NBP preview: Rate cuts imminent as Poland’s central bank changes direction

Poland's central bank is expected to cut rates by 50bp in May. A change in the inflation outlook has prompted this radical dovish pivot from a hawkish stance since December. We're looking at 125bp of rate cuts this year, with another 75bp reduction in 2026

National Bank of Poland governor, Adam Glapinski

We expect the Polish Monetary Policy Council (MPC) to start adjusting its monetary policy at its May 7-8 meeting with a 50bp cut in the National Bank of Poland's rates. The central bank maintained a very hawkish stance since December last year throughout the first quarter of 2025. But in April, Governor Adam Glapiński made a dovish pivot and declared that rate cuts are coming soon. The main rationale for a turnaround in the central bank communication was the change in the inflation outlook which is more favourable than originally anticipated by policymakers and envisaged in the March central bank staff macroeconomic projection.

Several factors support the argument that the current monetary policy is overly restrictive:

1. Headline inflation in 1Q25 was lower than expected after the StatOffice updated the CPI basket weights.
2. Inflation is on a downward path and surprised to the downside in April, moderating to 4.2%

YoY.

3. The core inflation that the NBP projected to hover around 4%YoY by the end of this year also started declining and is currently around the upper bound of acceptable deviations from the NBP target (2.5%, +/- 1 percentage point).
4. Wage growth eased to a single-digit pace after rising at a double-digit rate for three years in a row.
5. A recent set of monthly data suggests that in 1Q25, annual GDP growth was slower than in 4Q24.

During the April press conference, Glapiński mentioned that the Council may adjust rates in 50bps moves, which led to serious repricing on the fixed income market. Following that conference, markets priced in quite an aggressive policy rate adjustment and currently see three 50bps cuts over the next three months.

In our view, those valuations are excessive, and an upward move in yields seems likely, especially if the May rate cut is accompanied by a more cautious and less dovish press release or indeed direct comments by Glapiński than the markets are expecting.

Based on the freshly updated inflation projection, we think the Council will pause rate cuts in June and resume the easing cycle in July. We believe headline inflation may return to the NBP target about a year earlier than envisaged in the official March projection, so there is a sizeable room for monetary easing in the coming quarters.

We see 125bps of cuts in 2025 and another 75bps in 2026, bringing the main policy rate to 3.75% by the end of the next year.

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