

# Poland's central bank extends its wait-and-see mode; we see the next cut around the corner

In line with our expectations, the Monetary Policy Council (MPC) left the National Bank of Poland's (NBP) interest rates unchanged in February (with the reference rate remaining at 4.00%), thereby extending the pause in monetary easing announced in December



The National Bank of Poland in Warsaw

## Dovish statement

Today's post-meeting statement had a dovish tone and signals a readiness for further monetary policy easing. The Council noted that incoming data suggest a potential decline in CPI inflation in the first quarter and a stabilisation in the NBP's inflation target level in the coming quarters. The sentence from the MPC statement that wage growth – despite an increase in December – had been slowing over the course of last year suggests that the Council views the recent uptick as temporary. We interpret this as a clear dovish bias.

## Reasons for the pause

Only three weeks have passed since the January meeting, and no new official inflation data have

been released in the meantime. At the same time, real economy data surprised to the upside. Growth in industrial output and construction and assembly production in December was significantly stronger than market expectations. The preliminary GDP estimate for 2025 indicates that economic growth in the fourth quarter was close to 4% year-on-year. Wage growth data for December also surprised on the upside. Although this was largely driven by annual bonuses and awards (including in the mining sector), it nevertheless interrupted the previously observed downward trend. In summary, the macroeconomic data released since the previous MPC meeting justified remaining in a wait-and-see mode. The Council needs time to ensure that the declines in CPI inflation, core inflation and wage growth are permanent.

## Further disinflation will convince the MPC to resume rate cuts

In our view, there is substantial room for further interest rate cuts. The inflation outlook remains favourable. Our forecasts and market expectations indicate that at the beginning of 2026 inflation has likely already fallen below 2% YoY. We expect inflation to remain below the NBP's target for almost the entire year (averaging 2.1% YoY), and to decline to around 1.5% in some months of 2026, i.e. to the lower tolerance bound from the 2.5% target. We expect wage growth to continue slowing and disinflationary pressures to persist, supported by rising imports of inexpensive goods from China. Developments in the food market are also favourable.

## The terminal rate at 3.25% or lower

We expect the reference rate to be cut from 4.00% to 3.25% before the end of 2026, and we do not expect to wait long for further rate cuts. In our view, March would be a suitable moment for the next interest rate reduction. By then, the Council will have access to the preliminary inflation reading for January as well as an updated macroeconomic projection, which should reinforce policymakers' confidence that the current decline in inflation is durable and leaves room for further monetary easing, albeit on a smaller scale than in 2025.

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