

Polish inflation slows to 2.4%, strengthening NBP rate cut expectations

The end of the year is marked by a further decline in Polish inflation, below the NBP's 2.5% target. Companies' pricing behaviour is returning to low inflationary times, and the reading is a reality check for the central bank's Monetary Policy Council. We expect three rate cuts to 3.25% in 2026, maybe as early as January



Pre-Christmas shoppers in Krakow

Positive inflation surprise in December

According to the preliminary CSO estimate, CPI inflation fell in December to 2.4%YoY from 2.5% in November, below the 2.5% consensus, with the monthly price level unchanged at 0%MoM. In December, we observed a modest increase in food prices (0.1% MoM), and core inflation stood at 2.8% YoY despite the holiday period, an early winter, and a low statistical base from the previous year. It appears that companies' pricing policies are gradually returning to patterns typical of periods of low inflation. Not so long ago (in 2021–22), food prices alone could rise by 1.5–2% MoM in December.

Looking at selected categories, the lower CPI inflation (2.4% YoY in December compared to 2.5% in November) was driven by a slowdown in food price growth (2.4% YoY in December, down from 2.7% in November), a slight acceleration in energy carrier prices (2.8% YoY in December, slightly up

from 2.7% in the previous month), and a notably deeper fall in fuel prices (-3.1% YoY in December, down from -1.9% in November). In the latter category, prices in December fell by 0.9% MoM, whereas in the previous month they rose by 2.2%MoM.

We estimate that core inflation (CPI excluding food and energy prices) reached 2.8%YoY, compared with 2.7% in November. This slight increase in core inflation is attributable to the exceptionally low base in December 2024, when there was a 0.1% month-on-month decline following sharp price rises before the end of 2024.

Five factors which will keep inflation low in 2026

According to our latest ING Economic Courier with forecasts for 2026 (<https://ekonomiczny.ing.pl/publikacja/862543>, publication only in Polish), we see several factors that will keep inflation low in Poland in 2026, despite strong GDP growth relative to the EU:

1. Poland is recording slower GDP growth than in the past, and the economy is avoiding a consumption boom, unlike in recent years.
2. Income policy is cautious (3% rise in the minimum wage versus around 20% in 2023–24, and no new social benefits in 2026), which does not allow for easy price increases as seen in 2022–25.
3. The current economic cycle is less labour-intensive than previous ones, with modern (less labour-intensive) services, rather than industry, acting as the main growth engine. Industry is struggling with low margins and deteriorating competitiveness, which also means wage growth will slow to about 5.5% in 2026—a level consistent with the NBP's inflation target.
4. Competitive pressure from China is greater than in previous years. The NBP highlighted this factor during the recent inflation projection.
5. Monetary policy is tighter than the real interest rate suggests, as the real appreciation of the zloty (PLN) is the strongest since 2004–08.

We see three NBP rates cuts in 2026

In our view, the Monetary Policy Council (RPP) remains unconvinced that disinflation is permanent, and the December data provides an important signal confirming that the acceleration in disinflation in the second half of 2025 has been a lasting trend. We think a rate cut could be considered at the January meeting, although this is not our baseline scenario.

Therefore, we expect three 25 basis point rate cuts next year, bringing the rate to 3.25% by the end of 2026, with risks tilted to the downside. Today's positive inflation surprise strengthens expectations for the continuation of NBP's adjustment cycle.

Following a series of rather cautious comments from the Monetary Policy Council, including the NBP Governor's wait-and-see approach for the coming months, we expect the next NBP rate cut to come in March. By then, the Council will have access to the updated NBP analysts' projections and more reliable data, following changes to the CPI inflation basket at the start of the year and the switch to COICOP2018 classification.

Author

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.