National Bank of Poland Preview: Glapinski's hawkish stance eyed

Rising inflation at the start of the year gives the MPC no other option than to keep interest rates on hold. But an improving outlook for CPI later in the year gives room for some policy easing, despite the recent hawkish pivot from NBP Governor Adam Glapinski. A first rate cut in 2Q25 still cannot be ruled out

NBP Governor Adam Glapiński

The January NBP policy decision is not expected to bring any surprises as the MPC is widely expected to keep rates on hold. Headline inflation was trending upwards in late 2024 and will likely continue to do so in the first months of 2025. Governor Glapinski made a hawkish pivot in December, surprising both the markets and some council members with the prospect of delayed rate cuts. Prior to the December MPC meeting, there was a broad consensus in the council that a debate on rate cuts should start in March 2025 after the next inflation projections, with policy decisions following shortly afterwards. However, the NBP chair highlighted the risks associated with loose fiscal policy and the withdrawal of the energy shield from 4Q25, which could potentially boost inflation. According to Glapinski, therefore, the debate on policy easing should start no earlier than October, with rate cuts delivered as late as 2026.

Interestingly enough, markets and analysts do not fully buy into the scenario outlined by the central bank governor. A poll conducted by the local news agency (PAP) indicates that a majority of economists still expect the first rate cut to come in 2Q25. Glapinski argued that electricity prices will jump when the current price cap of PLN500/MWh is lifted at the end of September. Indeed, the current energy market watchdog tariff is higher (PLN623/MWh). However, this will be reviewed in mid-2025. Given the fact that current wholesale forward contracts for 2025 (BASE) are below PLN500/MWh, it seems highly unlikely that new household tariffs will be substantially higher than the current maximum price. We have discussed this issue in a separate Think article.

We still think that the problem of inflation in Poland has not been resolved. But assuming that headline inflation moderates to around 3.5% year-on-year in December, we see room for around 75-100bp of rate cuts to prevent an unnecessary rise in real rates and ease the restrictiveness of monetary policy. Therefore, in our view, the beginning of monetary easing in 2Q25 is not off the table yet. However, the odds of delayed cuts are rising.

Author

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

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