National Bank of Poland rates on hold and a hawkish press conference expected

The Monetary Policy Council did not change the interest rates, while the statement is in our driven by somewhat unrealistic inflation fears. The statement indicates that Thursday's press conference will also maintain a hawkish tone

The National Bank of Poland kept rates unchanged

The Monetary Policy Council (MPC) kept all interest rates unchanged today. The debate was heated, as the decision was announced much later (1 hour and 45 minutes later than in February and 42 minutes later than in January). This signals growing differences of opinion within the MPC, which is also evident in public interviews with Council members. The reference rate remains at 5.75%.

We perceive the tone of the official statement after the MPC meeting as hawkish, even more so than in previous months. This is evidenced by:

1. The National Bank of Poland (NBP) still presents a bleak scenario for energy prices and an average CPI in 2025 at 4.9% year-on-year, in line with the mini-projection presented by the governor in February. Also, we have not seen an alternative projection with flat energy prices in the fourth quarter of 2025 (as signalled by the ministry), which also presents a

hawkish bias.

2. The statement with the view on future CPI includes a section on persistently high core inflation was additionally supplemented by the context of "further economic recovery, with a marked increase in domestic demand," also indicating heightened concerns of the Council about inflation rising this year.
3. The CPI projection for 2026 is higher than the last November projection, which also assumed an increase in electricity prices in the fourth quarter.

The next to watch by investors will be Thursday's press conference by Governor Glapiński. Interestingly, the the previous months hawkish comments by the NBP governor are still not reflected in market valuations. The rates market is pricing in around 90 basis points of NBP rate cuts by the end of 2025, and these expectations have slightly increased compared to the February meeting.

We expect the NBP governor to strongly emphasise inflation risks, including regulated price increases and the (low probability) scenario of a spike in energy prices in the fourth quarter (the Minister of Climate signals that energy prices should not rise). Glapiński will also place significant emphasis on high wage dynamics and persistent service price inflation. At the same time, we believe he will pay little attention to factors driving low inflation, such as the strong złoty (especially against the dollar) or falling oil prices. He will likely balance this with arguments about ongoing economic recovery and fiscal expansion.

In our opinion, the current level of interest rates is increasingly impacting the economy through the credit channel and the strong złoty. Demand for credit remains weak, and businesses, analysing the cost of credit, compare it to the last decade of super-low interest rates. The strong PLN also has a cooling effect on exporters. The declared profitability exchange rate for exports is 4.00/€, but it has significantly shifted downwards along with the current rate. For the first time in many years, the current €/PLN rate is so close to the profitability exchange rate for exports. This, combined with still weak economic conditions in Germany, discourages exporters from investing, who have shown above-average investment expenditures in the past.

Persistently high core inflation suggests caution in reducing interest rates, but our models indicate that core inflation will start to decline in 2026.

Taking all factors into account, we see room for slight fine-tuning and reduction in the restrictiveness of monetary policy and rate cuts of 50-100 basis points. A change in the MPC's stance is possible only in mid-2025, after the CPI peak and when we know the results of the electricity tariff revision, which we believe will stabilise household electricity prices, rather than the spike currently assumed by the NBP.

Author

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Disclaimer