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FX RATES CZECH REPUBLIC HUNGARY POLAND

Directional Economics CEEMEA: Energy Shock 2.0 – who breaks, who bends?

The 2026 oil shock is asking big questions of policymakers in the energy-intensive CEE region. While the temptation will be for quick fixes through temporary fiscal shielding, the better outcome would be using EU instruments for co-financed investments in infrastructure. For more on this, and our latest CEE forecasts, read our Directional Economics.



Executive summary

The 2026 energy supply shock is asking some big questions of policymakers around the world. For the more energy-intensive region of Central and Eastern Europe, those questions centre not only on the reaction functions of government officials and central bankers, but also the differing starting points entering the crisis, the amount of fiscal headroom and the recourse to EU funds.

Our feature article in this edition of Directional Economics assesses the broad macro stress test of this energy shock on the region. Looking at the CEE3 economies (Poland, Czech Republic, Hungary) and Turkey, the timing has been especially damaging: disinflation had only just been achieved, growth was still fragile, fiscal room was limited, and central banks had just begun to consider easing.

We conclude that this is not an energy-dependence story, but more a policy-capacity story. What matters most is not only how much oil or gas a country imports, but

whether it has the institutional credibility, fiscal headroom, monetary flexibility, and external support to absorb the shock. Unlike in 2022, when strong post-pandemic demand cushioned the hit, the 2026 shock lands now amidst subdued confidence, and already-stretched consumers. If the Strait of Hormuz remains blocked for longer, this makes it a demand-destruction shock, leaving policymakers with no easy options.

Among the countries we look at, the Czech Republic is seen as the most resilient to this stagflationary shock thanks to low inflation, monetary credibility, a strong external position, and diversified export demand. Poland benefits from stronger cyclical growth, but its fiscal position is stretched, limiting its ability to repeat broad subsidy measures. Hungary faces a more complex situation: years of stagnation and high energy vulnerability will take their toll, but political transition after the April election creates opportunity, mostly through a more pro-European stance which could eventually unlock EU funds and improve resilience. Turkey remains most exposed, because high hydrocarbon dependence, strong FX pass-through, limited external support, and already-high inflation create the toughest trade-offs.

Monetary easing is now largely off the table, while large-scale fiscal shielding is far harder than in 2022. This makes access to EU instruments such as the Recovery and Resilience Facility and the lending programme for defence, SAFE, a major differentiator for CEE countries, allowing them to replace domestic subsidies with co-financed investment in grids, renewables, and efficiency. Turkey lacks this backstop. Our broader conclusion is that the shock may deepen a two-speed Europe unless it drives deeper integration. Countries that treat energy policy as industrial policy and invest in resilience will emerge stronger; those relying on short-term fixes risk weaker growth, higher inflation, and stalled convergence.

When looking at how central banks react to this shock, the National Bank of Poland is probably the closest to tightening. Our base case assumes an unchanged policy rate at 3.75% through 2027, though revised inflation forecasts in July could be the catalyst for a hike. The Czech National Bank is more concerned by growth and will be slower to hike, while the National Bank of Hungary will be one of the more dovish central banks in the region as it tries to rein in the strong forint and encourage more flows into local bonds.

As to Turkey, policymakers have invested a lot in a credible disinflation regime. Barring a surge in energy prices and what it would mean for external imbalances, we expect the regime to hold and the Central Bank of Turkey to continue its easing cycle through 2027.

Looking further afield, Croatia and Bulgaria are reaping the benefits of euro membership (lower rates), while increased investor interest in the CIS is discovering quite a diverse region depending on commodity balances and internal versus external demand. Ukraine secured continued war financing through new external loans but is struggling economically due to severe Russian attacks on energy and logistics facilities.

As usual, please find all our latest macro updates and forecasts for 12 countries in the region, as well as our calls on currencies and rates plus local and hard currency debt.

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