National Bank of Poland Preview: Balanced economy paves way for December cut

Poland's CPI was lower than expected in November despite solid GDP growth. With CPI below the 2.5% target, a rare December rate cut is expected. We foresee sustained low inflation in 2026 and further easing ahead

The balanced economy, both externally and internally

Poland's economy is balanced externally, with a current account deficit of 1% of GDP or less. With rapid disinflation this year, and CPI inflation moderating to just 2.4% year-on-year in November, the economy is also well-balanced internally. At the same time, GDP growth is gradually accelerating and the structure looks healthy. Against this backdrop, the door is open for another 25bp rate cut in December. This well-balanced and dynamic economy is likely to prevail in 2026, with the terminal rate at 3.50% and risks tilted to the downside.

November CPI surprised to the downside; other monthly data shows balanced economy

The November reading surprised once again as Poland's consumer inflation fell to 2.4% year-on-year from 2.8% YoY in October, below the market consensus of 2.6% and ING's forecast of 2.5% YoY. The decline from October stemmed from slower food price growth, and lower broad-based inflationary pressure, including from core categories. Energy prices did inch up in November, but were still lower than we had expected.

In October, employment continued to decline despite quite an advanced business cycle. The scarcity of labour supply is partially responsible for this, but manufacturing also faces pressure from past rapid wage growth, strong PLN appreciation, and rising competition from China.

We expect sustainable GDP growth to be accompanied by a further decline in inflation. At present, we do not see any pressure from core goods prices (due to cheap imports from China and slowing local wages), commodity prices or food, and core inflation should continue to fall, partly thanks to slowing wage growth. CPI and core inflation in 4Q25 are lower than the November projections from the National Bank of Poland, and we also see lower 2026 CPI than the NBP expects.

Solid GDP growth in Poland in 3Q25 driven by rising investment

The StatOffice today revised third-quarter GDP growth to 3.8% YoY from the previously reported 3.7% and released details on its composition. Seasonally-adjusted data points to 0.9% quarter-on-quarter expansion vs. 0.8% QoQ in the previous quarter, indicating buoyant growth momentum. At the same time, private consumption moderated to 3.5% YoY from a strong 4.5% YoY in the previous quarter, public consumption growth was strong (7.4% YoY), while investment rose to 7.1% YoY, possibly due to public sector defence spending.

Relatively modest consumption growth is good news for inflation prospects and this marks a clear shift from pre-pandemic business cycles when consumption growth outpaced GDP. The growth structure is also different from a supply side perspective, as services continue to propel the economy, while industry is only gradually recovering and is no longer the main GDP driver. The latest October data indicates a strong start to the fourth quarter for Poland, with prospects for a gradual recovery in construction and a slow recovery in industrial production. However, services remain the main driver of expansion.

GDP growth of 3.5% to 4.0% in 2025-26 will be supported by the EU’s Recovery and Resilience Fund (RRF). Our forecasts suggest that GDP growth in 4Q25 will be slightly higher than in 3Q25. We still assume that GDP growth will be around 3.5% YoY in 2025. We had expected 2026 growth to be similar to 2025, but given the strong end to this year, we are now expecting growth to fall within the 3.5-4.0% range. The RRF will formally close next year, although it may still boost investment and consumption in early 2027. This is the main difference between our forecasts and the consensus, which assumes a concentration of EU funds in 2026 due to RRF deadlines, while we anticipate a smoother distribution across 2026 and 2027.

Our call for December NBP interest rate cut aligns with consensus

Taking November's CPI report into consideration, we expect a 25bp rate cut and this is the widespread market consensus. Also, Poland's inflationary outlook for 2026 is improving.

- First, we expect a further slowdown in wage growth as the current cyclical recovery is less labour-intensive than before (based on services now rather than manufacturing in the past). Wage dynamics should remain subdued in 2026, given a smaller administrative impact (only a 3% minimum wage hike in Jan-26 versus 20% annually in recent years!).
- Second, we do not anticipate energy price hikes, contrary to the NBP's recent guidance, as the new regulated electricity prices for 2026 are unlikely to be higher than the current cap of PLN 500/MWh.
- Third, the ETS2 implementation has been postponed until 2028.
- Fourth, while fiscal imbalances remain sizeable in 2025 and will likely persist in 2026, their inflationary impact is very limited. Elevated household and corporate savings – driven by war-related uncertainty and memories of past high inflation – are acting as buffers.

In our view, the balance of risks is skewed towards lower CPI in 2026 than our current forecast of 2.7% on average. We see the terminal rate at 3.50%, but it could drop as low as 3.00%. In addition to a December NBP rate cut, we foresee two to four more 25bp rate cuts in 2026. We consider the recent low inflation to be sustainable in 2026, despite the country's GDP outperformance compared to CEE peers.

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