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National Bank of Poland preview: May inflation gives time to assess oil shock

The surprising decline in CPI inflation in May is positive news for the Monetary Policy Council (MPC) ahead of its 2 June meeting. The MPC can keep the rates on hold and debate whether the supply shock stemming from surging crude oil prices requires a policy response any time soon as broad inflation pressure seems contained. We do not see such a need

With May CPI lowered than expected, the National Bank of Poland is likely to keep rates on hold at its 2 June meeting

The National Bank of Poland (NBP) is widely expected to keep interest rates unchanged in June with the main reference rate at 3.75%. Recent price developments have reduced the likelihood of policy tightening this year, as inflation remains within the acceptable deviation band around the central bank's target (2.5% ± 1 percentage point) and is likely to remain so in the coming months.

Having begun 2026 with consumer inflation at around 2% year-on-year, a surge in fuel prices – triggered by the oil shock linked to the conflict in the Middle East – pushed CPI inflation above 3% YoY in March and April. Fiscal measures (cuts in excise duty and VAT on fuel) and regulatory actions (a cap on retail petrol and diesel prices) helped to halt further increases in

fuel prices but proved insufficient to prevent inflation from rising further in April.

In response to rising inflation in March and April, NBP Governor Adam Glapiński gradually shifted to a more hawkish tone. In May, he outlined two conditions for a potential rate increase: (1) inflation rising above the upper 3.5% bound of the inflation target and (2) forecasts indicating that inflation would remain above this threshold over the medium term.

The flash estimate for May CPI has altered both the policy backdrop and the outlook. Headline inflation eased to 3.1% YoY, while market consensus had pointed to an increase to 3.7% YoY. Food prices recorded the sharpest May decline since the start of Poland's economic transition in the early 1990s. In the worst-case scenario, this delays inflation exceeding 3.5% until 4Q26. In a more optimistic scenario, it may not occur this year or next. The April set of data also showed a surprisingly significant slowdown in wage growth, while industrial production and retail sales disappointed. Policymakers therefore have more time to assess the potential impact of the oil shock on domestic inflation and economic growth and judge whether there is a need to tighten monetary policy.

Our baseline monetary policy scenario remains unchanged. We continue to expect policy rates to remain on hold this year and in 2027, with the probability of this outcome having increased. At the same time, the risk of monetary tightening this year has diminished.

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