

Poland's central bank holds rates steady amid rising inflation forecasts and slower growth

The National Bank of Poland kept interest rates on hold and remains reluctant to cut rates in the near term. However, the Bank presented a less hawkish bias over the medium term. The November projection brought a downward revision to GDP forecasts and a higher CPI path. Policymakers expect wage growth to ease and signalled easier policy in 2025



Monetary policy decision: rates unchanged

In line with expectations, the Monetary Policy Council (MPC) kept NBP rates unchanged in November (the main policy rate is still at 5.75%).

New projection: upward revision to CPI path despite slower GDP growth

The Council reviewed the latest macroeconomic projections, which we present in the table below. Compared to the July projections, the forecasts have significantly reduced the economic growth path for the years 2024-2026, by 0.3-0.4 percentage points. At the same time, the expected inflation levels for 2025-2026 have slightly increased (by 0.2-0.1 percentage points). The increase in the projection is higher than the surprise CPI in 3Q 2024 (0.1 percentage points) and results from the assumption of full energy price liberalisation and continued wage pressures.

NBP projections comparison

	2024	2025	2026
GDP			
NBP Jul'24 projection	3.0	3.8	3.1
NBP Nov'24 projection	2.7	3.4	2.9
ING	2.7	3.5	3.8
CPI			
NBP Jul'24 projection	3.7	5.2	2.7
NBP Nov'24 projection	3.7	5.4	2.8
ING	3.7	4.8	3.0

Source: NBP, ING.

Statement: more hawkish in the short term, more dovish in the long term

The statement following the Council meeting notes the ongoing moderate recovery in the euro area and the year-on-year GDP decline in Germany in 3Q24. It also indicates that the annual GDP growth rate in Poland in 3Q24 was most likely lower than in 2Q24. The Council members assessed that the main factors behind elevated inflation include increases in energy and other regulated prices, as well as wage growth, including hikes in the public sector.

Disinflationary factors include low demand and cost pressures, and the previous strengthening in Poland's zloty. The Council believes that in the coming quarters, inflation will remain at elevated levels, and in the event of further energy price increases at the beginning of 2025, prices will rise even more. At the same time, the Council is more optimistic about the future inflation outlook, noting that it expects wage growth to slow.

General conclusions ahead of the NBP governor press conference

In our opinion, the Council remains reluctant to cut rates soon, but has signalled a slightly more dovish policy bias over the medium term. This is indicated by the CPI projection for 2026 (still low), the continued mild tone of comments regarding future inflation, and the addition of a note about a possible slowdown in wage growth. The Council did not explicitly refer to the higher budget

deficit in 2024.

We expect that during the press conference, NBP President Adam Glapiński will again enumerate the risks to inflation, highlighting, among other things, the role of regulated prices and a more expansionary fiscal policy than previously expected. In the context of rising inflation, the issue of slightly weaker economic conditions is of little significance for the outlook for monetary policy. We expect that the governor will again suggest that the 2025 March projections will be a good time to start discussing policy easing. In our view, the Council will begin to cut interest rates after inflation peaks, and after making sure that credible forecasts indicate a sustained decline in inflation to the target in 2026. We still believe that the first rate cut will occur in 2Q25, and over the course of the next year, we think NBP rates will be reduced by a total of 100 basis points.

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