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Poland's Monetary Policy Council pauses its interest rate cuts

It was no surprise that the National Bank of Poland kept interest rates unchanged, with the reference rate at 4.00%. We expect the next rate cut as early as March with the update of the central bank's inflation projection, and see room for at least three cuts this year

We think the NBP will keep rates on hold this week as recent strong data makes a cut hard to justify

Decision to keep rates unchanged

In line with our expectations and market consensus, the Monetary Policy Council (MPC) left the National Bank of Poland's (NBP) interest rates unchanged in January (with the reference rate still at 4.00%) following four consecutive reductions of 25 basis points each in 2025. This move was consistent with previous communications suggesting a shift to a wait-and-see approach and observation of the effects of the monetary policy easing to date.

Changes in the statement: magnifying glass needed

The statement following today's meeting, at which rates were held, is as succinct as the one after the December meeting, when rates fell by 25 basis points. The section confirming interest rates remain unchanged contains no additional justification, merely a reference to the previously outlined context. The changes in the statement admit that global commodity prices are falling—while a month ago the MPC mentioned ongoing market uncertainty.

At the domestic level, the Council expects economic activity in the fourth quarter of 2025 to be similar to that in the third quarter. In describing the labour market, changes indicate that the slowdown in wage growth occurred over the past year (previously no timeframe was given) and the adjective “further” was removed from the decline in employment, consistently with November data. The Council estimates that core inflation in December will be at a similar level to November.

Among the risk factors for future inflation, energy prices are no longer mentioned, which is understandable following the tariff decisions announced by the Energy Regulatory Office in December. Meanwhile, the macroeconomic situation abroad, including changes in commodity prices mentioned above, was added. However, we assume that with energy no longer a risk factor, the inflation path in the NBP’s March projection will be significantly lower than in November.

We see at least three interest rate cuts this year, starting in March

In our view, sustaining rates flat does not change our rate view for 2026. We still see significant room for further monetary easing. Firstly, CPI inflation fell below the National Bank of Poland’s target already in December and, according to preliminary estimates, stood at 2.4% year-on-year. We find the December CPI as another signal of changing corporates' pricing policy, ie, resembling their behaviour from the low inflation period. Secondly, inflation prospects have further improved, due to a variety of factors. Increases in regulated energy prices have turned out to be minor, and the situation in the fuel and food markets remains favourable. An important disinflationary factor continues to be the growing share of cheap imports from China, and the expected continued slowdown in wage growth should support a further deceleration in service inflation and, consequently, a decline in core inflation.

We anticipate that the reference rate will be cut to 3.25% before the end of 2026 and that we will not have to wait long for further rate reductions. We expect the next one in March with the update of the NBP’s inflation projection. The Council is increasingly aware that the disinflationary trend is strong and the risk of undershooting the inflation target in the medium term is growing.

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