

## Polish disinflation continues despite upside surprise in January CPI

Poland's January CPI inflation surprised to the upside due to technical quirks and volatile prices. Still, headline inflation has moderated below the central bank target. The higher-than-expected reading will not prevent a 25bp cut in March as the disinflationary trend is deeply rooted. A change of MPC consensus on the terminal rate is still possible



Further disinflation was mainly driven by a decline in gasoline prices

### Further disinflation despite some upward surprises

According to the flash estimate for January, Polish CPI inflation declined to 2.2% YoY (ING and market consensus at 1.9% YoY) from 2.4% YoY posted in December. That means that for the second consecutive month, headline inflation was below the National Bank of Poland (NBP) target of 2.5% (+/- 1 perc. point).

Further disinflation was mainly driven by a decline in gasoline prices, and fuel fell 7.1% YoY after a decline of 3.1% YoY in December. We see three main reasons why inflation did not drop as much as expected. First, food prices surprised to the upside and increased by 2.4% YoY, i.e. at the same annual rate as in the previous month.

Second, housing energy costs accelerated to 3.4% YoY from 2.8% YoY in December despite lower gas bills. Finally, the shift to COICOP 2018, the updated global standard for classifying goods and services that households consume, probably also contributed to the lower annual figure and helps explain the discrepancy between a 0.6% MoM increase that implies a 1.9–2.0% YoY increase and the official 2.2% YoY number.

Although the January flash figure was based on the same basket weights of particular items as in 2025, some items were moved from one category to the other, shifting relative weights and changing aggregation. On a positive note, the MoM change of 0.6% was in line with our forecasts, even though the annual figure was 0.3pp higher.

The January CPI report is of a preliminary nature. It incorporates the new COICOP 2018 classification, but still uses the same weights as in 2025. The figure will be revised in March when Statistics Poland conducts an annual update of CPI weights.

## Disinflationary trend justifies further rate cuts

Despite the upward surprise in the annual January CPI inflation, the overall picture of price developments is positive, and disinflationary trends are deeply rooted. That is why we see room for further monetary policy easing. Recent official statements from the Monetary Policy Council suggest that a 25bp rate cut in March is a done deal.

We believe that the National Bank of Poland macroeconomic projection for March will paint a much more favourable picture of the inflation outlook than the one presented in December. As a result, the target rate may turn out lower than the 3.50% often mentioned by policymakers in recent weeks. In our view, the main policy rate may fall to 3.25% or even lower before the end of the year.

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