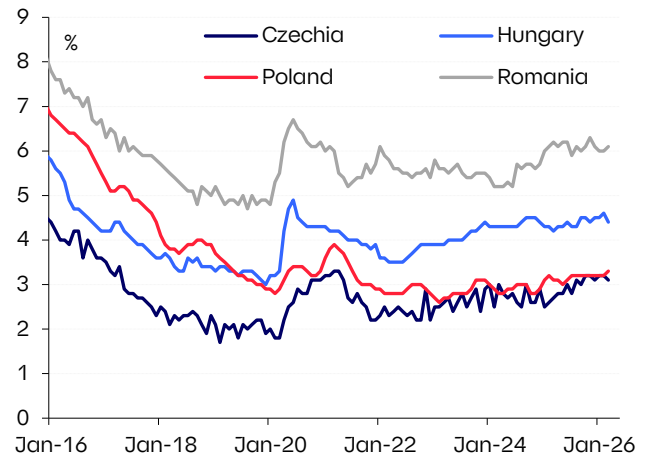
Interest rates (policy rates)



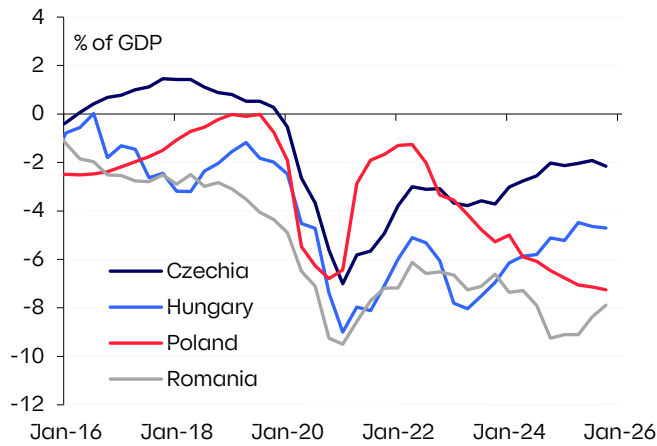
Wages*



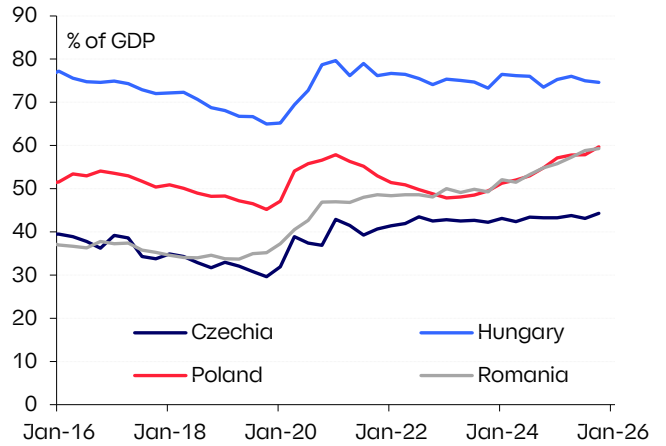
Harmonised unemployment rate



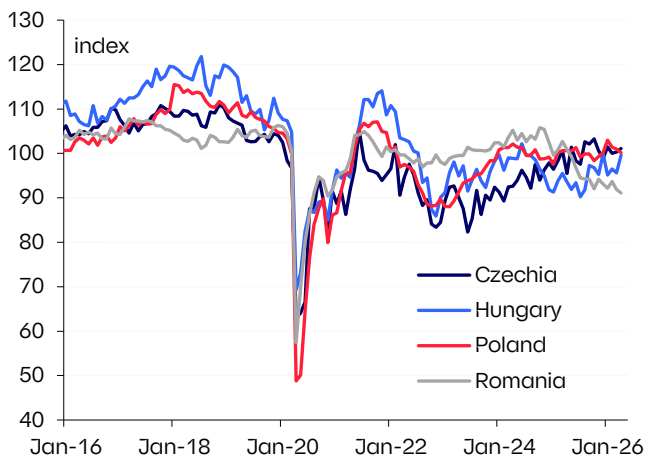
Fiscal deficit (ESA)



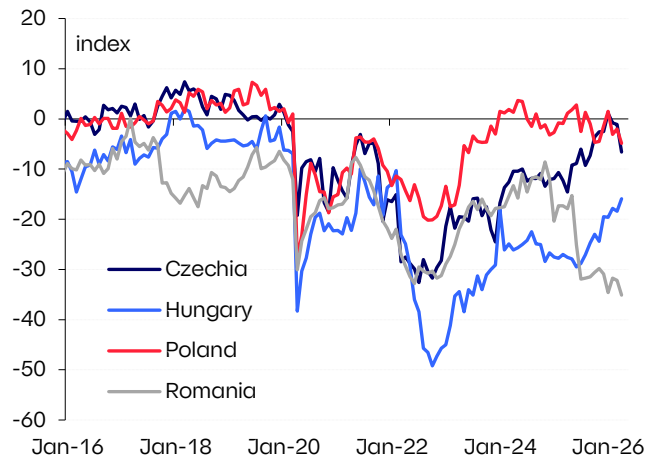
Public debt



ESI



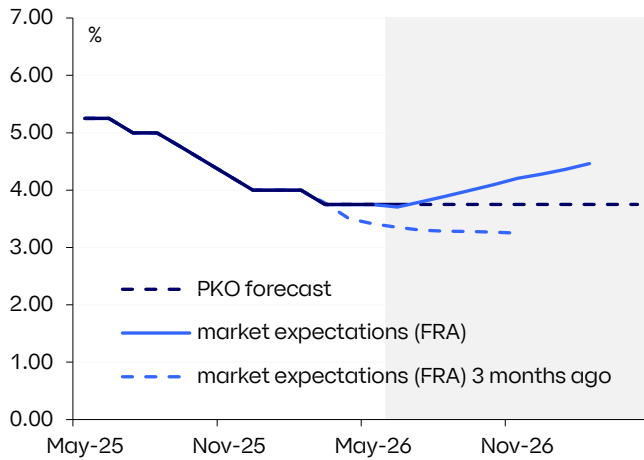
Consumer confidence ESI



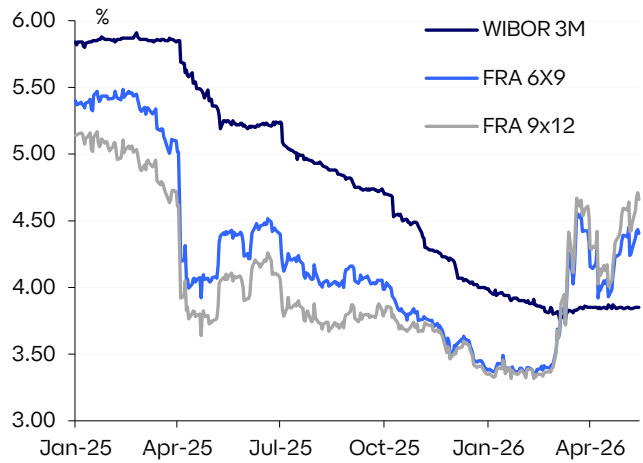
Source: Macrobond, GUS, INSSE, CZSO, KSH, PKO Bank Polski. *for Czechia wages in industry, for Hungary – national economy, Poland and Romania – enterprise sector.

Poland macro chartbook

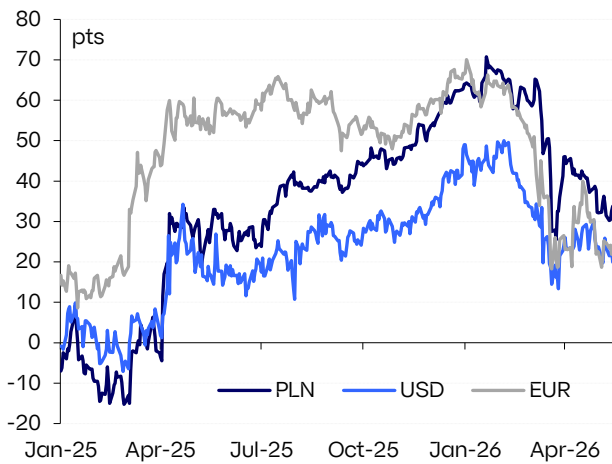
NBP policy rate: PKO BP forecast vs. market expectations



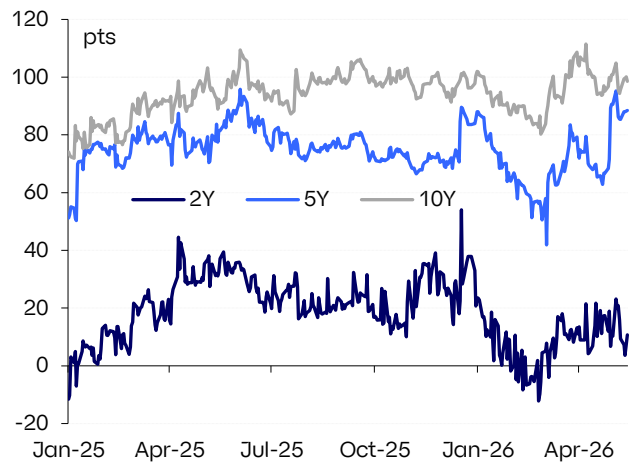
Short-term PLN interest rates



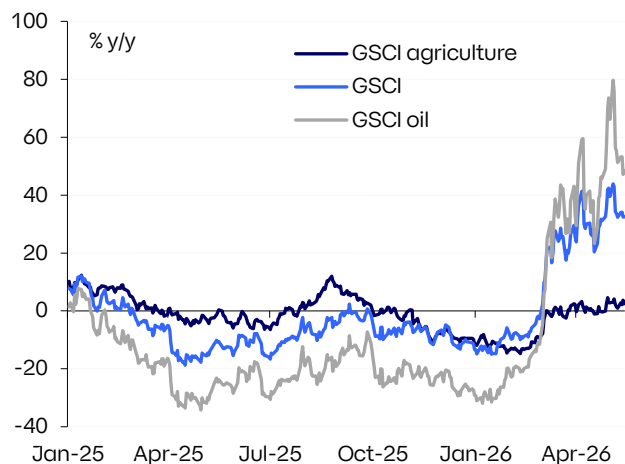
Slope of the swap curve (spread 10Y-2Y)*



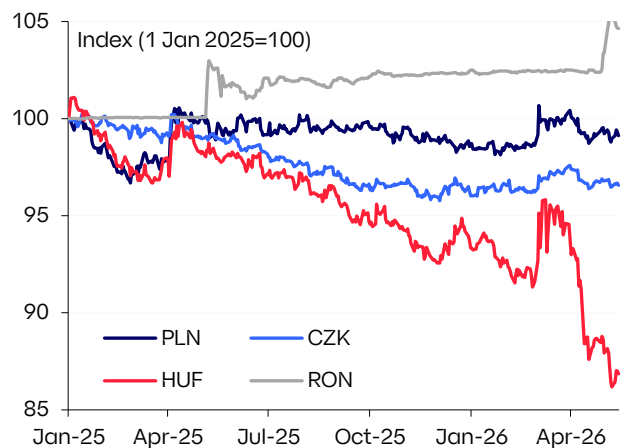
PLN asset swap spread



Global commodity prices (in PLN)

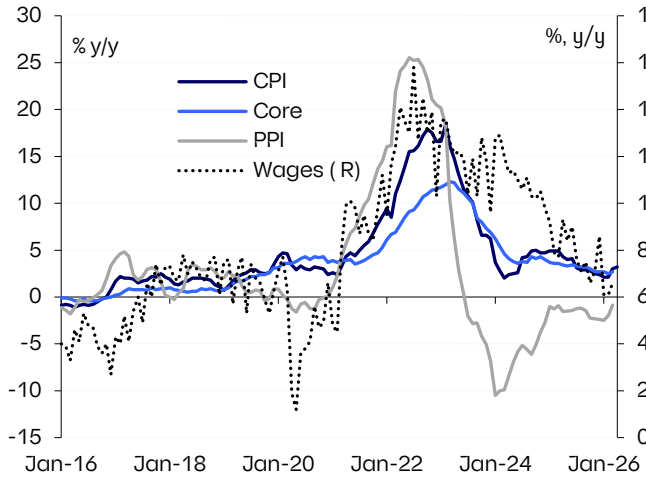


Selected CEE exchange rates against the EUR

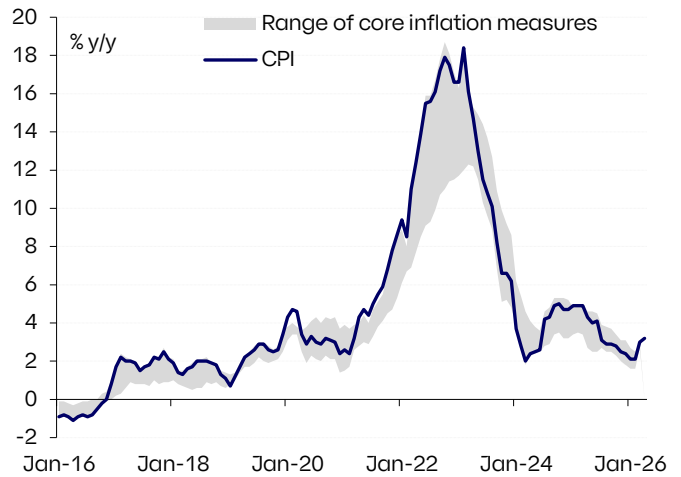


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

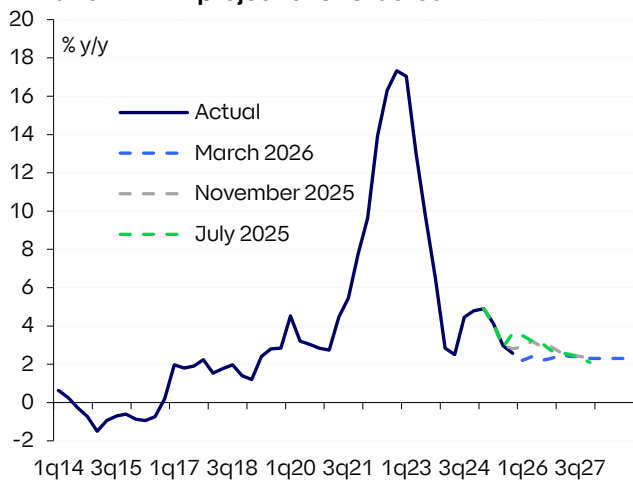
Broad inflation measures



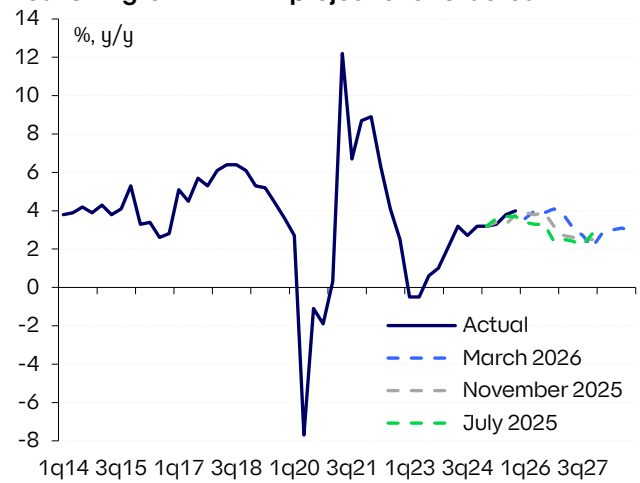
CPI and core inflation measures



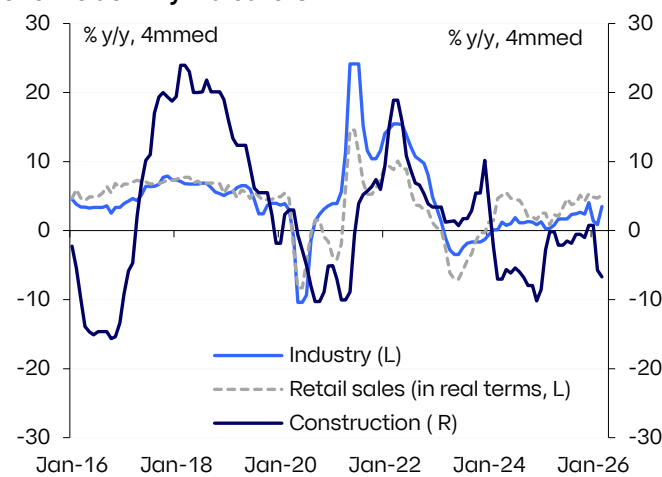
CPI inflation – NBP projections vs. actual



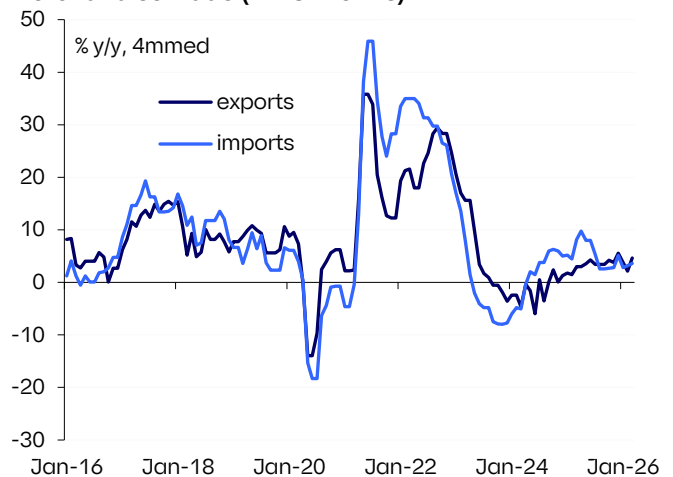
Real GDP growth – NBP projections vs. actual



Economic activity indicators

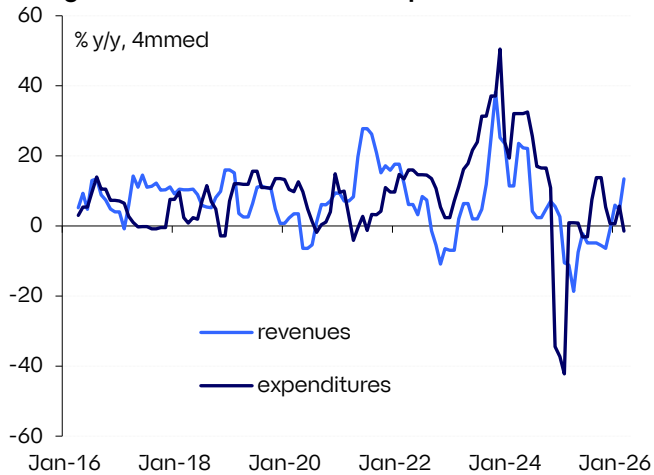


Merchandise trade (in EUR terms)

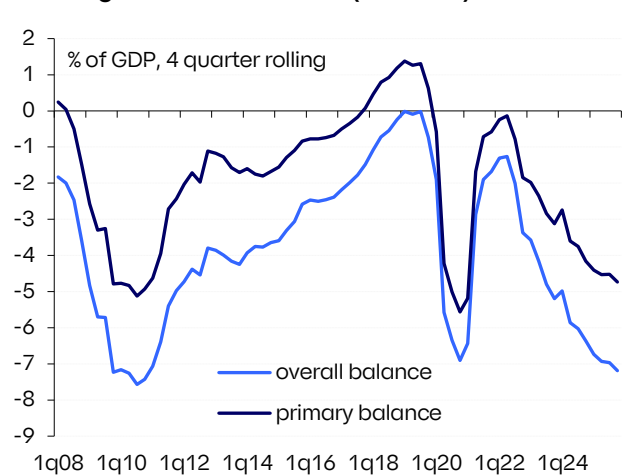


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

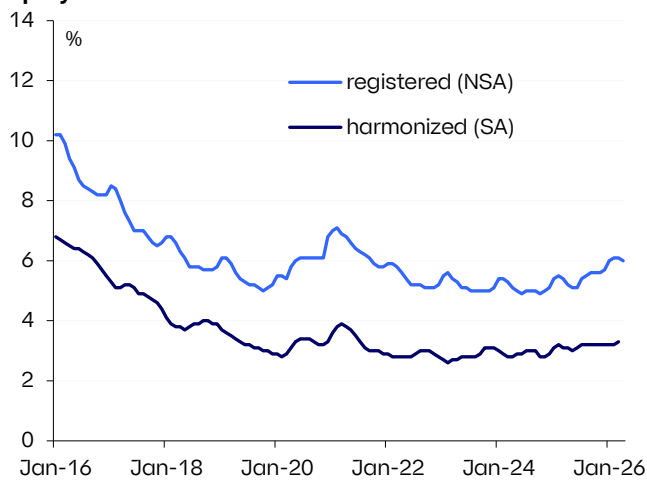
Central government revenues and expenditures*



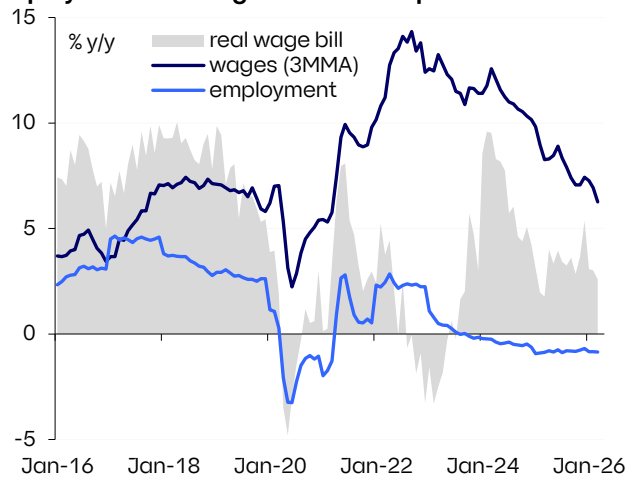
General government balance (ESA2010)



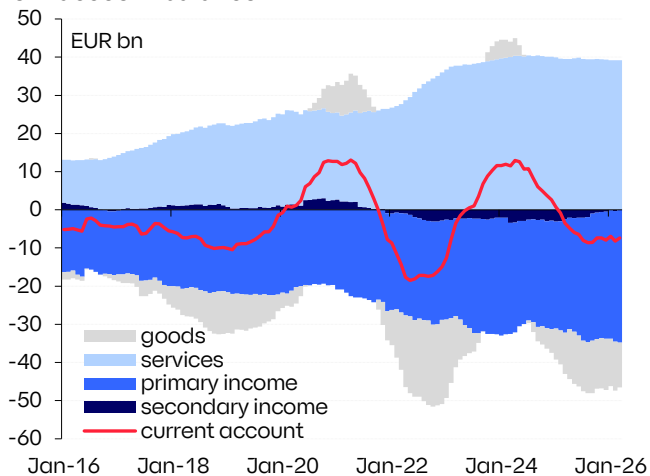
Unemployment rate



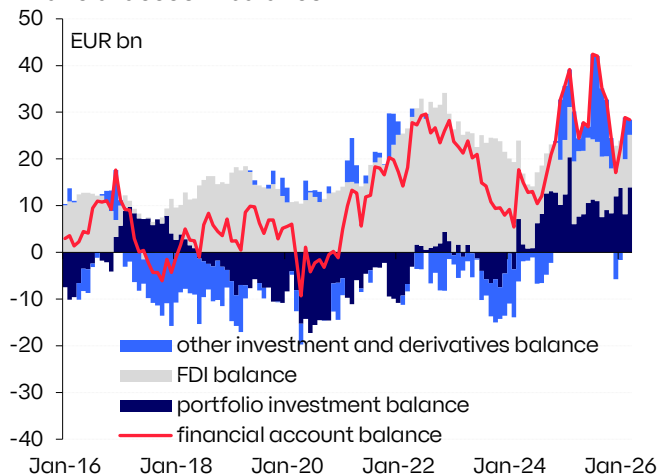
Employment and wages in the enterprise sector



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:

- [The hawks are circling overhead](#) (May 8, 2026)
- [Swinging moods in the CEE](#) (Apr 24, 2026)
- [Wind of change in Hungary](#) (Apr 17, 2026)
- [Hungary at the crossroads](#) (Apr 10, 2026)
- [Divergent fiscal paths in the CEE](#) (Apr 2, 2026)
- [Inflation up, GDP growth down](#) (Mar 27, 2026)
- [Small tweaks to the CEE macro scenario \(as for now\)](#) (Mar 20, 2026)
- [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)
- [The Year of a Fiery Economy](#) (Jan 16, 2026)
- [Prosperous New Year!](#) (Jan 9, 2026)
- [Economic harmony with one dissonance](#) (Dec 19, 2025)
- [Monetary policy calm in CEE](#) (Dec 12, 2025)
- [175 bps in 8 months](#) (Dec 5, 2025)
- [A month full of surprises](#) (Nov 28, 2025)
- [Divergent forecasts](#) (Nov 21, 2025)
- [CEE at different stages of the business cycle](#) (Nov 14, 2025)
- [Industry is shying away from expansion](#) (Nov 7, 2025)
- [October inflation treat – CPI falls again](#) (Oct 31, 2025)
- [Poland's acceleration on the final stretch of 3q25](#) (Oct 24, 2025)
- [Poland as the region's growth engine](#) (Oct 17, 2025)
- [Divergent appetite for rate cuts](#) (Oct 10, 2025)
- [Nobody wants to consolidate](#) (Oct 3, 2025)
- [The devil is in the details](#) (Sep 26, 2025)
- [Unsettled skies in August](#) (Sep 19, 2025)
- [Defence spending justified despite fiscal challenges](#) (Sep 12, 2025)
- [Poland's MPC keeps adjusting rates](#) (Sep 5, 2025)
- [If not inflation, the fiscal policy is a challenge](#) (Aug 29, 2025)
- [Third quarter in Poland had a good start](#) (Aug 22, 2025)
- [Lending rebound ahead](#) (Aug 8, 2025)

Economic Research Department

PKO Bank Polski S.A.
Świętokrzyska 36, 00-116 Warszawa
email: pkoresearch@pkobp.pl

Chief economist

Piotr Bujak piotr.bujak@pkobp.pl +48 693 333 127

Macroeconomic Research Bureau

Marta Petka-Zagajewska (Head of Bureau)	marta.petka-zagajewska@pkobp.pl	+48 691 335 426
Urszula Krynska	urszula.krynska@pkobp.pl	+48 722 060 794
Szymon Fabianski	szymon.fabianski@pkobp.pl	+48 722 051 585
Kamil Pastor	kamil.pastor@pkobp.pl	+48 723 670 836
Agnieszka Pierzak	agnieszka.pierzak@pkobp.pl	+48 666 823 657
Michał Reczek	michal.reczek@pkobp.pl	+48 783 552 546
Anna Sznajderska, PhD	anna.sznajderska@pkobp.pl	+48 722 050 645
Anna Wojtyniak-Stefanska	anna.wojtyniak-stefanska@pkobp.pl	+48 698 635 126

Are you interested in receiving research notes of PKO Bank Polski?
Please subscribe at: centrumanaliz.pkobp.pl/subskrypcja

You can also find us on [X/Twitter](#) and on our website [Centrum Analiz PKO Bank Polski](#)

[X @PKO_Research](#)



The above information has been prepared for informational purposes only and is provided to PKO BP SA Group clients. It is not an offer (as understood under the Civil Law of 23rd April 1964) to buy or sell or the solicitation of an offer to buy or sell any financial instrument and does not constitute the provision of investment, legal or tax advice. It is also not intended to provide a sufficient basis on which to make an investment decision. The above information has been obtained from or based upon sources believed to be reliable, but PKO BP SA Group does not warrant its completeness or accuracy. PKO Bank Polski Group strongly recommends that clients independently evaluate particular investments and accepts no liability for the financial effect of its clients' investment decisions. The above information is prepared and/or communicated by Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with the registered office in Warsaw, ul. Świętokrzyska 36, 00-116 Warsaw, registered at the Capital City of Warsaw District Court in Warsaw, 12th Commercial Division of the National Court Register under KRS number 0000026438; Tax Identification Number (NIP): 525-000-77-38; REGON statistical number: 016298263; share capital (paid up): PLN 1,250,000,000.