

## National Bank of Poland hints at a rate cut in March, as we had expected

NBP governor Adam Glapiński clearly signalled that March is a good moment for the next rate cut. If anything, we think the scenario of inflation on target throughout 2026 seems a bit cautious. We see slightly deeper room for rate cuts. By the end of 2026, the main policy rate may decline to 3.25% with some downside risk, while the governor sees 3.50%



In his press conference, National Bank of Poland governor Glapiński indicated that March might be the right time for a rate cut

### Rationale behind the February rate decision

In justifying the Monetary Policy Council (MPC) decision to keep interest rates unchanged, National Bank of Poland (NBP) governor Adam Glapiński noted that no new inflation data had been released since the previous meeting, while interest rates had already been lowered by a total of 175 basis points in 2025. He also pointed out strong economic growth data at the end of the year, including robust December industrial production and retail sales. At the same time, he noted that for the second month in a row, there was an acceleration in wage growth in the enterprise sector in December. This increase may have resulted from one-off factors, and only the data from the coming months will show whether the slowdown in wage dynamics will continue.

## Price developments

Governor Glapiński recalled that in December inflation fell to 2.4% year-on-year and was in fact within the central bank's target (2.5% (+/- 1 percentage points). He emphasised that available forecasts indicate that the **return of inflation to the target is sustainable**. He added that in the first quarter inflation may decline further. Firstly, the electricity tariff has been reduced. Secondly, global agricultural commodity prices have fallen. Finally, a disinflationary pressure is visible in tradable goods, and services inflation is in decline, which is reducing core inflation. **For the first time in many months, Adam Glapiński did not raise the issue of inflationary risks.**

## Monetary policy outlook

The NBP governor reiterated that the upcoming MPC decisions will be based on incoming data; however, in his view, **March will be a good moment for an interest rate cut**. He recalled that in March the preliminary inflation data for January will be available, and it will become clear whether wage growth resumes the downward trend at the beginning of 2026. In addition, the Council will have a new projection that will take into account the effects of the interest rate cuts delivered so far. According to the governor, throughout 2026, inflation will generally be in line with the central bank's target, which means that the MPC may discuss whether to cut interest rates further.

The press conference confirmed our view presented in recent months. We still expect the next rate cut in March and by the end of 2026 the main policy rate might be reduced to 3.25% or even below, while the NBP governor seems to be leaning more towards 3.50%. We are a bit more optimistic on the CPI outlook in 2026 than the governor and see CPI below target in 2026, even flirting with the lower bound, i.e., 1.5% YoY in some months.

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