



**EUROPEAN
DEPARTMENT**

Challenges for Monetary Policy in Central and Eastern Europe

7th NBP-MNB conference

Warsaw, November 7, 2025

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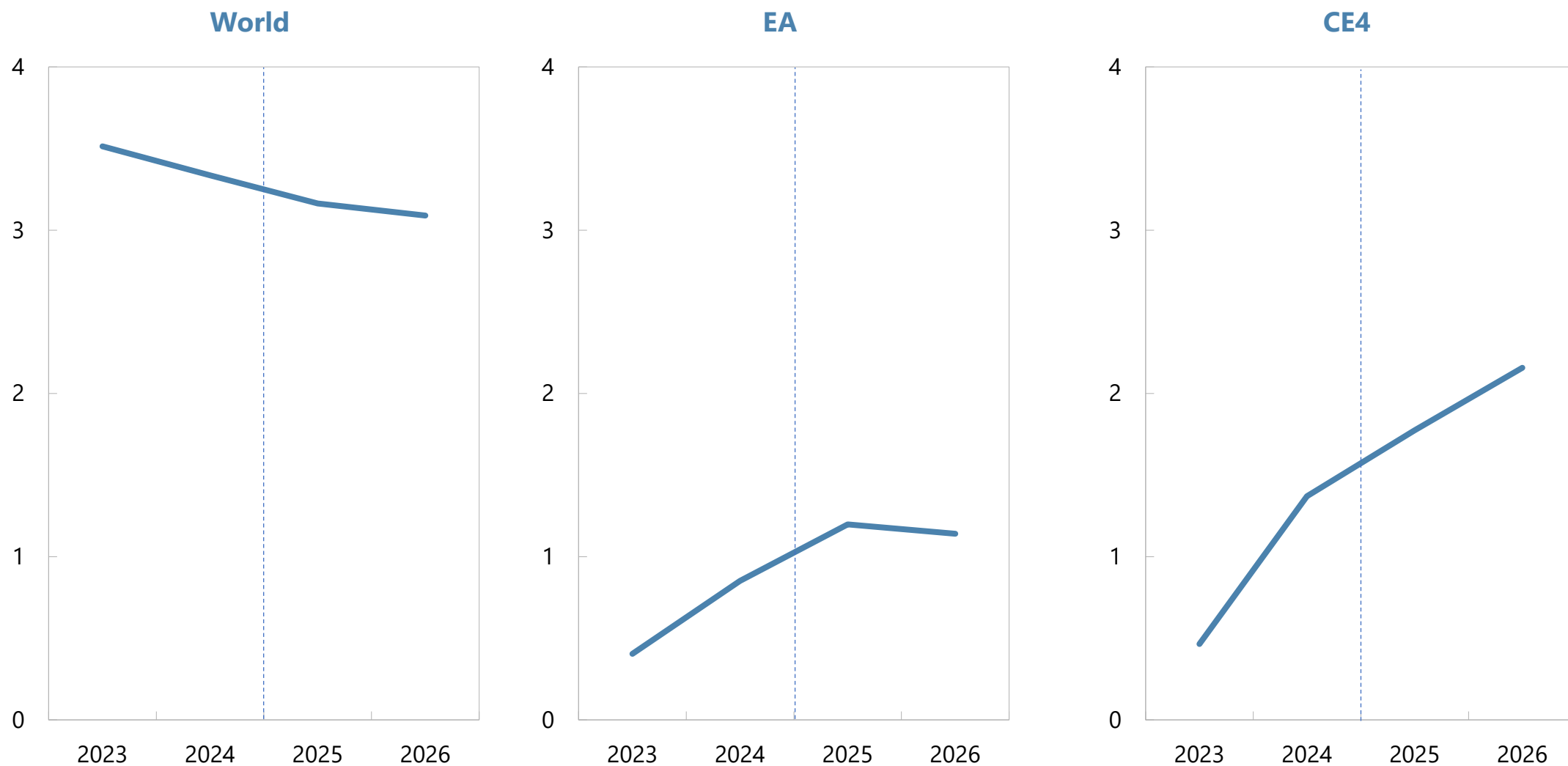
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Outline

1. Near-term outlook
2. Uncertainty and risks
 - Wage pressures
 - Fiscal vulnerabilities
3. Monetary policy recommendations

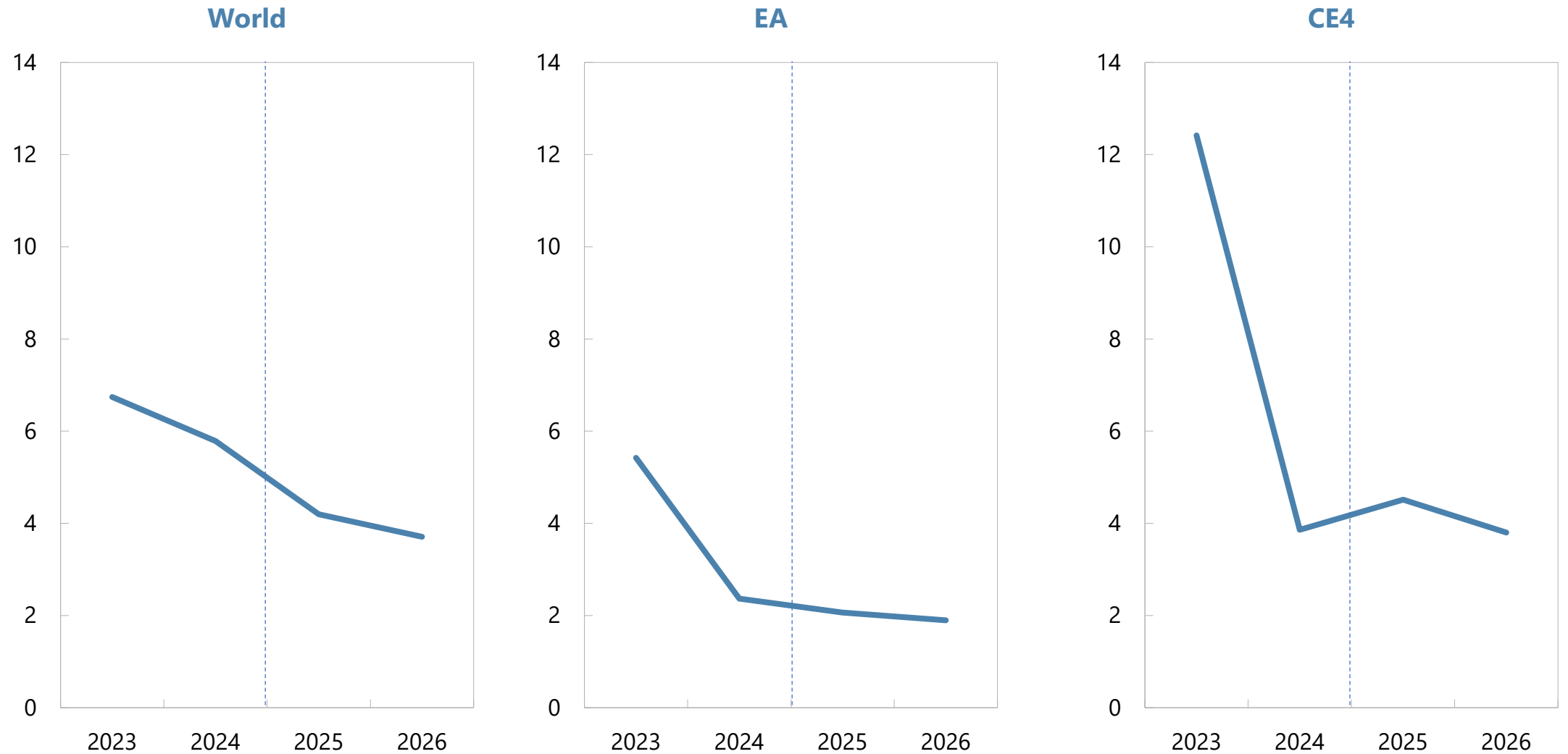
Growth slows globally while CEE is still expected to accelerate...



CE4: unweighted mean of Czechia, Hungary, Poland and Romania

Source: IMF staff (WEO, Fall 2025)

...and disinflation is not yet complete everywhere



CE4: unweighted mean of Czechia, Hungary, Poland and Romania

Source: IMF staff (WEO, Fall 2025)

Downside risks dominate while uncertainty remains high

Main risks:

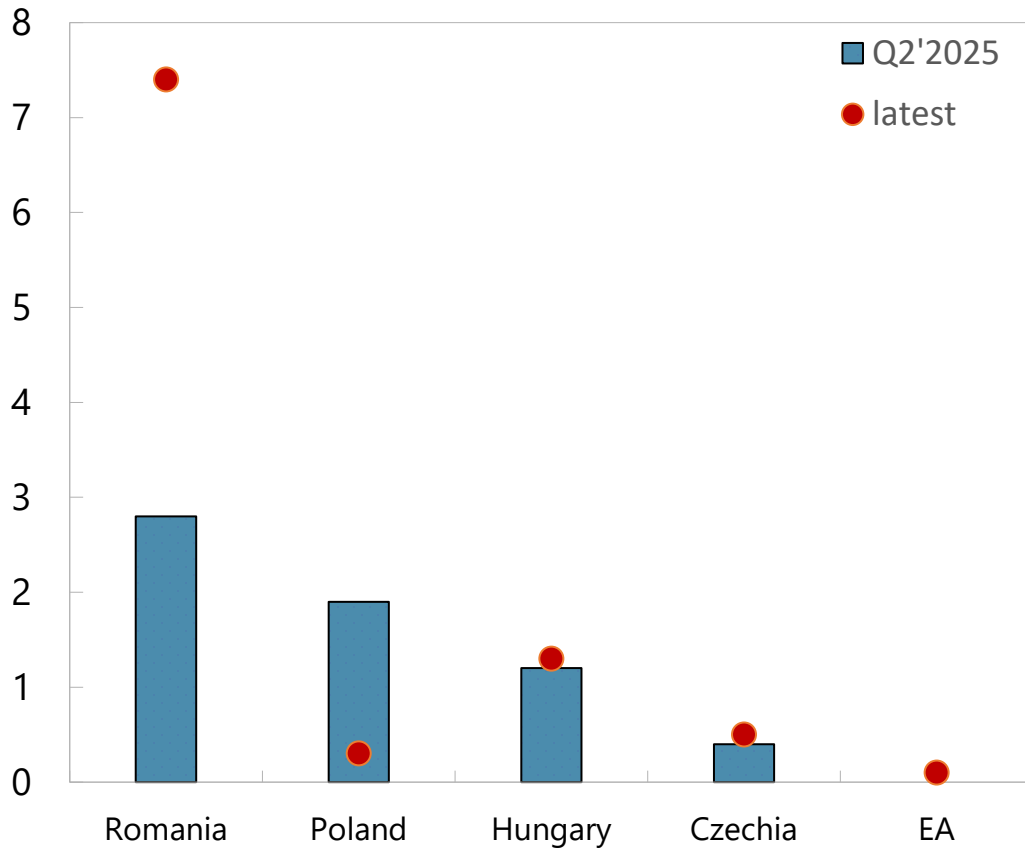
- Trade policy disputes
- Wage pressures and labor constraints
- Fiscal vulnerabilities

Other risks:

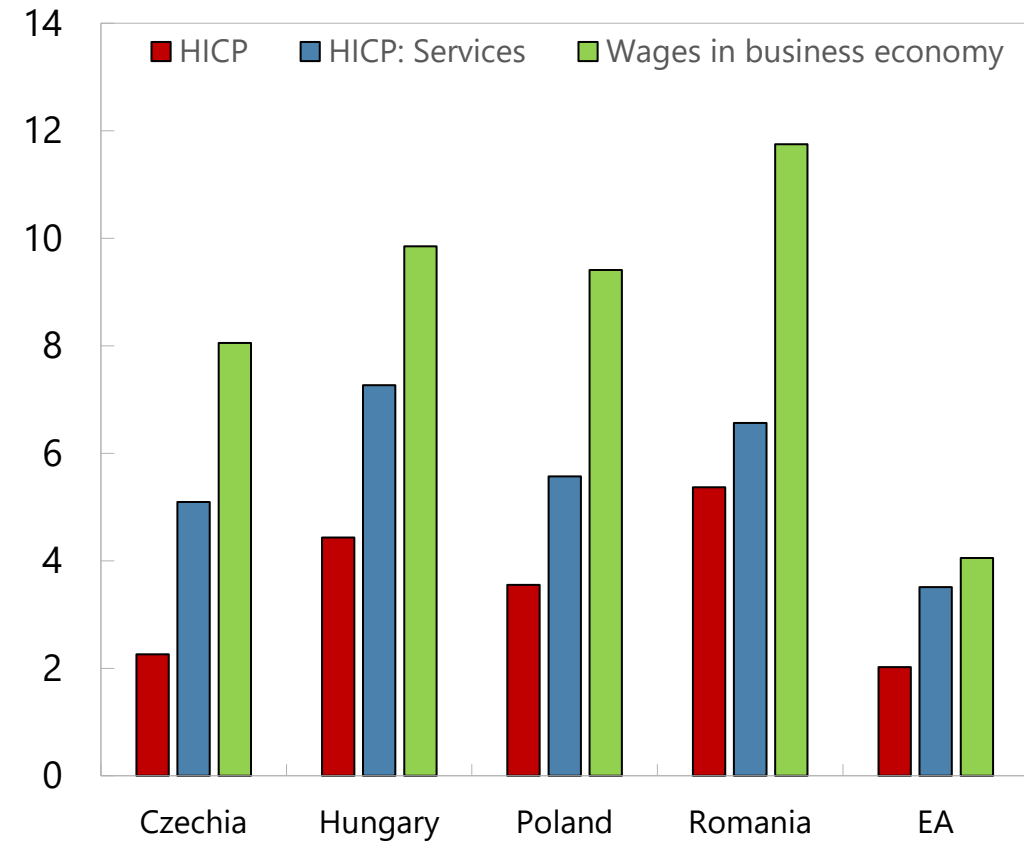
- Repricing of new technologies and financial market fragilities
- Renewed spikes in commodity prices as a result of climate shocks, regional conflicts, and broader geopolitical tensions

Strong wage growth warrants caution in cutting rates

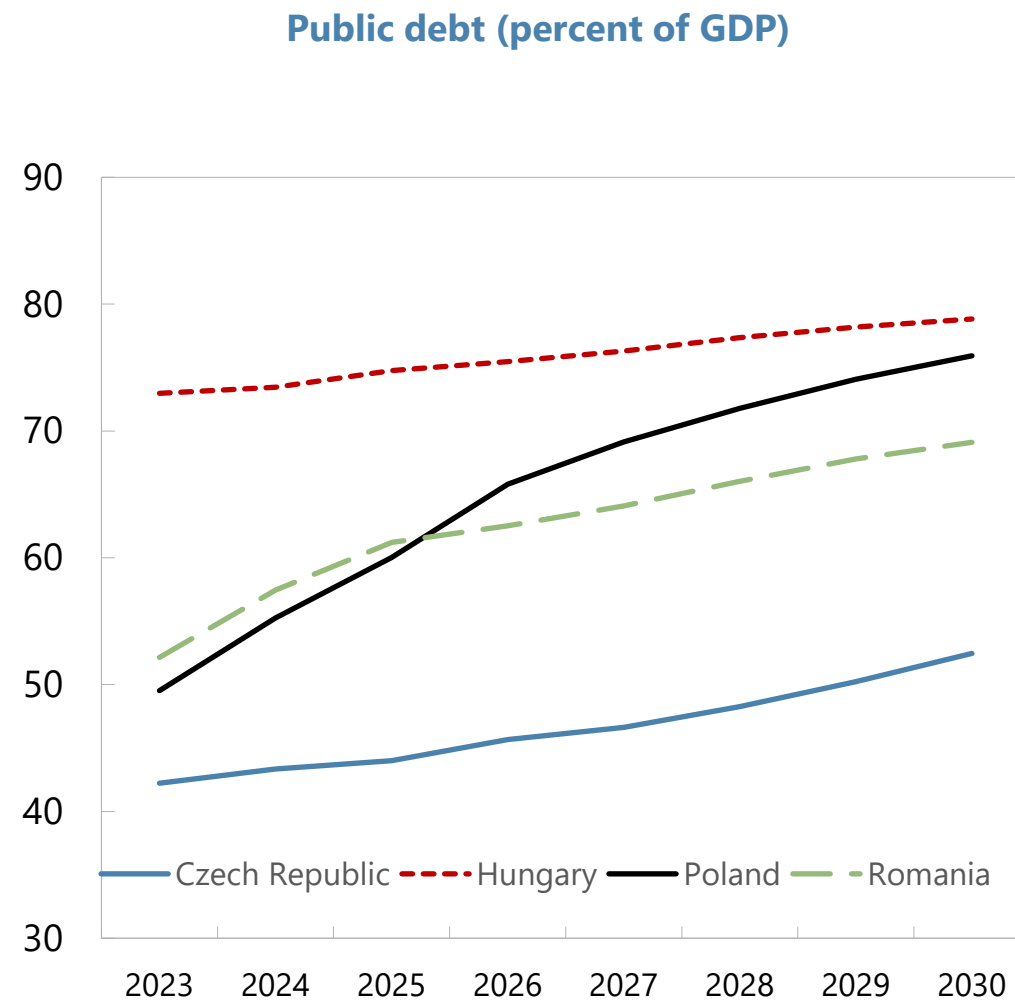
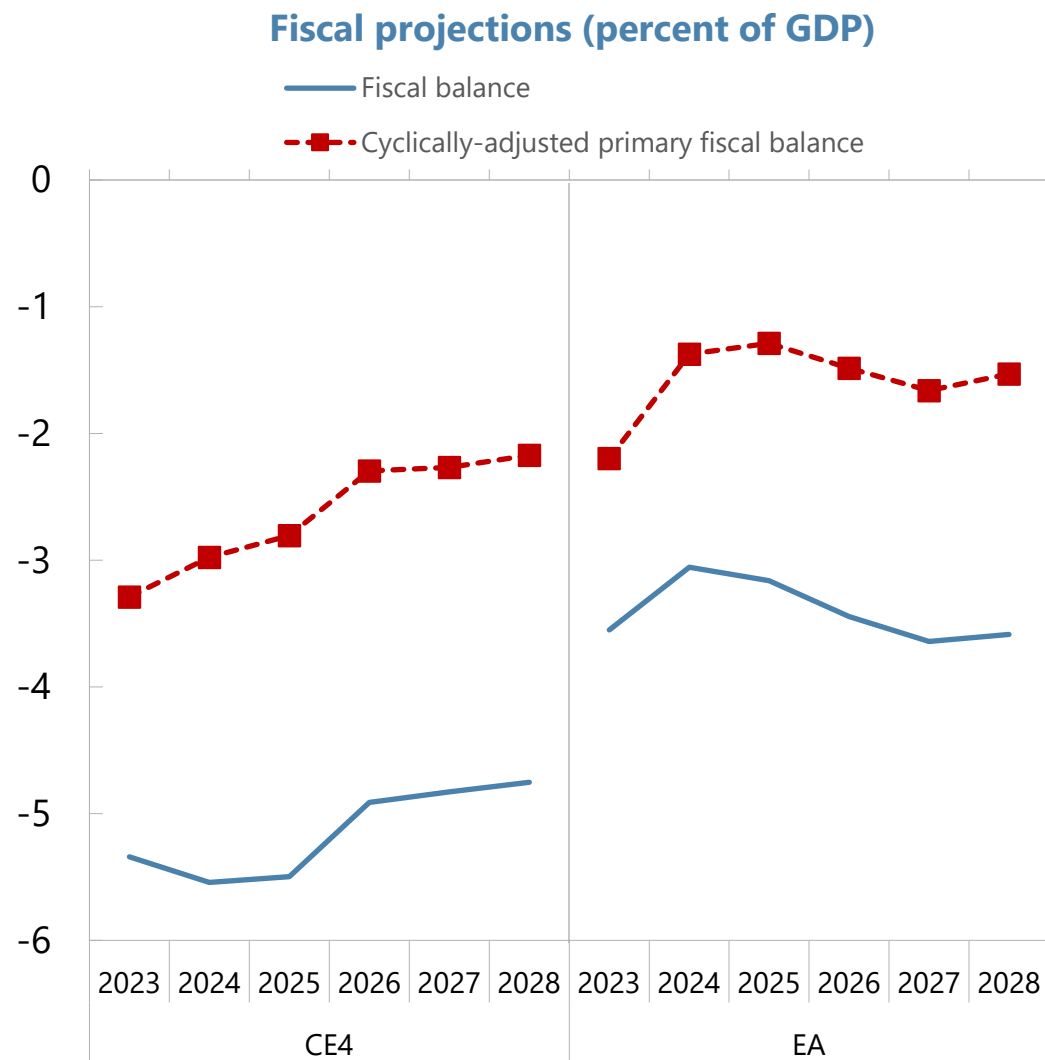
Inflation Deviation from the Target
(percentage points)



Price dynamics, Q2'2025 (percent y/y)



High deficits and slow consolidation plans pose challenges



Main takeaways:

Monetary policy messages and recommendations:

- Disinflation is not yet concluded in all CEE countries
- Remain vigilant for unexpected changes in inflation or its drivers
- A premature loosening risks de-anchoring inflation expectations, potentially necessitating even stricter measures in the future

Principles for monetary policy in an uncertain world

- Strong monetary frameworks remain key for price stability
- Central banks are adapting to deal with uncertainty by
 - incorporating scenario analysis,
 - avoiding fine-tuning,
 - changing rates only when data point to a material shift.
- Clear communication of economic assessment and policy action is a powerful tool to limit uncertainty.

Thank you