CEE Macro Weekly

Macro Research

24 July 2026

Healthy economy with unhealthy public finances

TOP MACRO THEME(S):

- **Developing to become developed (p.3)** – Economic activity improved across most CEE economies in 2q26, with Hungary recording the strongest acceleration while Poland and Czechia maintaining solid growth. Romania remained the clear exception, as fiscal consolidation continued to weigh on domestic demand.

WHAT ELSE CAUGHT OUR EYE:

- **HUN: The MNB cut the base rate by 25bp to 5.75%,** citing a sharper-than-expected decline in CPI inflation, which eased to 1.7% y/y in June from 1.8% y/y in May, while core inflation remained unchanged at 2.0% y/y. The Hungarian central bank expects inflation to stay below the 3% target until the end of 2027 and to return to it only in 1q28. The MNB assessed that the economic outlook remains broadly in line with the June projection. It also noted a continued decline in the risk premium (following the parliamentary elections), which supports monetary easing. **If favourable conditions persist, policymakers see scope for another rate cut as early as August. Further decisions will depend on the September Inflation Report, as well as geopolitical and fiscal developments.**
- **CEE: General government debt (EU methodology) at the end of 1q26 stood at 44.1% of GDP in the Czechia, 61.0% of GDP in Poland, 60.0% of GDP in Romania, and 79.0% of GDP in Hungary.** Poland's general government deficit reached 7.1% of GDP, the highest level in the EU. It was followed by Romania (6.7% of GDP) and Hungary (5.6% of GDP), while the deficit in the Czech Republic was just 2.2% of GDP. The highest levels of public investment were recorded in Romania (5.4% of GDP), Czechia (5.3% of GDP), and Poland (5.1% of GDP), with the lowest in Hungary (3.6% of GDP). Expenditure on social benefits is increasing in Poland and Hungary, while declining in Czechia and Romania. On the revenue side, the most notable improvement has been seen in Romania (following tax rate increases in 2025), as well as in Poland and Hungary, whereas revenues in Czechia have remained stable. The region's fiscal picture remains mixed – Poland and Romania continue to post high deficits, although Romania is gradually reducing its fiscal imbalance. Hungary has maintained relative stability despite plans for further expenditure growth, while Czechia remains the closest to fiscal balance.
- **HUN:** The central government budget deficit amounted to HUF 3.38tn after 1h26, equivalent to 80.2% of the full-year target and representing a 21.9% y/y increase. **This implies that the full-year deficit target will need to be revised as part of a comprehensive amendment to the 2026 budget plan, which is due to be presented by the end of August. Prime Minister P.Magyar assessed that the general government deficit could amount to around 7.5% of GDP in 2026**. He also declared a gradual fiscal consolidation, with the deficit falling below 6% of GDP in 2027 and to 3% of GDP by 2030.

THE WEEK AHEAD:

- **The coming week in the CEE region will bring GDP numbers for 2q26 from Czechia and Hungary as well as flash CPI figure for July from Poland**. We expect GDP growth in Czechia and Hungary has accelerated. In case of Poland's CPI for July, we see a jump to over 3% y/y from surprisingly low print at 2.5% y/y in June due to increase in fuel prices following the end of government fuel support and a renewed rise in oil prices as conflict in the Middle East re-ignited.

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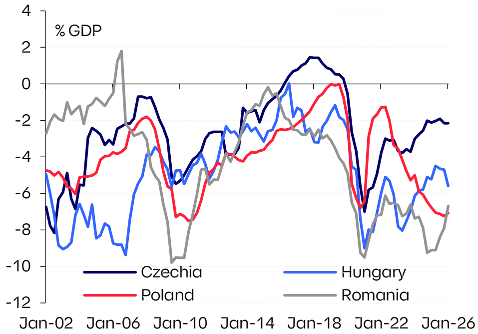
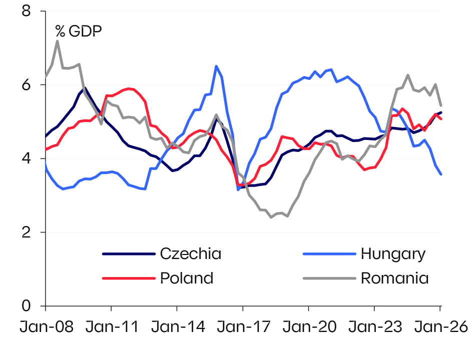
Chart(s) of the week:

General government sector balances in the CEE region



Source: Eurostat, PKO Bank Polski.

Public investments in the CEE region



Source: Eurostat, PKO Bank Polski.

GDP nowcast for CEE countries

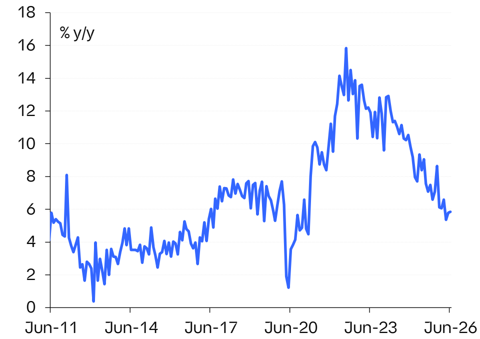
	2q26 Nowcast	1q26 Data
Poland	4.1	3.5
Czechia	2.3	2.2
Hungary	2.8	1.7
Romania	-1.4	-1.2

Source: PKO Bank Polski.

CEE macro review

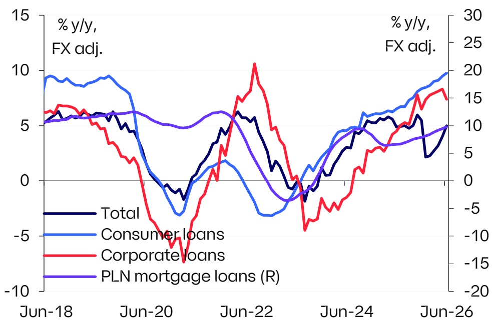
- **POL: Consumer confidence in July edged down to −10.2 pts from −9.9 pts in June, driven by weaker assessments of households financial situation following the increase in fuel prices.** At the same time, expectations improved, with consumers more frequently expressing an intention to increase savings and spending, alongside stronger interest in purchasing a car and investing in housing. The data suggest that, despite a temporary deterioration in sentiment linked to higher fuel prices, the financial position of households remains sound.
- **CZE: In July, business climate indicators remained stable** – business sentiment improved marginally, while consumer confidence edged lower following a strong increase in June. The improvement was broad-based across all major sectors of the economy, particularly construction, although industry and trade remain below the neutral level. Consumers became more cautious in their assessment of the future.
- **POL: Average wage growth in the enterprise sector accelerated to 5.9% y/y in June, from 5.8% y/y in May.** Despite the stronger-than-expected reading, the trend of slowing wage growth remains intact, although seasonally adjusted data suggest that this process may be coming to an end. Real wages increased by 3.3% y/y. **Average employment declined by 0.9% y/y**, with its annual growth rate remaining negative for the 33rd consecutive month, reflecting primarily structural changes in the labour market rather than a collapse in demand for employees. The June data confirm that the labour market continues to provide moderate support to consumption without exerting significant inflationary pressure.
- **POL: Composite business climate indicator rose to 0.6 pts in July from -0.5 pts in May and June, almost fully recovering from the oil price shock.** The strongest improvement was recorded in retail trade, with solid gains also in manufacturing, accommodation, finance and transport, while construction remained weak. The data suggest economic growth remained robust at the start of 3q26.
- **POL: M3 money supply rose by 11.8% y/y in June, above expectations and the May reading of 11% y/y. Lending activity continues to expand strongly.** The volume of consumer loans increased by 9.8% y/y, while PLN-denominated mortgage loans grew at the same pace. Momentum in this segment is the strongest since the government programme supporting the mortgage market. Growth in corporate lending eased slightly, but remained solid at 8.3% y/y. Household deposits are rising steadily at just over 9% y/y, while growth in corporate deposits slowed to 10.2% y/y. Although the loan-to-deposit ratio continued to decline in June, to 60.8% from 61%, the loan-to-GDP ratio increased, reaching 40.1%.
- **POL: State Treasury debt (central government sector) stood at 54.3% of GDP at the end of 2q26.** On this basis, it can be estimated that public debt under the domestic methodology (broader definition than central sector) also increased from 50.6% of GDP at the end of 1Q26. This means that it has moved closer to the statutory prudential threshold of 55% of GDP. Breaching this threshold would require the Ministry of Finance to implement fiscal consolidation measures which, if the threshold were exceeded in 2026, would take effect from 2028.
- **ROM: Domestic credit growth accelerated to 10.6% y/y in June from 8.9% y/y in May**, driven primarily by faster growth in lending to corporates and the public sector. Credit to the private sector increased by 8.4% y/y, up from 7.7% y/y a month earlier, with corporate lending growth accelerating to 7.7% y/y, while household lending slowed to 7.1% y/y. Despite the improvement, a sustained recovery in credit activity remains unlikely given the weak economic environment.

Average wage growth in the enterprise sector in Poland



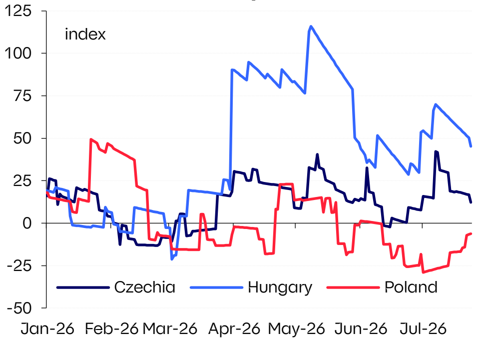
Source: Statistics Poland, PKO Bank Polski.

Credit volumes in Poland



Source: NBP, PKO Bank Polski.

PKO BP Economic Surprise Index



Source: Macrobond, PKO Bank Polski.

Note: We described the methodology of the index in CEE Macro Weekly issued on 29 May 2026.

Developing to become developed

- **Monthly data point to a clear acceleration in Poland's economic growth, with our monthly GDP estimate suggesting the economy expanded by 4.1% y/y in 2q26.** Broad-based strength across industry, construction, consumption and services indicates that the expansion is becoming increasingly investment-driven and remains well balanced.
- **Economic activity improved across most CEE economies in 2q26, with Hungary recording the strongest acceleration and Czechia maintaining a solid pace of growth** despite weaker external demand. **Romania remained the clear outlier**, as fiscal consolidation continued to weigh on domestic demand and industrial activity, although EU-funded construction investment continued to provide an important buffer.

June brought not only record-high temperatures to Poland but also a further acceleration in economic activity. **Strong growth rates across the main sectors indicate that GDP growth increased markedly in 2q26 compared with the previous quarter.** Based on our estimates of monthly GDP, we assess that the economy expanded by 4.7% y/y in June and by **4.1% y/y in 2q26 as a whole**. **We also observe an improvement in activity in the Czech Republic and Hungary, while Romania continues to struggle with difficulties.**

Industrial production increased by 7.6% y/y in June, compared with 4.1% y/y in May. Growth was broad-based, with the main drivers remaining investment-related industries, energy and transport, with the exception of the weaker automotive sector. The execution of infrastructure and defence orders is supporting manufacturing. Output of intermediate goods accelerated markedly, particularly metals, which may signal further growth in activity at subsequent stages of production chains and an increasing share of domestic value added in final products. **Construction and assembly output increased by 5.2% y/y in June, compared with 3.9% y/y in May.** Growth was driven primarily by civil engineering works related to infrastructure investment projects. In an effort to maximise the utilisation of funds from the National Recovery Plan companies are focusing on new investments (+19.2% y/y) while reducing renovation works (–26.8% y/y). Such a structure of activity supports an expansion of the capital stock and enhances the economy's productivity.

The Polish consumer also remains resilient. Retail sales accelerated to 6.2% y/y in June from 3.0% y/y in May. The result was supported by a higher number of trading days and fuel purchases ahead of the July price increase following the end of the CPN programme, although positive growth across all major categories confirms a sustained improvement in consumption. In the coming months, the pace of growth may moderate as one-off effects fade and real income growth slows, however, this is more likely to represent a return to more balanced growth than stagnation. **Services are also performing well** following growth of 6.0% y/y in April (latest available official data), our data on customers' purchasing activity indicate that a similar rate of growth was maintained in May and June.

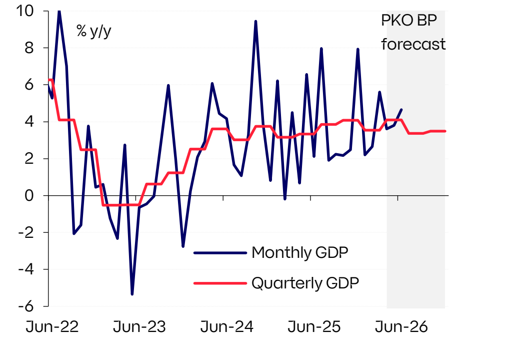
Economic activity in the other countries of the region also appears favourable overall, pointing to an improvement compared with 1q26. Hungary saw the greatest improvement in 2q26. Retail sales maintained a solid pace of growth, supported by lower inflation, while the commissioning of new production capacity in the automotive sector has been supporting investment, manufacturing and net exports. **In Czechia, GDP growth most likely remained close to the previous quarter's pace** – improvements in industry, construction and investment were constrained by weaker consumption and a deteriorating contribution from net exports. **Romania remains the weakest performer, where GDP in 2q26 most likely declined more sharply y/y than in 1q26**. Fiscal consolidation is weighing on consumer demand and industrial activity, although construction, supported by inflows of EU funds, remains an important buffer.

GDP nowcast for CEE countries

	2q26 Nowcast	1q26 Data
Poland	4.1	3.5
Czechia	2.3	2.2
Hungary	2.8	1.7
Romania	-1.4	-1.2

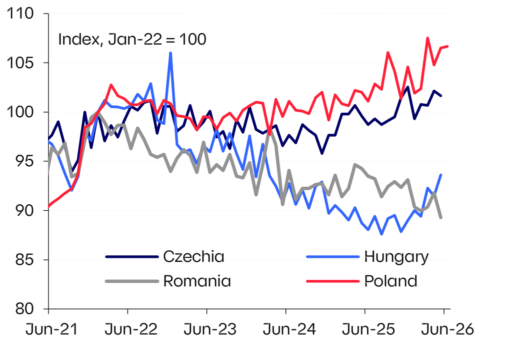
Source: PKO Bank Polski.

Monthly GDP growth rate in Poland



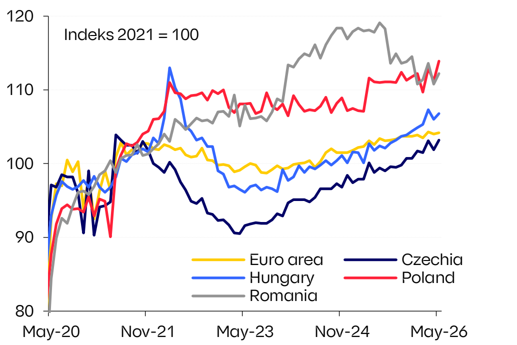
Source: PKO Bank Polski. * The presented series is a quarterly GDP series (in constant prices, 2015=100) interpolated using the Litterman-fixed method, based on economic activity data of higher frequencies.

Industrial production in CEE



Source: Macrobond, PKO Bank Polski.

Retail sales in CEE



Source: Eurostat, PKO Bank Polski.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday. 27 July						
GER: Ifo Business Climate Index (Jul)	9:00	pts.	85.6	86.0	--	--
EUR: M3 money supply (Jun)	9:00	% y/y	3.2	3.3	--	--
USA: Durable goods orders (Jun. flash)	13:30	% m/m	-4.5	1.5	--	--
Tuesday. 28 July						
USA: Trade Balance (Jun)	13:30	USD bn	-105.8	-100	--	--
USA: Consumer confidence (Jul)	15:00	pts.	91.2	92.3	--	--
Wednesday. 29 July						
USA: Fed meeting	19:00	%	3.50-3.75	3.50-3.75	3.50-3.75	--
Thursday. 30 July						
ROM: Unemployment Rate (Jun)	7:00	%	6.4	--	--	--
HUN: Trade balance (Jun)	7:30	mln EUR	502	--	--	--
HUN: GDP growth (2q)	**7:30**	**% y/y**	**1.7**	**1.8**	**2.8**	**The latest monthly data readings suggest an acceleration in GDP growth.**
CZE: GDP growth (2q)	**8:00**	**% y/y**	**2.2**	**2.3**	**2.3**	
GER: GDP growth (2q)	9:00	% y/y	0.4	0.6	--	--
EUR: Economic Sentiment Indicator (Jul)	10:00	pts.	95	96	--	--
EUR: Consumer Confidence (Jul. final)	10:00	pts.	-17.6	-15.9	--	--
EUR: GDP growth (2q)	10:00	% y/y	0.3	0.5	--	--
UK: BoE meeting	12:00	%	3.75	3.75	3.75	--
GER: CPI inflation (Jul. flash)	13:00	% y/y	2.3	2.7	--	--
GER: HICP inflation (Jul. flash)	13:00	% y/y	2.4	2.8	--	--
USA: Personal Income (Jun)	13:30	% m/m	0.7	0.3	--	--
USA: Personal spending (Jun)	13:30	% m/m	0.7	0.4	--	--
USA: PCE Deflator (Jun)	13:30	% y/y	4.1	3.6	--	--
USA: Core PCE inflation (Jun)	13:30	% y/y	3.4	3.3	--	--
USA: Initial Jobless Claims ()	13:30	k	187	205	--	--
USA: GDP growth (2q)	13:30	%q/q saar	2.1	2.3	--	--
Friday. 31 July						
POL: CPI inflation (Jul. flash)	**8:30**	**% y/y**	**2.5**	**3.0**	**3.2**	**The end of government support for fuel prices will lead to an increase in inflation.**
GER: Unemployment Rate (Jul)	8:55	%	6.3	6.3	--	--
CZE: M3 money supply (Jun)	9:00	% y/y	5.1	--	--	--
EUR: HICP inflation (Jul. flash)	10:00	% y/y	2.8	2.8	--	--
EUR: Core inflation (Jul. flash)	10:00	% y/y	2.4	2.4	--	--
USA: University of Michigan sentiment (Jul. final)	15:00	pts.	49.5	54.4	--	--
JPN: BOJ meeting	--	%	1.00	1.00	1.00	--

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

Monetary policy monitor

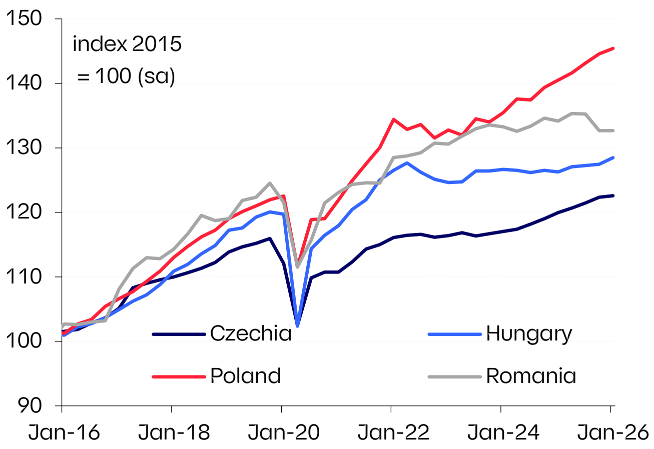
MPC Members	Hawk-o-meter*	Recent policy indicative comments^
J. Tyrowicz	**4.9**	**"Admittedly, we currently have higher nominal interest rates than before Russia's invasion of Ukraine, so there is no risk of an inflation spike like the one in 2022, but in real terms - that is, taking into account the inflation expectations of consumers, businesses and even professional analysts - interest rates in Poland currently remain at a level that stimulates the economy - not even at a neutral level, let alone a restrictive one". (21.07.2026, Dziennik Gazeta Prawna via PAP Biznes)**
I. Dabrowski	3.1	"If we are talking about a possible change in interest rates in the future, then based on the data we currently have, a cut is more likely than a hike. [...] One or two months ago, we expected a much worse scenario than the one that is currently materialising. [...] There is a very small chance that there will be one small interest rate cut later this year." (12.06.2026, Bloomberg via PAP BIZNES)
A. Glapinski	2.9	"I'm decidedly dovish. (...) I don't rule out that if the situation remains unchanged, I may file a motion for a quarter-point cut after the summer break." (9.07.2026, Bloomberg)
M. Zarzecki	2.9	"From today's perspective, a hike seems to me even more likely than a rate cut as the Council's next move in the first quarter of 2027. (...) Easing monetary policy in September, or more broadly this year, would be a premature move burdened with significant risk of error, which I would not be inclined to support." (14.07.2026, Bloomberg)
G. Maslowska	**2.9**	**"The NBP's July projection points more towards the prospect of the next move being an interest rate cut, probably still in 2026. It can be said with a high degree of confidence that, unless the situation changes, this would be no more than a single cut. We always respond in line with the incoming data." (20.07.2026, PAP Biznes, PKO translation)**
I. Duda	2.8	"The baseline scenario for the coming months is interest rate stabilisation." (18.06.2026, Dziennik Gazeta Prawna via PAP Biznes)
H. Wnorowski	2.8	"Discussing such a motion (rate cut) today is purely a seminar exercise. Of course, we can speculate, but even in yesterday's remarks by the Governor there were many caveats and assumptions: if, if, if. In general, by September several of these 'ifs' may fail to materialise, while others may emerge. In my view, this is a premature signal. At this stage, I see a major difficulty in supporting such a motion" (10.07.2026, Biznes24 via PAP Biznes, PKO translation)
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**	**"That means we do not need to cut interest rates to stimulate the economy in any way, nor do we need to raise rates to cool it down. Because it is (...) in a strong state of equilibrium. And these indicators are genuinely very good." (23.07.2026 TOK FM via PAP Biznes, PKO BP translation)**

*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 CEE Macro Weekly.

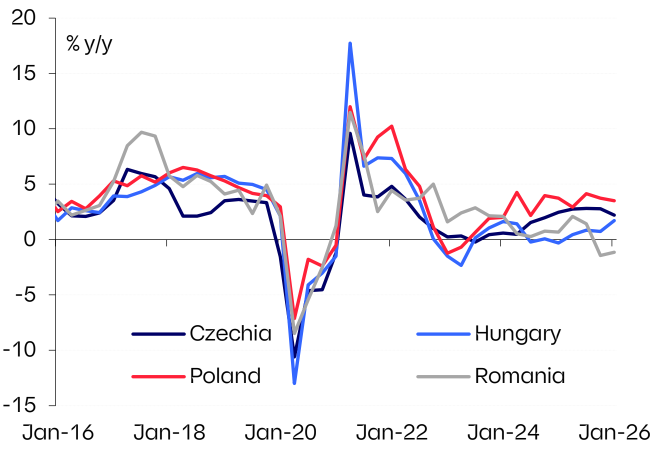
Selected comments from central bankers in other CEEs	
CNB	**"For me it is open that by the end of the year there may perhaps be one more monetary policy hike. (..)It would calm me down if we see disinflation in core inflation, because we have been promising ourselves that for a long time, we are still doing so... And it would help me a lot if I see at least an end of acceleration of all types of loans". Board member J.Kubicek (23.07.2026, CNB.cz)**
MNB	**"If favourable conditions remain in place, the Monetary Council still sees room for a further reduction in interest rates during the summer, after which we may decide at the September meeting on whether to continue." Governor M.Varga (21.07.2026, hir36.hu)**
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

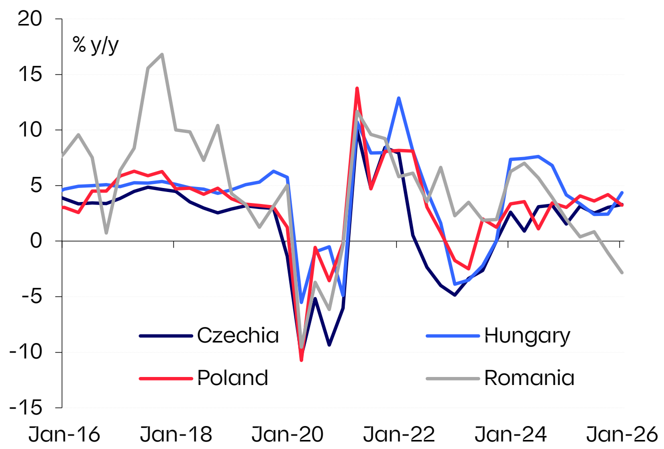
GDP level



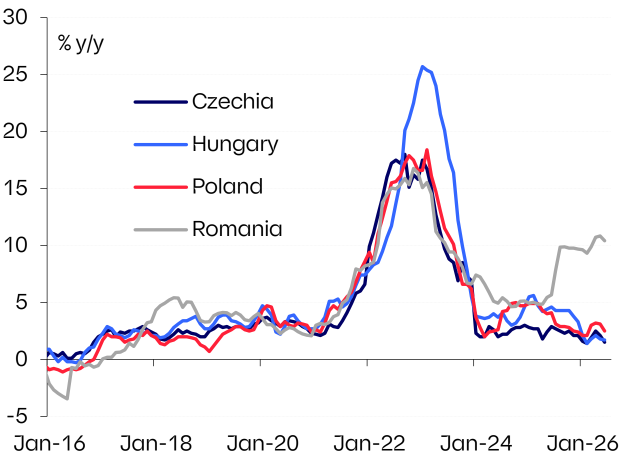
GDP growth



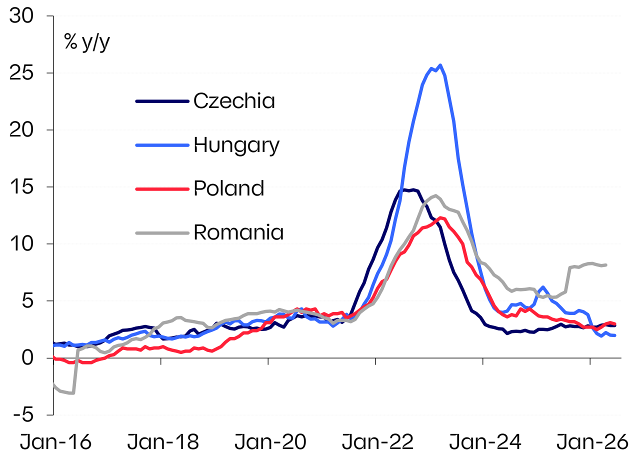
Private consumption growth



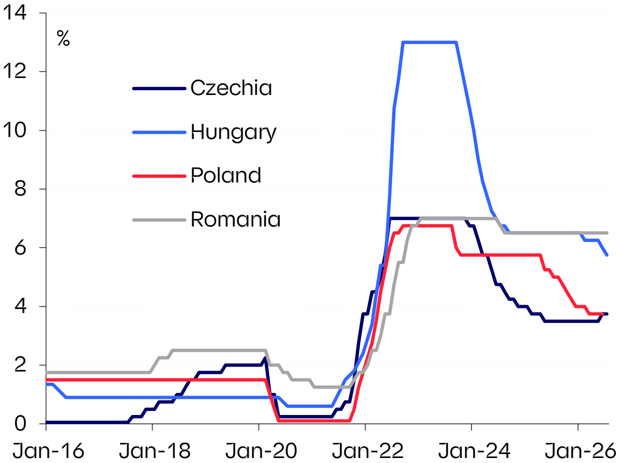
CPI inflation



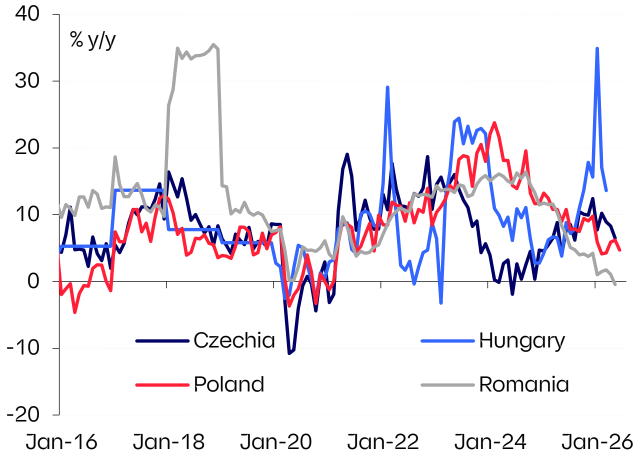
Core CPI inflation



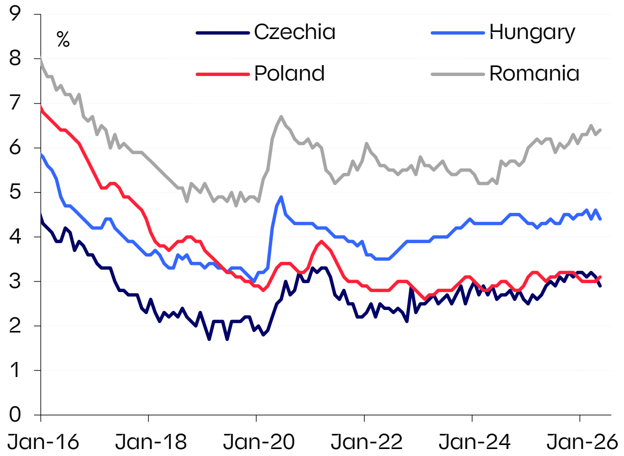
Interest rates (policy rates)



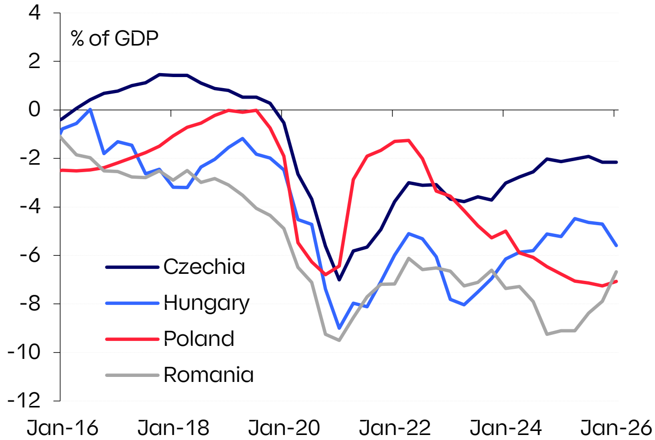
Wages*



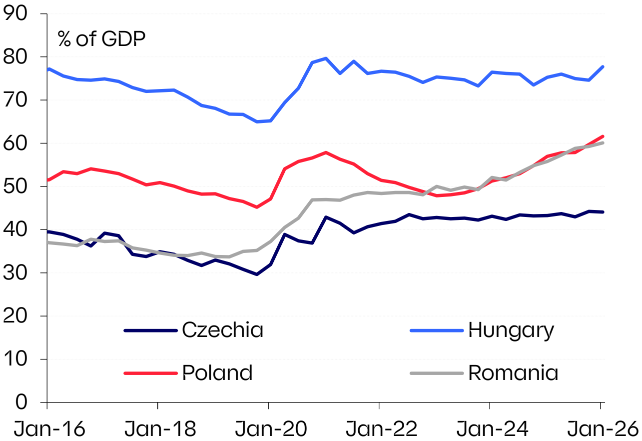
Harmonised unemployment rate



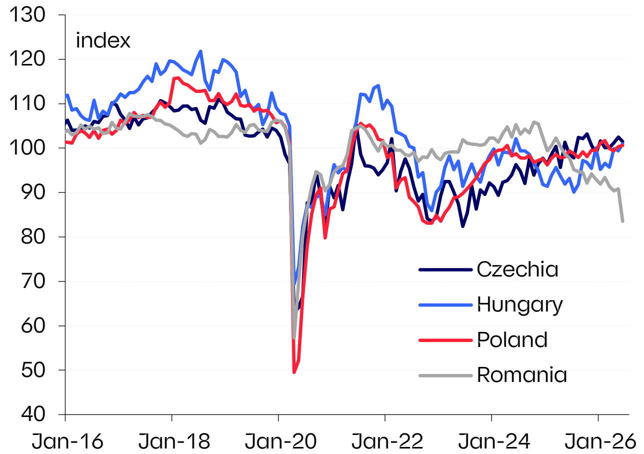
Fiscal deficit (ESA)



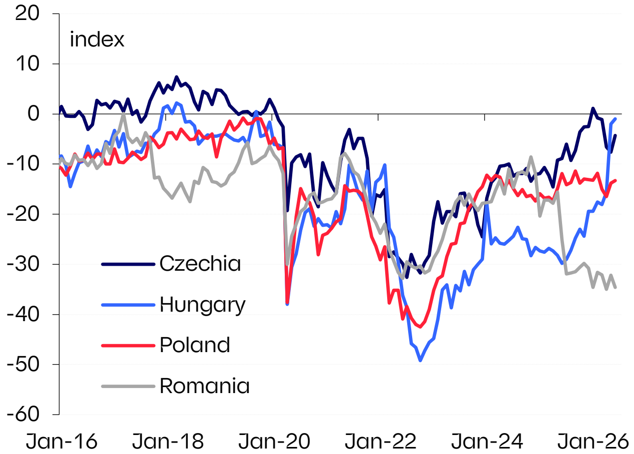
Public debt



ESI



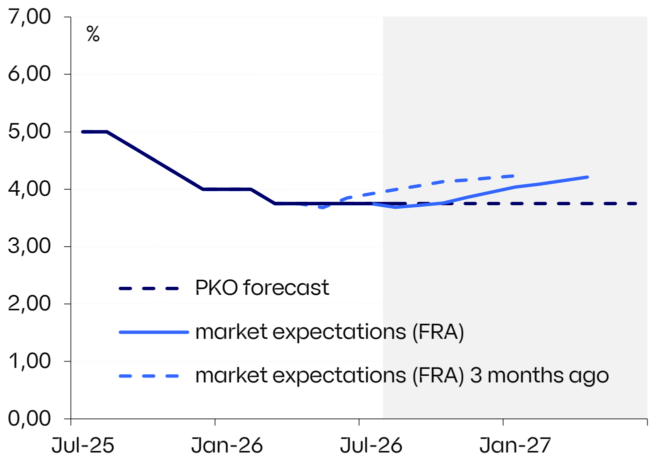
Consumer confidence ESI



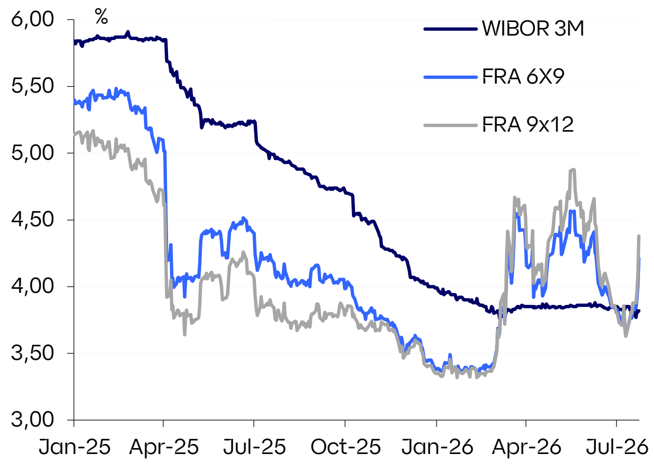
Source: Macrobond, GUS, INSSE, CZSO, KSH, PKO Bank Polski. *for Czechia wages in industry, for Hungary – national economy, Poland and Romania – enterprise sector.

Poland macro chartbook

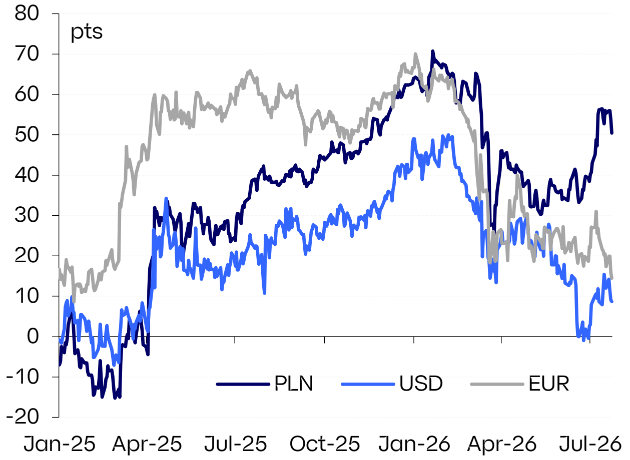
NBP policy rate: PKO BP forecast vs. market expectations



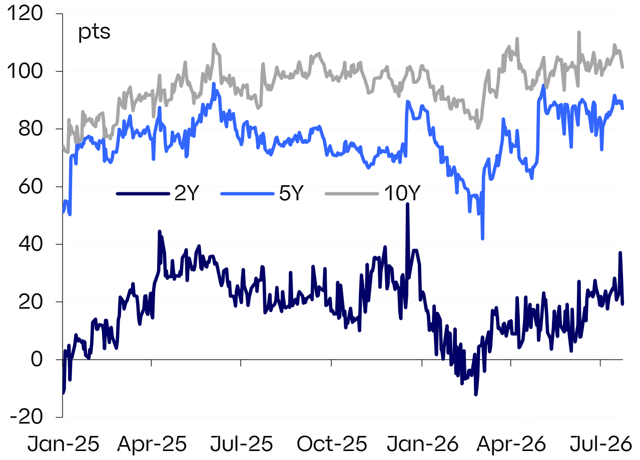
Short-term PLN interest rates



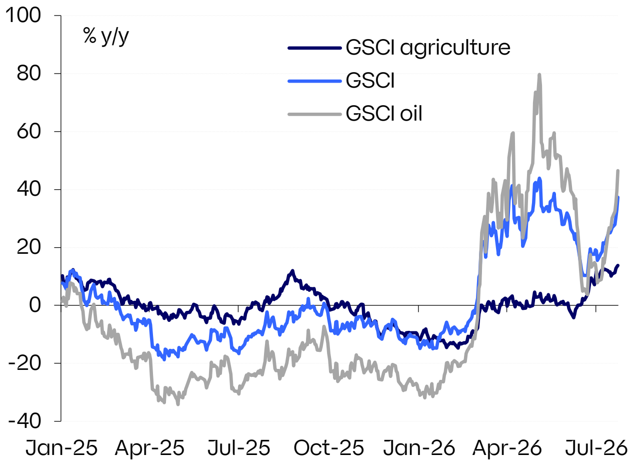
Slope of the swap curve (spread 10Y-2Y)*



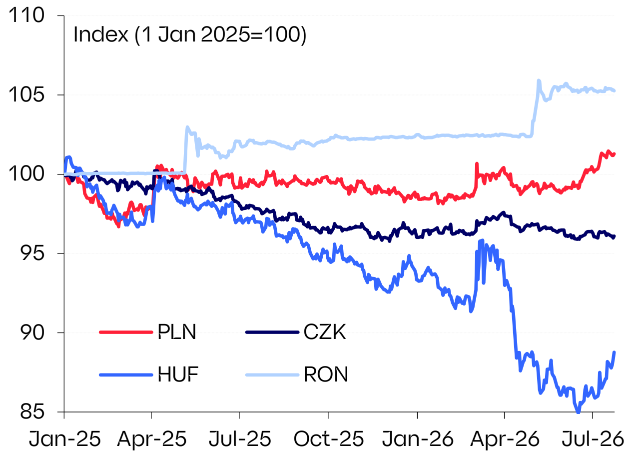
PLN asset swap spread



Global commodity prices (in PLN)

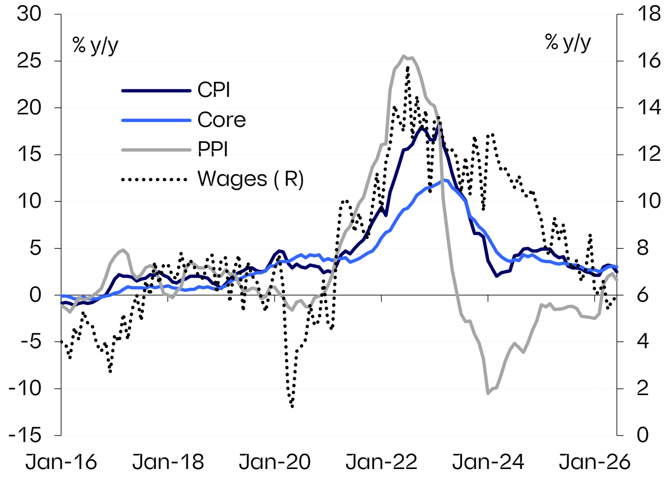


Selected CEE exchange rates against the EUR

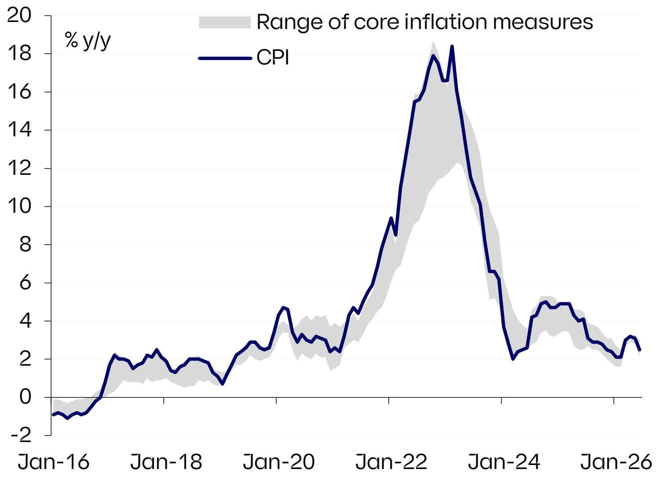


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

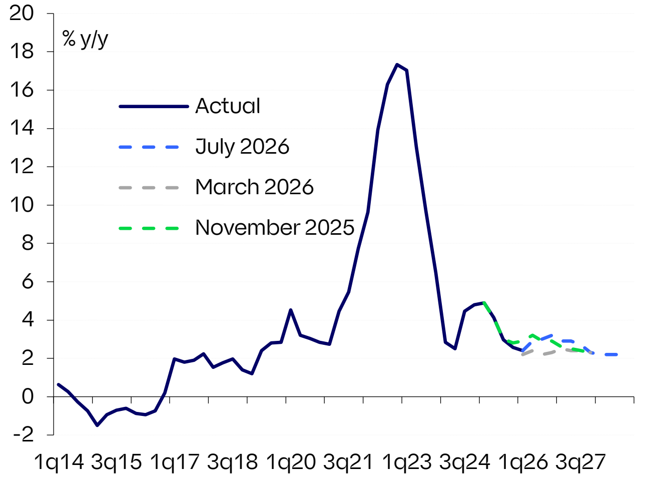
Broad inflation measures



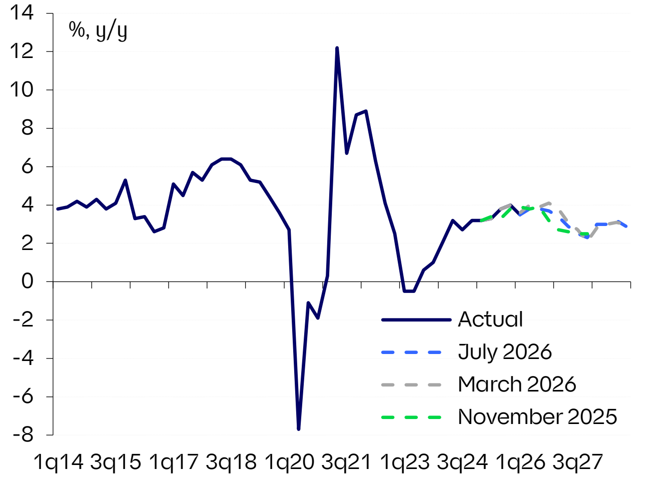
CPI and core inflation measures



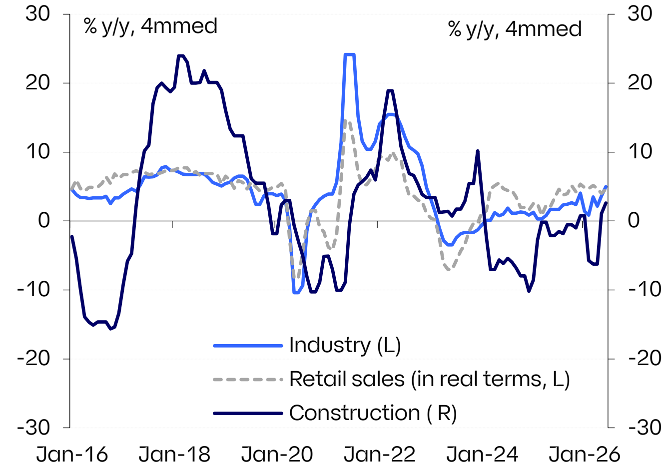
CPI inflation – NBP projections vs. actual



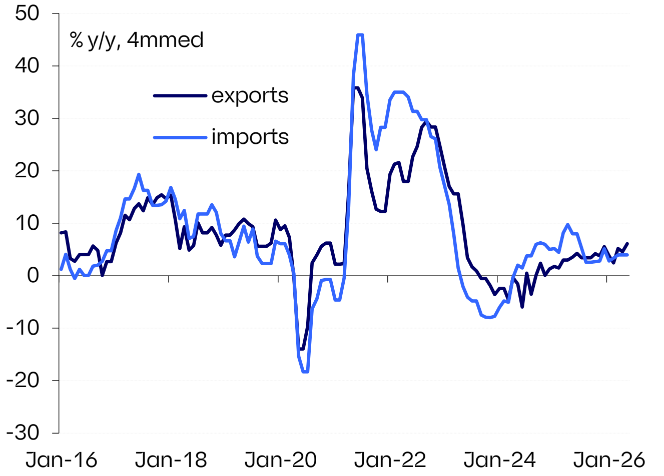
Real GDP growth – NBP projections vs. actual



Economic activity indicators

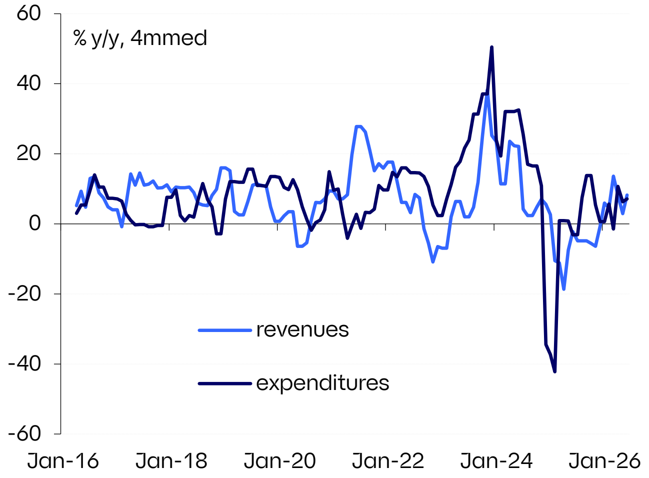


Merchandise trade (in EUR terms)

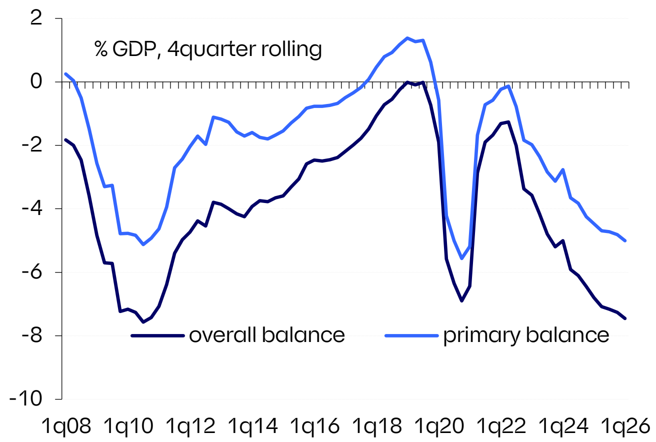


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

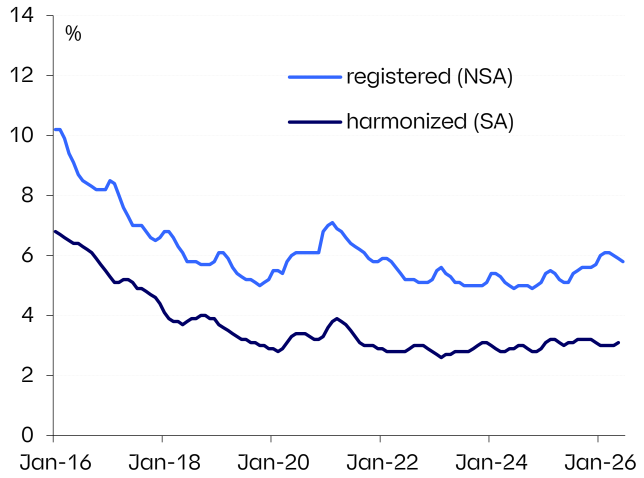
Central government revenues and expenditures*



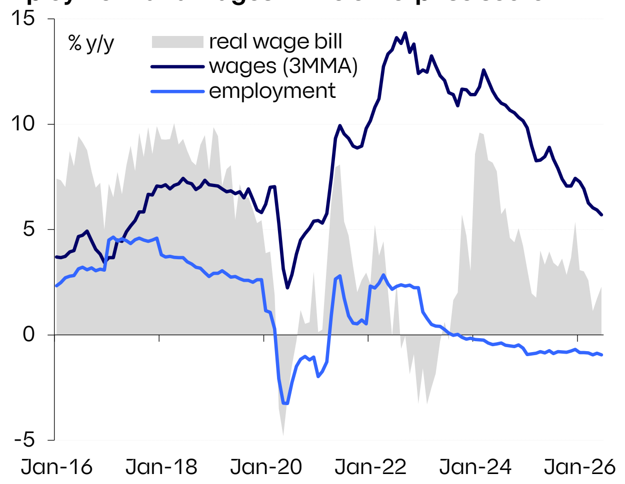
General government balance (ESA2010)



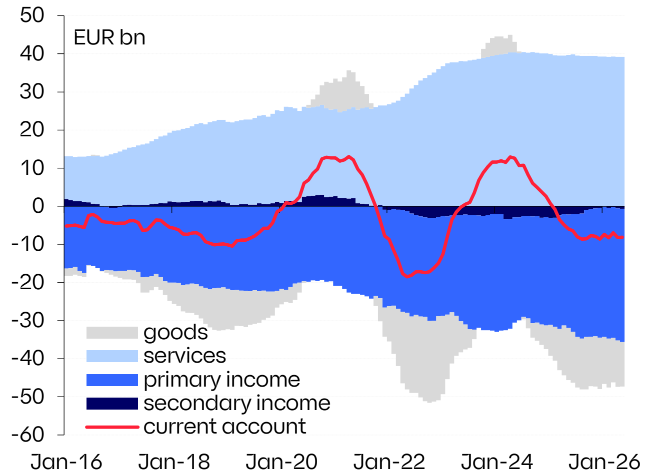
Unemployment rate



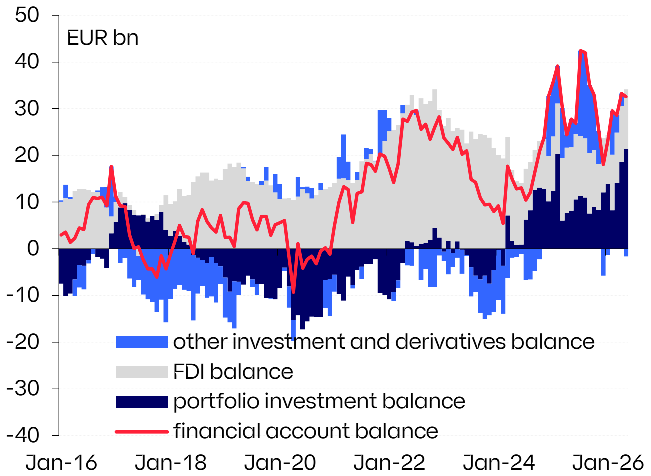
Employment and wages in the enterprise sector



Current account balance



Financial account balance



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

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- CPI keeps falling across CEE (July 17, 2026)
- More or less cautious doves (July 10, 2026)
- The moon doesn't care for barking dogs (July 3, 2026)
- No signs of cooling (June 26, 2026)
- Diverging interest rate paths in the CEE (June 19, 2026)
- Hawkish sentiment is gaining ground in Czechia (June 12, 2026)
- CEE sentiment holds up (May 29, 2026)
- 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)

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