



Navigating monetary policy amid elevated uncertainty and geopolitical shifts

7th NB Polski-Magyar NB joint conference, Warsaw, 7 November 2025

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*The views expressed are those of the speaker and not necessarily those of the BIS.

Main messages

- Inflation is back at or near CB targets
- Monetary policies in the region (and across the globe) have been instrumental
- Looking ahead, global and regional adherence to “Inflation Targeting” hedge price stability against geopolitical risks and elevated uncertainty

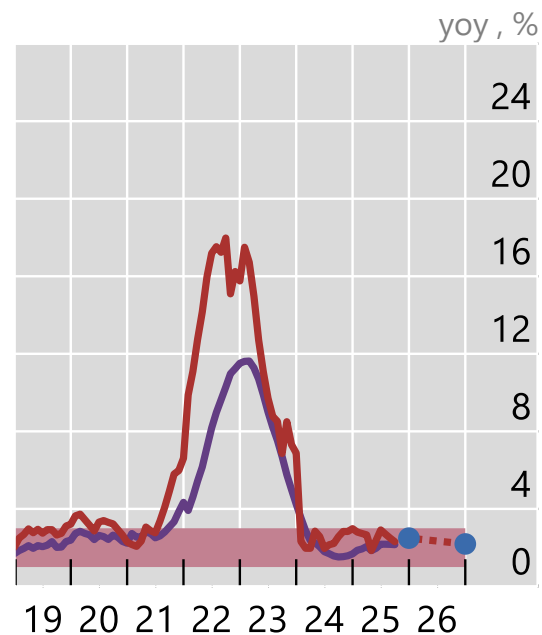
In most CEE countries inflation is highly correlated with global factors

		CZ	HU	PL	RO	BG	HR	CY	EE	LV	LT	MK	RS	SK	SI	CEE average	OECD average (since 1960)
2000–2023	1st global factor	0.85	0.71	0.75	0.15	0.74	0.88	0.71	0.92	0.68	0.75	0.83	0.07	0.60	0.60	0.66	0.74
	2nd Global factor	0.02	0.04	0.01	0.76	0.04	0.00	0.03	0.02	0.04	0.13	0.00	0.53	0.17	0.32	0.15	0.03

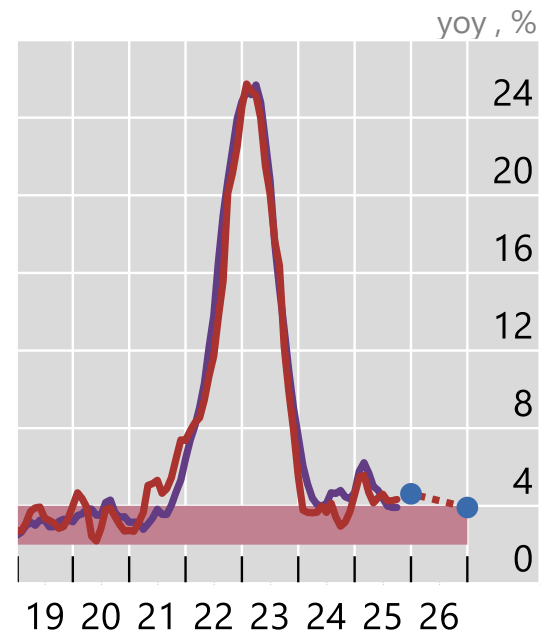
Note: share of the variance that is explained by the first and second factor of a PCA of inflation across 50 economies for each country, from 2000 to 2023. Source: Table 1 in BIS WP 1189

Recent inflation trajectories

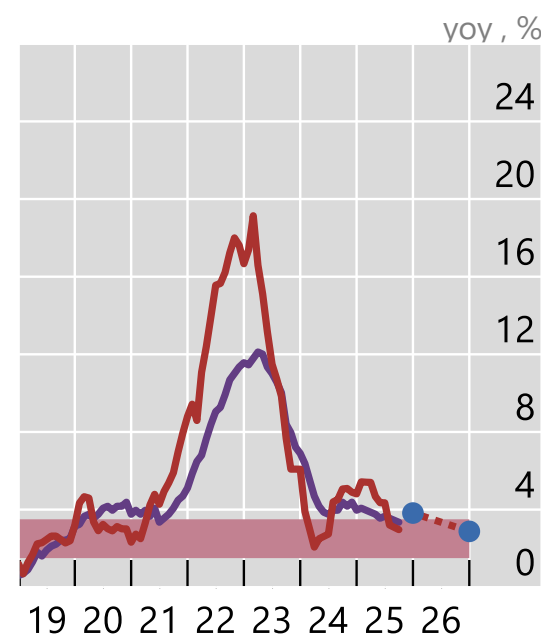
Czechia



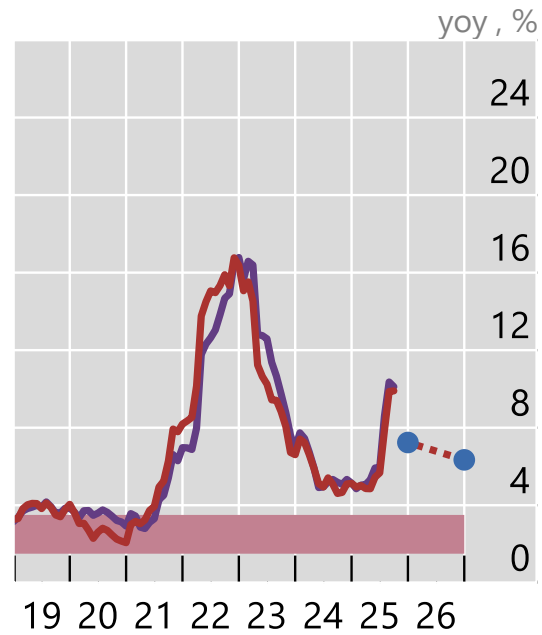
Hungary



Poland



Romania



— Headline inflation
● Forecast for 2025, 2026

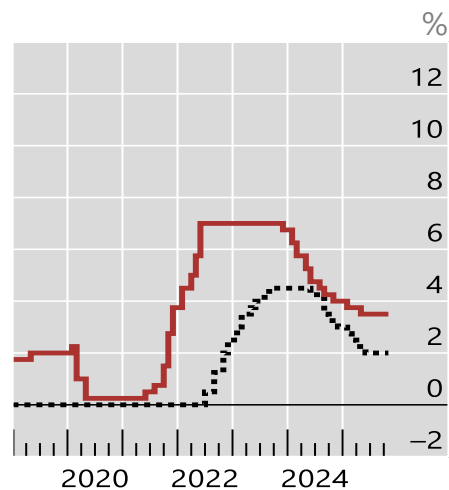
— Core inflation
■ Inflation target

Sources: Consensus Economics; LSEG Datastream; national data.

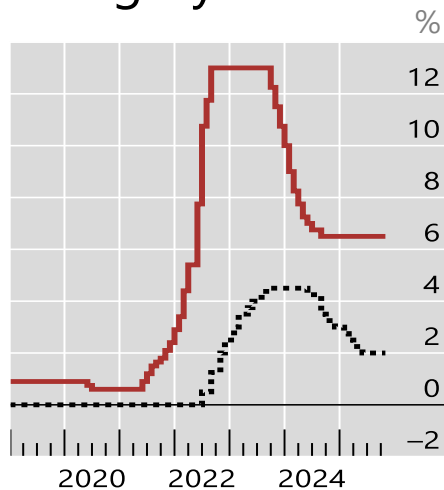
Interest rates

Policy rates:¹

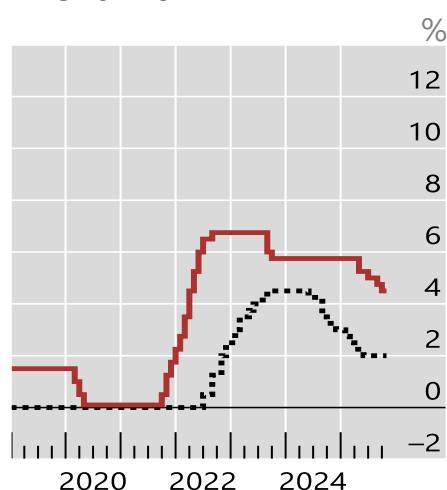
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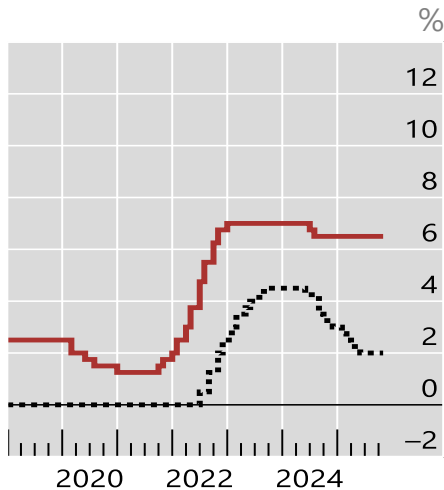
Hungary



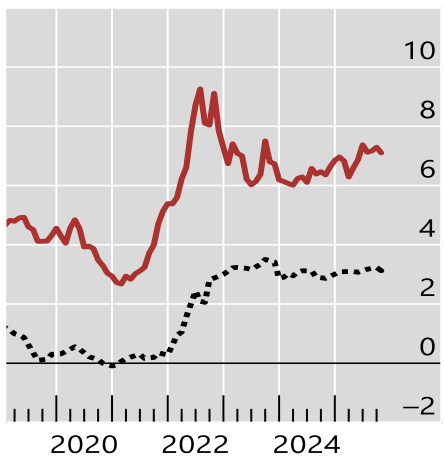
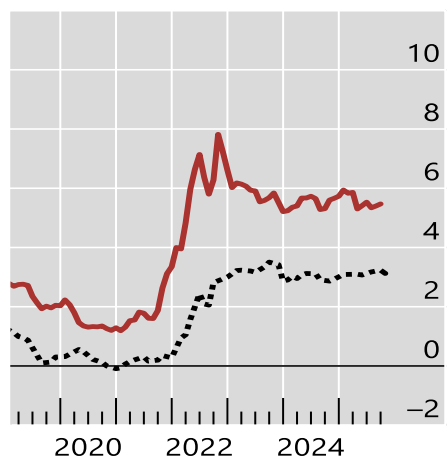
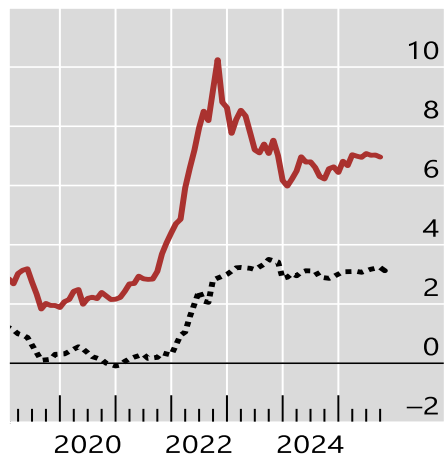
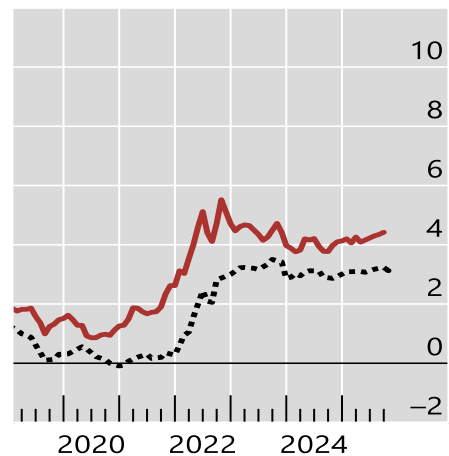
Poland



Romania



Yields:²



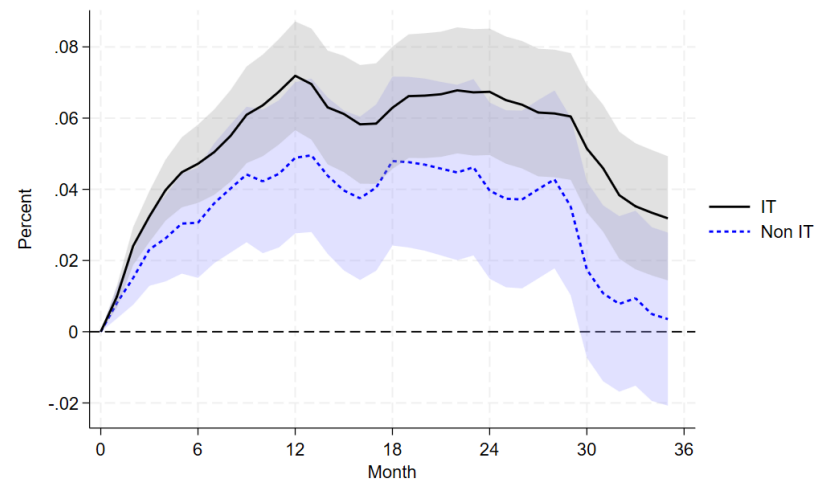
¹ Black dashed line: ECB main refinancing operations rate up to 11 June 2024 and deposit facility rate thereafter.

² Benchmark 10-year government bond yields. Black dashed line refers to the euro area.

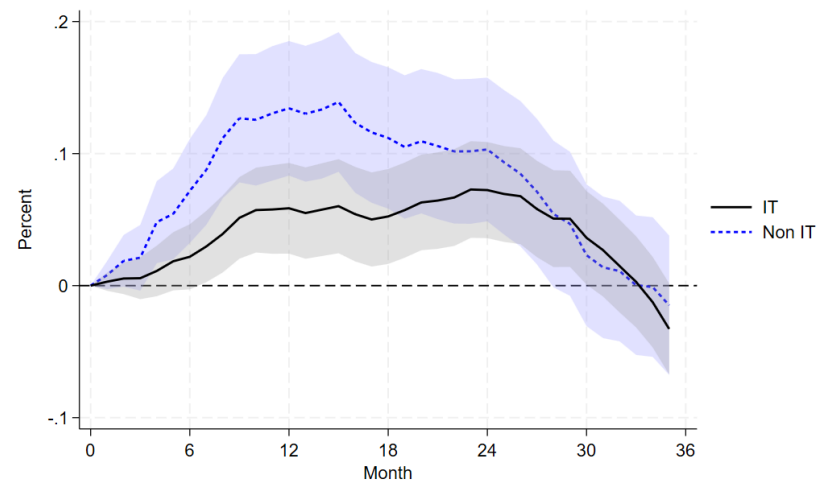
Sources: LSEG Datastream; national data; BIS.

Inflation targeting and oil price shocks

Impact of oil supply shocks on inflation (VAR based shocks)



Impact of oil demand shocks on inflation (VAR based shocks)



Note: BIS staff estimates based on an unbalanced sample of 37 countries + EA. (EA countries included before joining the Euro), of which 8 are Advanced Economies.