

Please note that the next issue of CEE Macro Weekly will be released on Friday, June 12th.

CEE sentiment holds up

TOP MACRO THEME(S):

- **Sentiment and inflation expectations remain well contained (p.3)** – May ESI data suggests that pessimism remains contained and inflation expectations remain well anchored across the CEE region despite ongoing geopolitical tensions.

WHAT ELSE CAUGHT OUR EYE:

- **CEE: We have constructed the PKO BP Economic Surprise Index, which illustrates the direction of surprises in macroeconomic data released over the past three months in Czechia, Hungary and Poland.** Higher index values indicate positive surprises, while lower values point to negative surprises. We treat official data as a positive surprise when they come in above the median forecast for indicators such as GDP growth, retail sales or industrial production, and below expectations in the case of CPI inflation, PPI inflation or the unemployment rate. The magnitude of data surprises is adjusted using the standard deviation of past surprises, while also accounting for differences in variable weights within the overall index (GDP, inflation and production data are considered more important than consumer confidence or PMI readings). The index also accounts for the declining relevance of surprises over time, meaning that today's surprise matters more than an unexpected reading two months ago. **We plan to publish updated index values on a weekly basis.**
- **HUN: The MNB kept the base rate unchanged at 6.25%.** According to Governor M. Varga, the decision was not unanimous, with one proposal put forward in favour of a rate cut. In our view, both the press release and Governor Varga's remarks during the press conference confirm that the MNB remains the only central bank in the region currently seeing scope for near-term monetary easing. Changes in the section of the press release referring to the monetary policy outlook were subtle, but they confirm that one of the key factors in the MNB's reaction function will be the persistence of the decline in risk premia. In addition, elevated global uncertainty now justifies not a "stability-oriented" approach, but rather a "cautious" approach to monetary policy. Indeed, Governor M. Varga acknowledged that lower risk premia create room for rate cuts, although the durability of this trend will be crucial. Given the still highly tense geopolitical backdrop, we expect the MNB to deliver a rate cut, though not at the next meeting - more likely in 4q26, unless a peace agreement in the Middle East is reached in the near term.

THE WEEK AHEAD:

- Next week will begin with the release of PMI indices across the region, where the key focus will be on signs of mounting cost pressures in manufacturing linked to the geopolitical situation. **The main market event, however, will be the NBP's interest rate decision - we expect rates to remain unchanged.**
- In addition, detailed GDP growth breakdowns for Hungary, Romania and Poland will be released. In Hungary, private consumption was most likely the main driver of annual growth, while investment dynamics remained negative. In Romania, the pattern was likely the opposite. In Poland, both private consumption and investment made a positive contribution to growth.
- Thursday will be a public holiday in Poland, while in Czechia the preliminary May inflation estimate will be published. Inflation likely edged down slightly compared with April, but should remain above the 2% target.

Macroeconomic Research Bureau

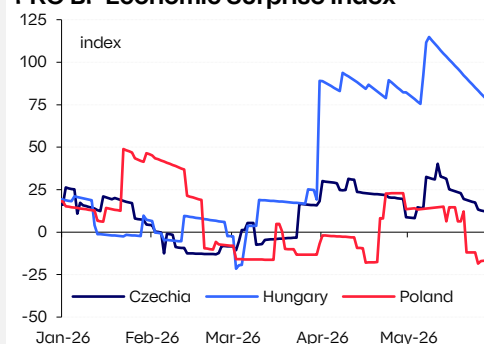
pkoresearch@pkobp.pl

[X @PKO_Research](#)

centrumanaliz.pkobp.pl

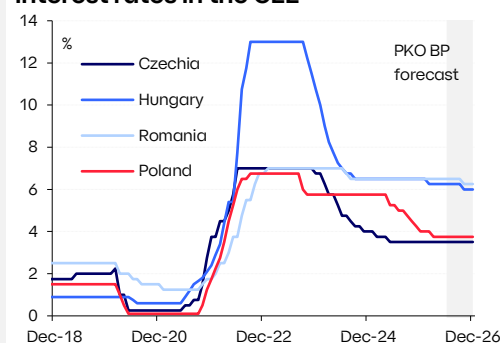
Chart(s) of the week:

PKO BP Economic Surprise Index



Source: Macrobond, PKO Bank Polski.

Interest rates in the CEE

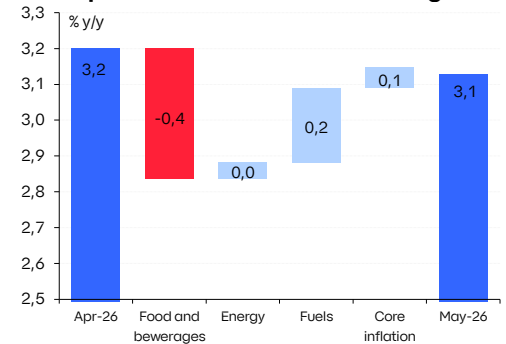


Source: Macrobond, PKO Bank Polski.

CEE macro review

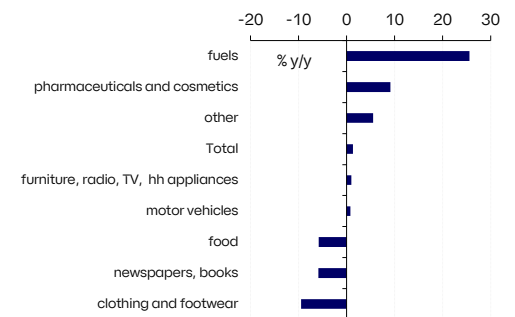
- POL: CPI inflation in May came as a major surprise, falling to 3.1% y/y from 3.2% y/y, whereas an increase to 3.7% y/y had been expected.** The main source of the positive surprise was a sharp decline in food prices, although fuel prices and core inflation also surprised to the downside. May's positive surprise lowers the expected inflation trajectory for the remainder of the year. Assuming conditions in energy markets normalise, inflation should remain within the target band through end-2026, easing pressure on the NBP to raise rates.
- POL: Retail sales in April increased by 1.3% y/y in real terms, coming in slightly below the consensus of 3.0%, but above our expectations of -0.1%.** The slowdown from the 8.7% y/y growth recorded in March was mainly driven by the fading effect of Easter-related shopping. Food sales declined by 4.5% y/y in April, following a sharp 14.0% y/y increase in March. The energy shock continues to feed into retail prices, with the implied retail sales deflator accelerating to 1.5% y/y in April from 1.1% y/y in March. Overall retail activity continued to be supported by fuel sales, which rose by 25.3% y/y in real terms in April, following a 16.2% y/y increase in March.
- POL: The data points to continued stability in the labour market.** The registered unemployment rate declined to 6.0% in April from 6.1% in March, while LFS data for 1q26 showed further increases in labour force participation and employment, with the activity rate rising to 58.7% and the employment rate to 56.8%. At the same time, unemployment remained low at 3.3%, while the number of economically inactive persons continued to decline. Overall, the data confirm a gradual strengthening of labour market fundamentals, with higher employment and lower inactivity.
- POL: The value of mortgage loans granted in April increased by 67.0% y/y to PLN 13.65bn, marking the highest level on record.** The number of newly granted mortgages rose by 55.8% y/y, while the average loan value reached PLN 469.73k, up by 7.2% compared with a year earlier..
- HUN: Prime Minister P.Magyar said the government expects to reach an agreement with the European Commission soon, which would unlock EUR 10.4bn in EU recovery funds.** The deadline for accessing the funding is end-August. Anti-corruption reforms play a key role in the negotiations. P.Magyar indicated that President T.Sulyok could be removed through a constitutional amendment to avoid delays in adopting legislation tied to the EU funding deadline. In parallel, the government is preparing fiscal tightening measures and a budget revision, to be submitted in August.
- CZE: According to the revised estimate, GDP increased by 2.2% y/y in 1q26, slightly above the preliminary reading of 2.1% y/y, compared with growth of 2.7% y/y in 4q25.** Consumption remained the main driver of growth in annual terms, although the contribution of investment also increased, while the contribution of net exports was negative.
- HUN: Moody's affirmed Hungary's Baa2 rating with a negative outlook.** It cited expectations of improved relations with the European Commission under the new Tisza government, while warning that persistent fiscal risks and uncertainty around deficit reduction continue to pressure the rating, justifying the negative outlook. The agency forecasts Hungary's budget deficit at at least 5.2% of GDP in 2026, noting that pre-election spending, the fuel price cap and the absence of clearly communicated fiscal consolidation measures create significant downside risks for public finances. Moody's also downgraded its macroeconomic outlook, cutting its GDP growth forecasts from 2.3% to 1.9% for 2026 and from 2.3% to 2.2% for 2027 due to the war in Iran, higher global energy prices and weak external demand, although it expects investment activity to gradually recover later in 2026 amid stronger confidence and EU fund inflows.

Decomposition of CPI inflation change



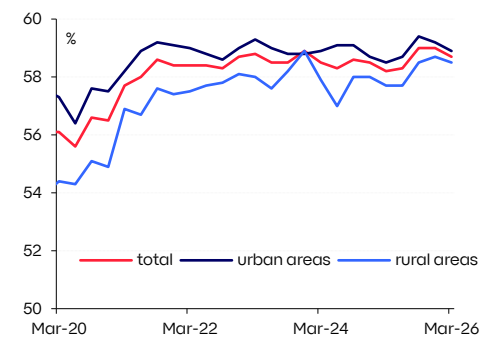
Source: Macrobond, PKO Bank Polski.

Retail sales in Poland by main categories



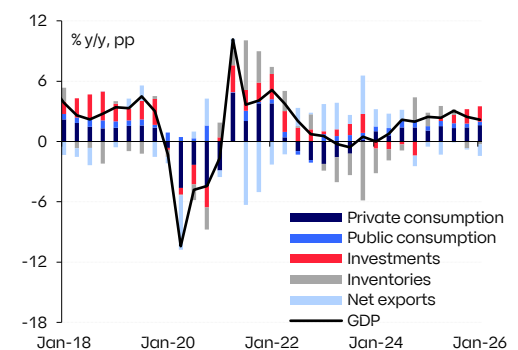
Source: Statistics Poland, PKO Bank Polski.

Labour force participation rates in Poland



Source: Macrobond, PKO Bank Polski.

Decomposition of GDP growth in Czechia



Source: Macrobond, PKO Bank Polski.

Sentiment and inflation expectations remain well contained

- The latest ESI data suggests that May brought an improvement in most confidence indicators across the region, implying that, despite the ongoing geopolitical conflict, pessimism in business sentiment remains relatively contained.
- Despite persistent geopolitical uncertainty and elevated cost pressures, May brought some easing in inflation concerns and selling price expectations across the CEE region, suggesting that inflation expectations remain well anchored.

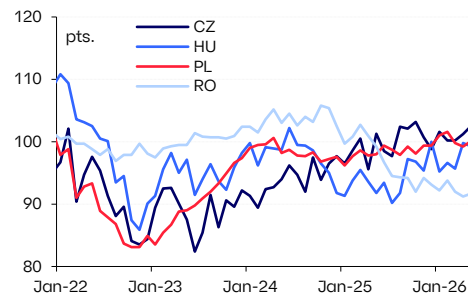
The economic sentiment indicator increased in all economies except Hungary. In Hungary, the lack of improvement mainly reflected the very strong correction recorded in April following the parliamentary elections. At the same time, sentiment levels in Czechia and Poland remain above those recorded in the initial phase of the war in Ukraine. In Hungary and Romania, domestic factors, including political developments, remain the key drivers of economic sentiment to a much greater extent than elsewhere in the CEE region. For this reason, Hungary stands out as the economy with the strongest rebound in the vast majority of ESI indicators relative to March, when survey responses began to reflect concerns related to the Middle East conflict. This rebound has been driven by optimism surrounding the new government and expectations regarding the future economic policy mix.

In May, Hungary overtook Czechia as the regional leader in terms of consumer sentiment. The consumer confidence index in Czechia has been on a downward trend since the beginning of the year, even though May brought an improvement across the rest of the region. One possible explanation is that, in contrast to the rest of CEE, concerns about unemployment over the next 12 months continued to intensify or remained elevated in May, alongside worries about households' ability to make major purchases. The latter also deteriorated in Poland, although domestic indicators do not confirm such weakness. Czech consumers' concerns were also reflected on the supply side, as evidenced by the retail confidence indicator, which recorded the sharpest decline in Czechia. Nevertheless, in level terms, the assessment of the retail sector in the Czech economy remains the strongest in the region. By contrast, Hungary posted the most pronounced improvement, albeit from the lowest starting point.

Industrial sentiment across the region is stronger than in March, immediately after the outbreak of the war. The most pronounced improvement was recorded in Hungary and Czechia, driven by a rebound in order books. However, this mainly reflects domestic orders, while export order books have deteriorated across the region amid heightened geopolitical tensions. With the exception of Czechia, services sentiment remains weaker than before the outbreak of the conflict, whereas construction sentiment has improved.

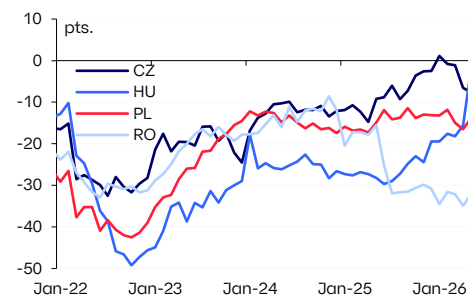
Importantly, despite the still uncertain geopolitical backdrop, consumers' inflation concerns over the one-year horizon eased in May across all economies. This is significant from the perspective of central banks and suggests that inflation expectations remain well anchored. Although cost pressures remain elevated, they eased in May despite the lack of clear prospects for reopening the Strait of Hormuz and, consequently, restoring supply-chain stability. Selling price expectations in both construction and manufacturing declined in May, with the exception of manufacturing in Hungary, although they remain above the levels seen at the beginning of the year. Selling price expectations in services also remain elevated; however, in Czechia they weakened markedly and are now below the levels recorded as recently as 2h25.

Economic sentiment indicator



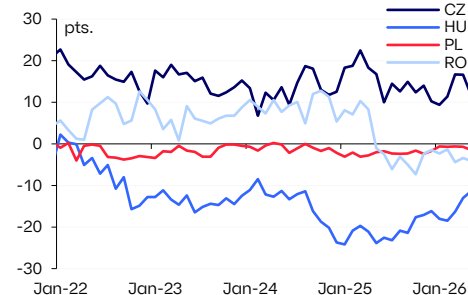
Source: Eurostat, PKO Bank Polski.

Consumer confidence indicator



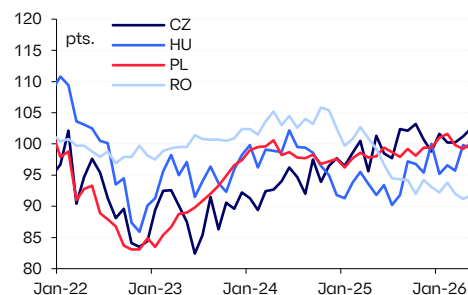
Source: Eurostat, PKO Bank Polski.

Retail confidence indicator



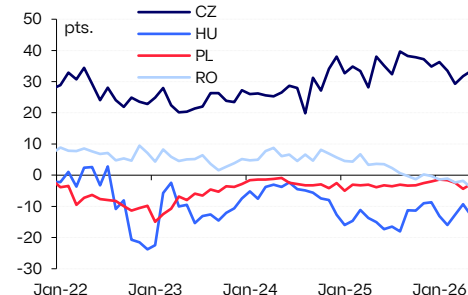
Source: Eurostat, PKO Bank Polski.

Industrial confidence indicator



Source: Eurostat, PKO Bank Polski.

Services confidence indicator



Source: Eurostat, PKO Bank Polski.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday, 1 June						
CHN: Manufacturing PMI (May)	2:45	pts.	52.2	51.3	--	--
POL: Manufacturing PMI (May)	8:00	pts.	48.8	48.5	48.6	--
POL: GDP growth (1q)	8:30	% y/y	4.1	3.4	3.4	According to preliminary data, GDP growth in 1q26 slowed compared with 4q25. The release will provide a detailed breakdown - we estimate that consumption made the largest contribution to year-on-year growth.
GER: Manufacturing PMI (May, final)	8:55	pts.	51.4	49.9	--	--
EUR: Manufacturing PMI (May, final)	9:00	pts.	52.2	51.4	--	--
EUR: M3 money supply (Apr)	9:00	% y/y	3.2	3.1	--	--
USA: Manufacturing PMI (May, final)	14:45	pts.	54.5	55.3	--	--
USA: ISM Manufacturing (May)	15:00	pts.	52.7	53.2	--	--
Tuesday, 2 June						
HUN: GDP growth (1q)	7:30	% y/y	0.8	1.7	--	--
EUR: HICP inflation (May, flash)	10:00	% y/y	3.0	3.3	--	--
EUR: HICP inflation (May, flash)	10:00	% y/y	3.0	3.3	--	--
EUR: Core inflation (May, flash)	10:00	% y/y	2.2	2.4	--	--
USA: JOLTS Report (Apr)	15:00	--	6.866	6.89	--	--
POL: NBP base rate	15:00	%	3.75	3.75	3.75	We expect the NBP to remain in the wait-and-see mode. The positive surprise in CPI inflation data has reduced market expectations for interest rate hikes.
Wednesday, 3 June						
GER: Services PMI (May, final)	8:55	pts.	46.9	47.8	--	--
EUR: Services PMI (May, final)	9:00	pts.	47.6	46.4	--	--
USA: ADP National Employment (May)	13:15	thous.	109	120	--	--
USA: Factory orders (Apr)	15:00	% m/m	1.5	4.3	--	--
USA: Durable goods orders (Apr, final)	15:00	% m/m	1.3	7.9	--	--
Thursday, 4 June						
ROM: Retail sales (Apr)	7:00	% y/y	-3.2	--	--	--
HUN: Retail sales (Apr)	7:30	% y/y	8.2	4.0	--	--
CZE: CPI inflation (May, flash)	8:00	% y/y	2.5	--	2.3	--
EUR: Retail sales (Apr)	10:00	% y/y	1.2	0.6	--	--
USA: Initial Jobless Claims	13:30	thous.	215	--	--	--
Friday, 5 June						
ROM: GDP growth (1q)	7:00	% y/y	0.2	-1.7	--	--
HUN: Industrial Output (Apr)	7:30	% y/y	3.7	-0.1	--	--
EUR: GDP growth (1q)	10:00	% y/y	1.2	0.8	--	--
EUR: Employment (1q)	10:00	% y/y	0.7	0.5	--	--
USA: Non-Farm Payrolls (May)	13:30	thous.	115	93	96	--
USA: Average Earnings (May)	13:30	% y/y	3.6	3.4	--	--
USA: Unemployment Rate (May)	13:30	%	4.3	4.3	--	--

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

Monetary policy monitor

MPC Members	Hawk-o-meter*	Recent policy indicative comments^
J. Tyrowicz	4.9	"(Are interest rates in Poland currently at an appropriate level?) In my view, no. If we follow empirical estimates suggesting that neutral real interest rates in Poland - i.e. rates that neither stimulate nor slow the economy - are around 1-1.5 pp, then with inflation expectations having exceeded 4% and inflation itself above 3%, the main policy rate at 3.75% effectively amounts to an easing of monetary policy." (19.05.2026, Rzeczpospolita)
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)

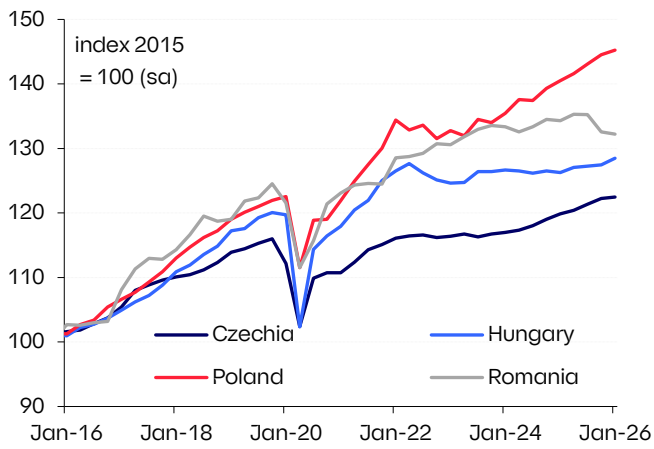
*The higher the indicator the more hawkish views. The positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5). ^**Quotes in bold** have been modified in this issue of Poland Macro Weekly.

Selected comments from central bankers in other CEEs

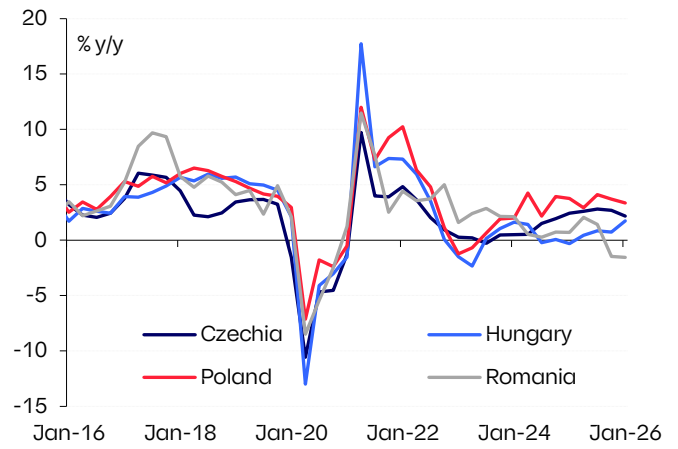
CNB	"We will do everything to keep inflation low. Interest rates are now much higher than they were before inflation took off, so we are encouraging saving, not borrowing. And we will not be afraid to raise rates if there is a risk that inflation adjusted for energy rises. [...] I target core inflation, meaning inflation excluding energy prices. Or if its momentum increases — the momentum we calculate, which is the three-month moving average of month-on-month changes."- Governor A.Michl (18.05.2026, Insider via CNB)
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

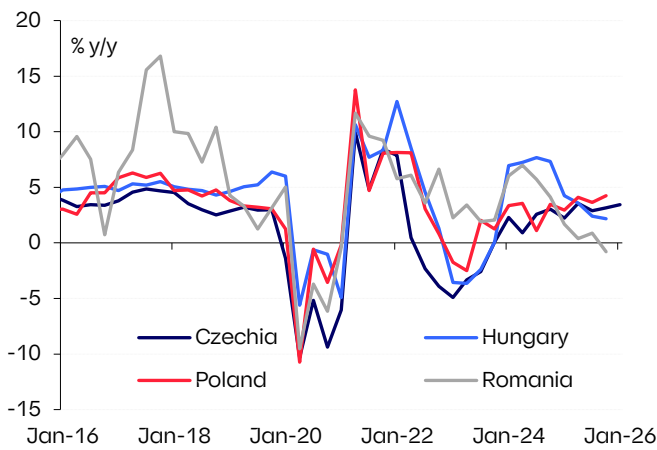
GDP level



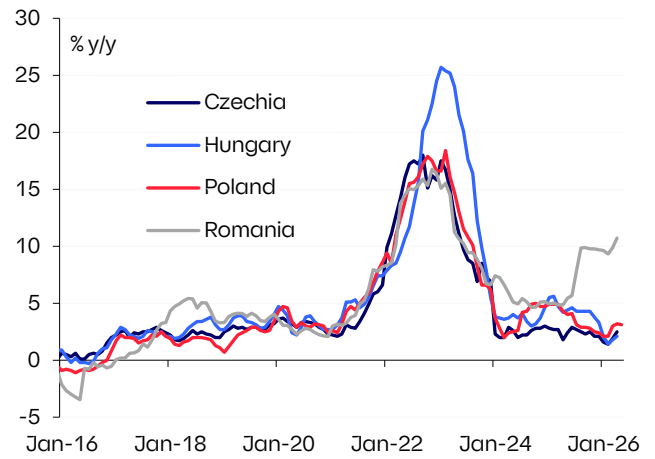
GDP growth



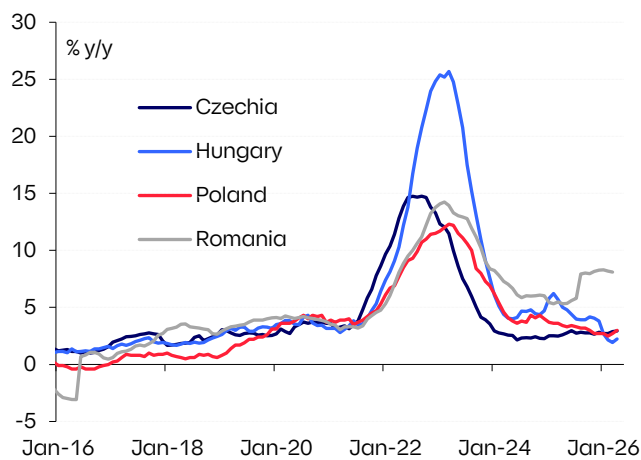
Private consumption growth



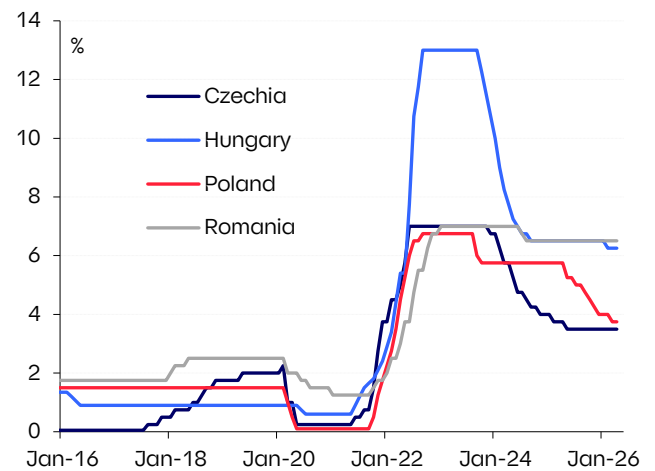
CPI inflation



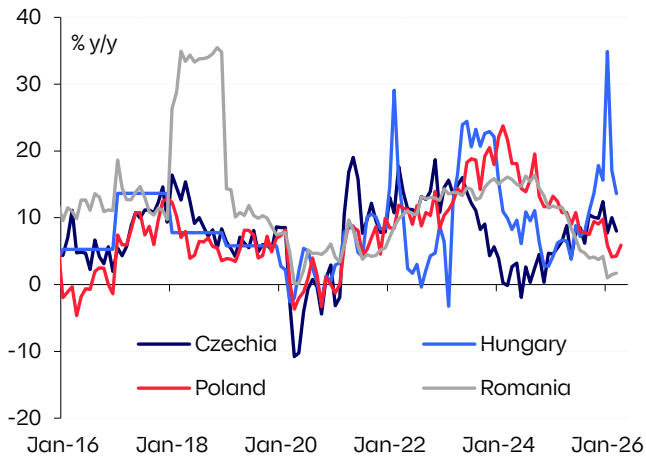
Core CPI inflation



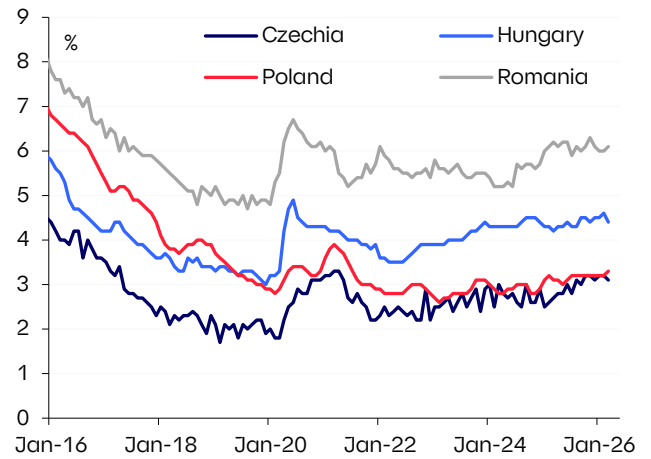
Interest rates (policy rates)



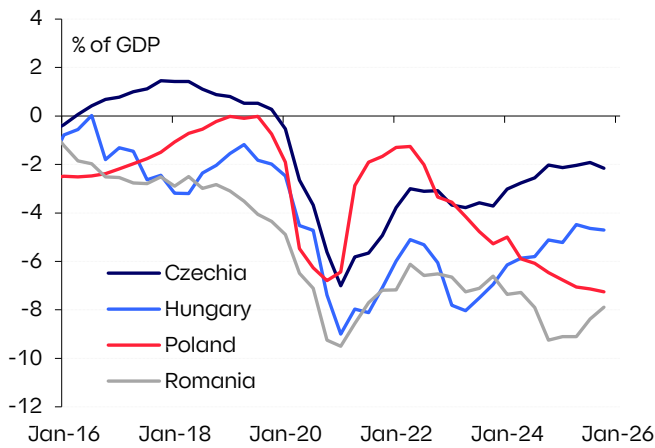
Wages*



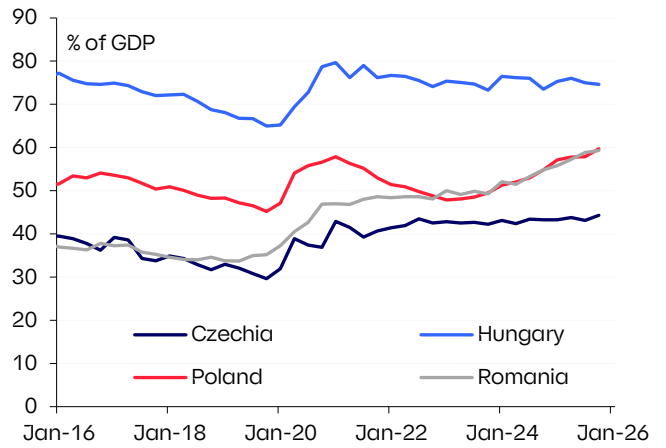
Harmonised unemployment rate



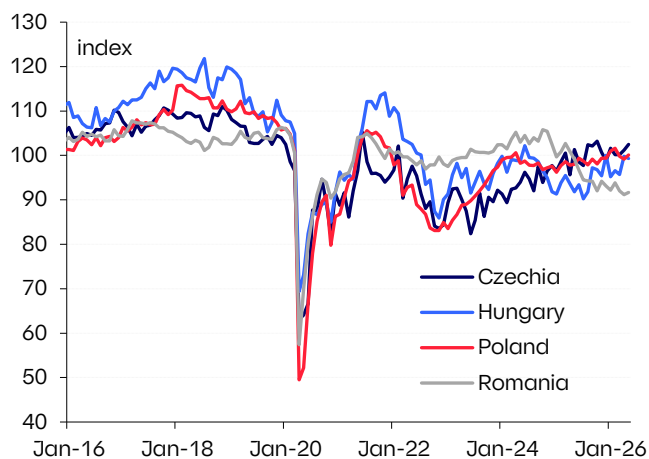
Fiscal deficit (ESA)



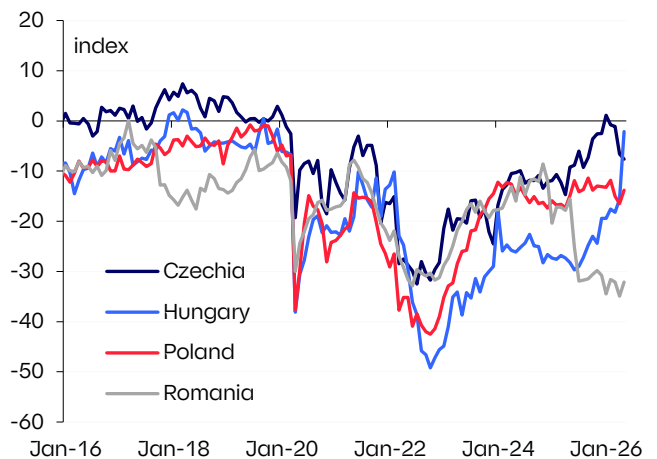
Public debt



ESI



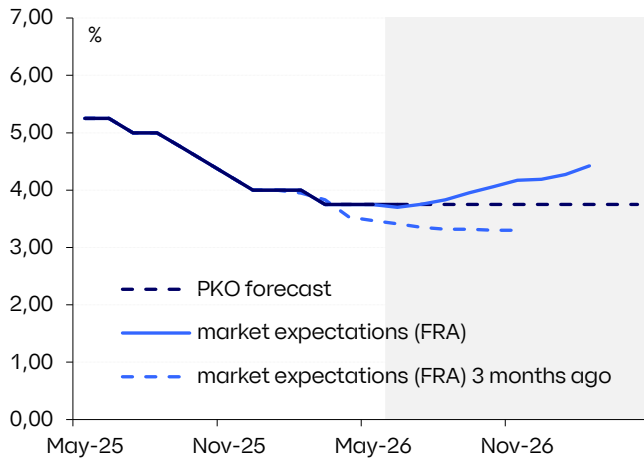
Consumer confidence ESI



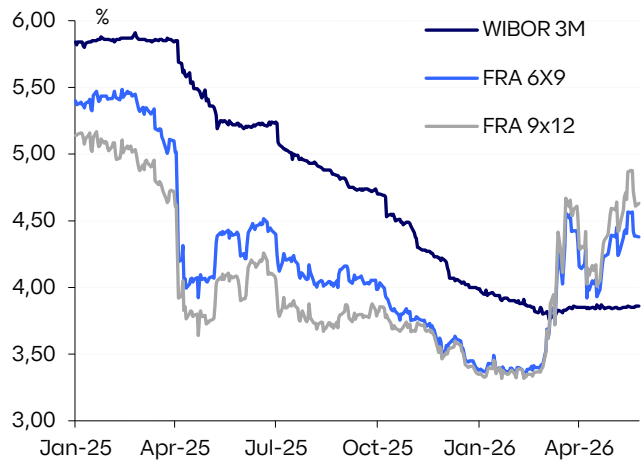
Source: Macrobond, GUS, INSSE, CZSO, KSH, PKO Bank Polski. *for Czechia wages in industry, for Hungary – national economy, Poland and Romania – enterprise sector.

Poland macro chartbook

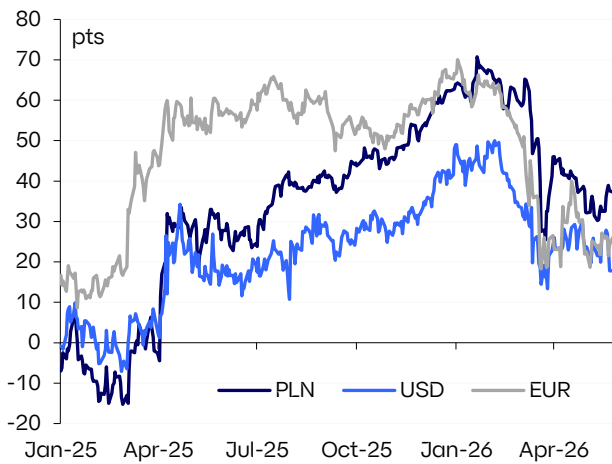
NBP policy rate: PKO BP forecast vs. market expectations



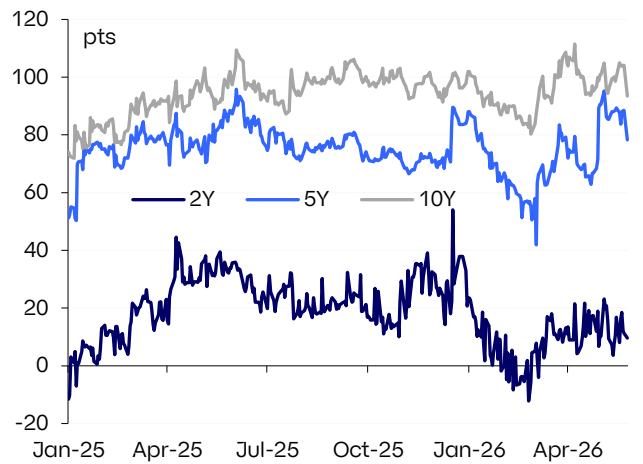
Short-term PLN interest rates



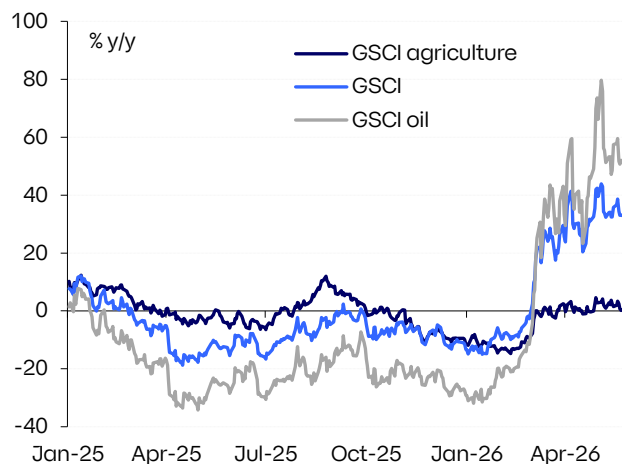
Slope of the swap curve (spread 10Y-2Y)*



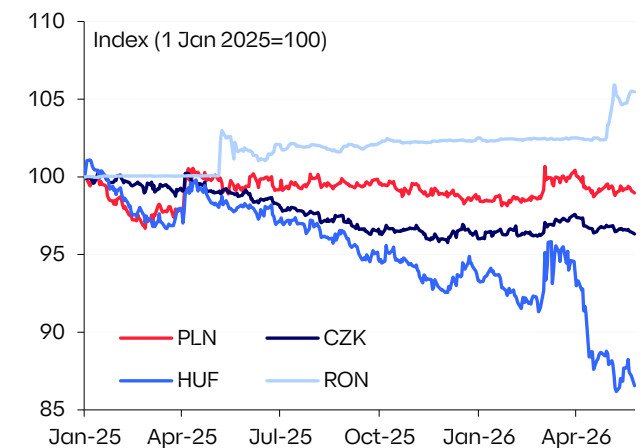
PLN asset swap spread



Global commodity prices (in PLN)

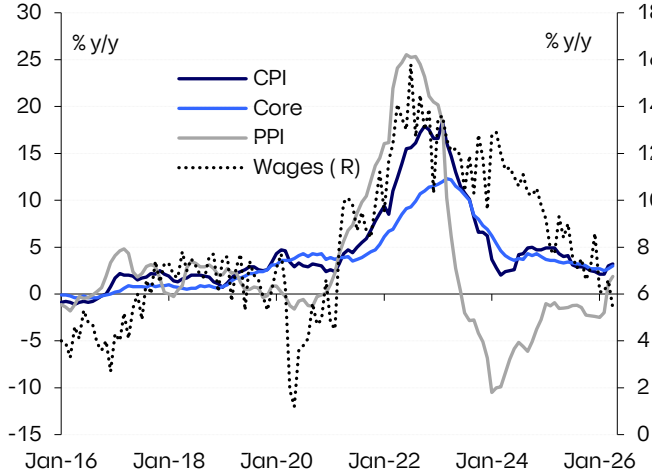


Selected CEE exchange rates against the EUR

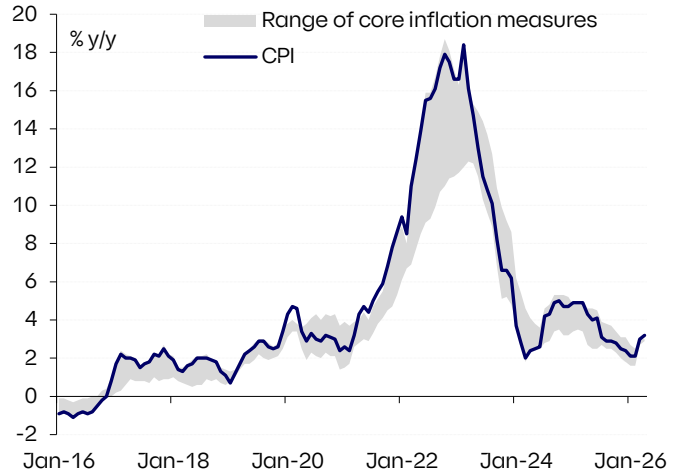


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

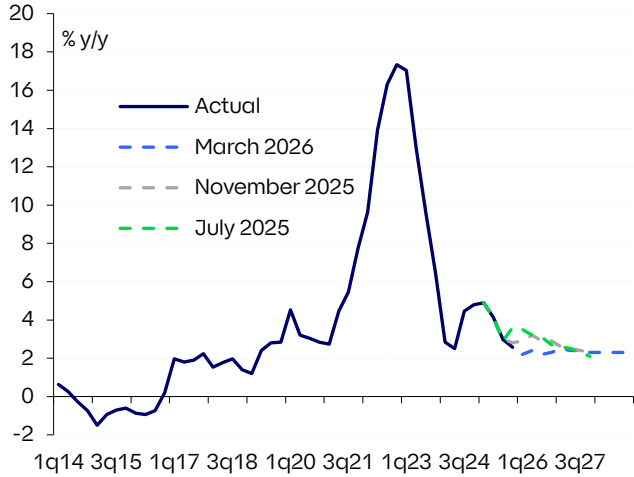
Broad inflation measures



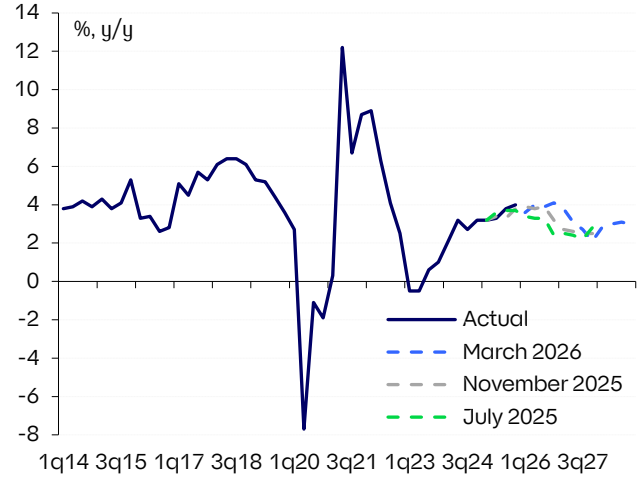
CPI and core inflation measures



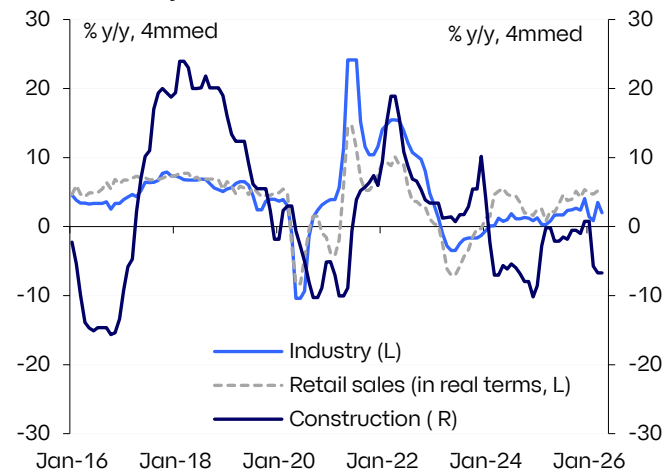
CPI inflation – NBP projections vs. actual



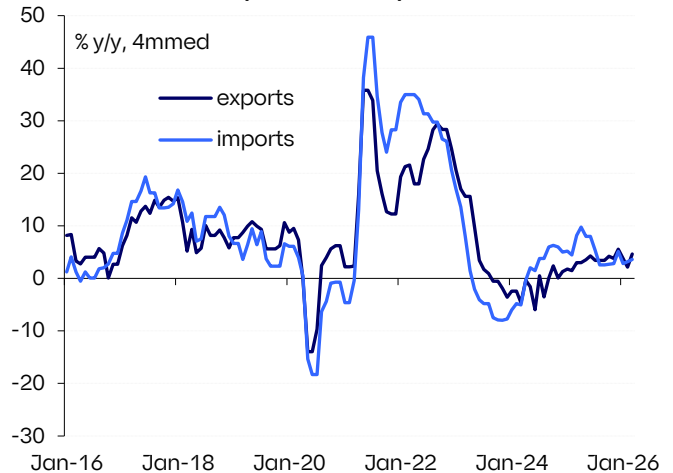
Real GDP growth – NBP projections vs. actual



Economic activity indicators

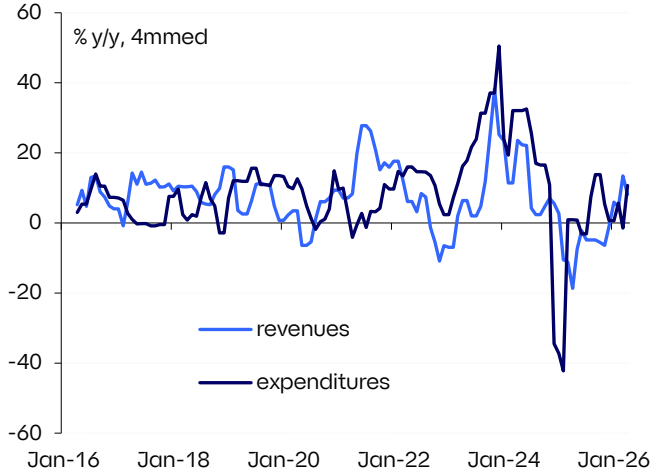


Merchandise trade (in EUR terms)

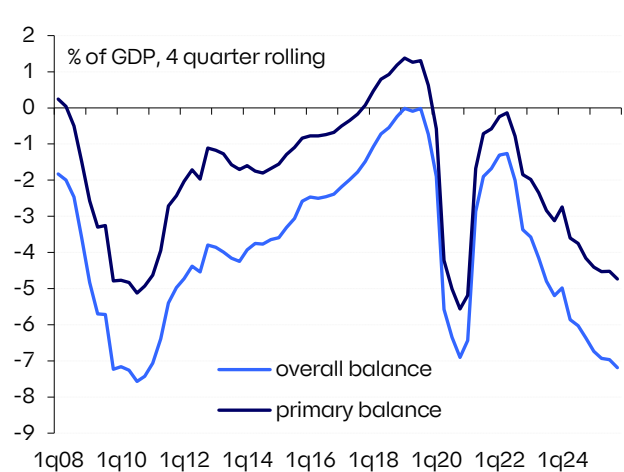


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

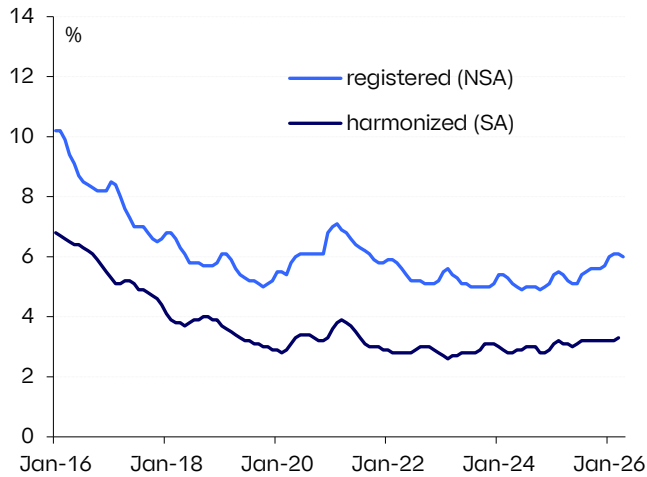
Central government revenues and expenditures*



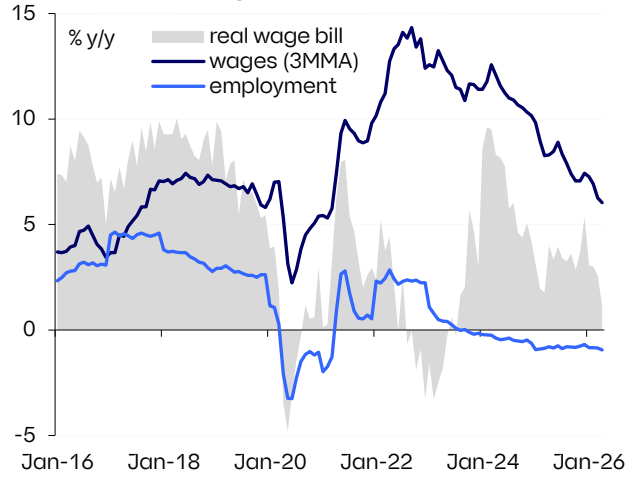
General government balance (ESA2010)



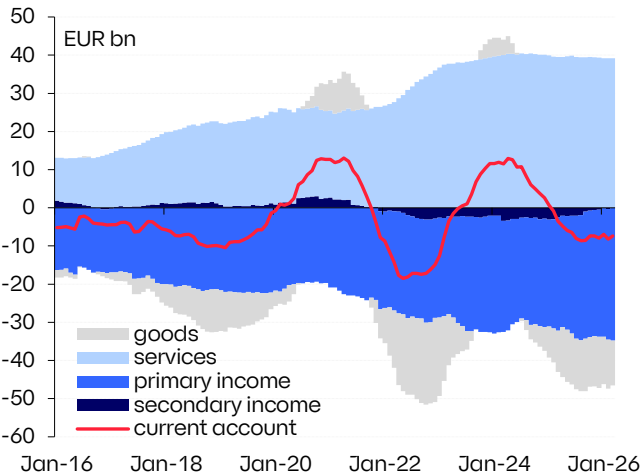
Unemployment rate



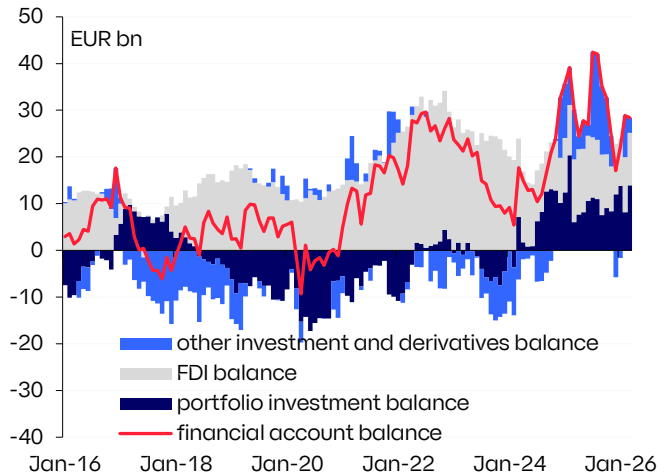
Employment and wages in the enterprise sector



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:

- [Calm amid the storm](#) (May 22, 2026)
- [A tale of two economies](#) (May 15, 2026)
- [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.