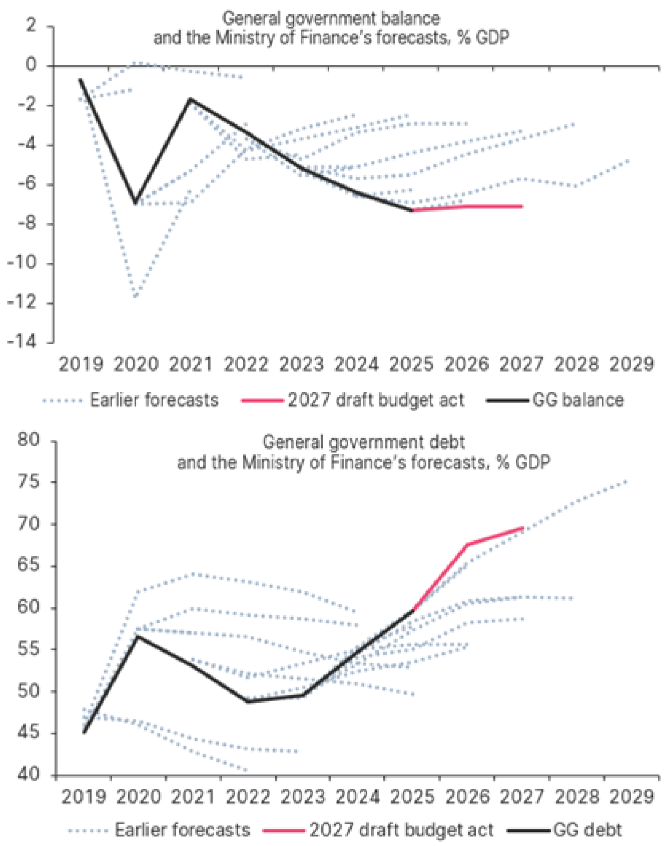
CEE MACRO AND FI DAILY

# Fiscal pressures mount in Poland

## On the Radar

- Real wage growth in Czechia slowed to 4.3% y/y in 2Q26 below market expectations.
- Industrial output growth in Hungary grew by 7.2% y/y in July.
- Today retail sales growth will be released in Romania (8 AM CET), Hungary (8.30 AM CET), Czechia and Slovakia (9 AM CET).
- Czechia will publish flash inflation for August at 9 AM CET.
- Slovakia will release 2Q26 GDP structure.
- Slovenia will show trade data at 10.30 AM CET

## Deficit and debt in Poland, % of GDP

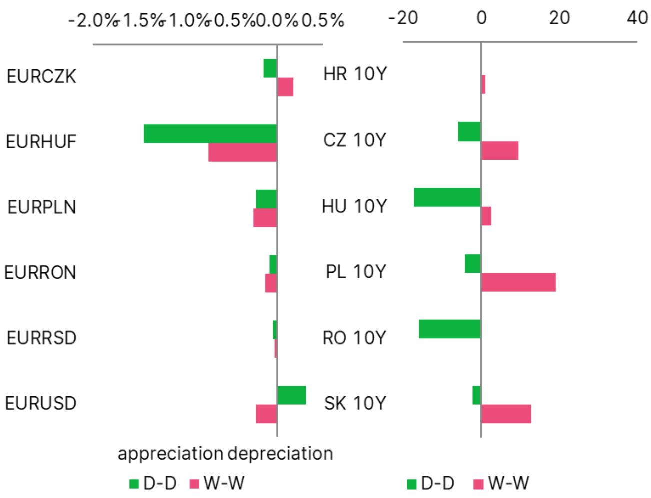



*Source: Erste Group Research*

## Economic developments

Today, we zoom in on Poland's fiscal situation. The 2027 budget draft once again reveals a gradual deterioration in the fiscal deficit and public debt trajectory compared with earlier plans and expectations. The fiscal path presented in the draft budget is worse not only than the Ministry of Finance's earlier projections but also than the forecasts of external institutions, including the European Commission and rating agencies. More importantly, unlike in previous years, when the government's budget plans at least envisaged a gradual reduction in fiscal imbalances, the general government deficit is now expected to remain broadly unchanged at a very elevated level. Despite forecasts of solid GDP growth, approaching 6% annually in nominal terms, and the absence of any new initiatives that would impose additional net costs on public finances. The government's disclosure of a fiscal trajectory that is worse than previously expected creates a risk of adverse decisions by rating agencies. Finally, crossing the 55% of GDP prudential debt threshold, as defined in the Public Finance Act, appears virtually unavoidable (if not in 2027 then very likely in 2028 if optimistic scenario of landing deficits below the plan materializes). A breach of the 55% of GDP prudential threshold in 2027 would mean that the 2029 budget (to be prepared in 2028) would either have to contain no deficit or ensure a reduction in the ratio of State Treasury debt to GDP. More details in
[Poland Special | Budget 2027. Ever closer to stumbling over the debt threshold]

## Market performance




*Source: Erste Group Research*

## Market developments

Hungarian central bank is preparing itself to change the course of monetary policy after short series of interest rate cuts. Hungary's central bank is set to halt interest rate cuts later this month as policymakers prepare to lower the highest inflation target in the European Union. That would suggest that the National Bank of Hungary may keep the benchmark interest rate at 5.5% at its next policy meeting in September. The Hungarian forint has strengthened more visibly against the euro in response to news (overall almost 1% since the beginning of week). The Polish zloty has appreciated this week as well, while the Czech koruna remains weaker. In Czechia, real wage growth (an important indicator for central bank) eased in 2Q26 to 4.3% y/y. Further, wage growth in 1Q26 was revised visibly down. Following the revision, the pressure on the central bank may be slightly reduced. Nevertheless, we are maintaining our forecast of a rate hike in Czechia until the end of the year. Long-term yields have increased over the course of this week.

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## Upcoming releases in CEE

| Date | Time | Country | Indicator | Period | Survey | Erste Est. | Prev. |
|---|---|---|---|---|---|---|---|
| **04. Sep** | **8:00** | **RO** | Retail Sales (y/y) | Jul | | -5.90% | -7.30% |
| | **8:30** | **HU** | Retail Sales (y/y) | Jul | | 3.90% | 3.00% |
| | **9:00** | **CZ** | CPI (y/y) | Aug P | 1.90% | 2.00% | 1.70% |
| | **9:00** | **CZ** | CPI (m/m) | Aug P | | 0.40% | 0.60% |
| | **9:00** | **SK** | Retail Sales (y/y) | Jul | | 1.65% | 2.00% |
| | **9:00** | **SK** | GDP (y/y) | 2Q F | | 0.70% | 0.70% |
| | **10:30** | **SI** | Trade Balance | Jul | | | -0.22 |

## FX Market

| | Last | Change (%) | |
|---|---|---|---|
| | | d/d | w/w |
| **EUR/CZK** | 24.14 | -0.1 | 0.2 |
| **EUR/HUF** | 361.96 | -1.5 | -0.8 |
| **EUR/PLN** | 4.32 | -0.2 | -0.3 |
| **EUR/RON** | 5.25 | -0.1 | -0.1 |
| **EUR/RSD** | 117.19 | 0.0 | 0.0 |
| **EUR/USD** | 1.16 | 0.3 | -0.2 |

## 3M Market

| | Last | Change (bps) | |
|---|---|---|---|
| | | d-d | w-w |
| **CZK** | 3.86 | 0 | 1 |
| **HUF** | 5.43 | 0 | 0 |
| **PLN** | 3.82 | 1 | -1 |
| **RON** | 5.84 | 0 | 0 |
| **RSD** | 4.70 | 0 | 0 |
| **EUR** | 2.66 | 1 | 10 |

## 10Y Yields

| | Last | Change (bps) | |
|---|---|---|---|
| | | d-d | w-w |
| **CZ 10Y** | 5.09 | -6 | 10 |
| **HU 10Y** | 5.54 | -17 | 2 |
| **PL 10Y** | 6.10 | -4 | 19 |
| **RO 10Y** | 6.84 | -16 | 0 |
| **HR 10Y** | 3.57 | 0 | 1 |
| **SK 10Y** | 4.02 | -2 | 13 |

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