

National Bank of Poland preview: Expect another 25bp rate cut

The National Bank of Poland (NBP) has repeatedly warned of upside risks to inflation over the medium term, but this has not prevented the central bank from cutting rates as inflation moderates. Rate-setters have cut rates at each policy meeting since July, and we expect another 25bp cut on 5 November



National Bank of Poland governor Adam Glapinski

A shift toward easing cycle rather than rate adjustments

Between the second and third quarters of 2025, MPC members indicated that they expected a terminal rate near 4% in 2026 and favoured gradual, data-driven adjustments rather than a full-scale easing cycle. However, by October, the cumulative rate cuts in 2025 reached 125bp, including three consecutive reductions in July, September, and October.

The reason why the MPC decided to ease more decisively than previously suggested was due to the better-than-expected inflation picture. This is less apparent in current data – in the third quarter, headline CPI was broadly in line with the July NBP projection, only core inflation was 0.2pp lower than the central bank expected. The improvement in the inflation outlook has become more pronounced this quarter.

The NBP's pessimistic scenario – a spike in energy prices for households potentially adding 0.7pp to CPI – did not materialise, as the government extended the energy price freeze to the fourth quarter, and distributors secured 2026 energy supplies at low prices.

October's CPI also came in lower than expected, suggesting that both headline and core inflation will fall short of the July forecast – even after accounting for the household electricity price freeze.

A clearer improvement in the inflation outlook will emerge over the longer term – specifically in 2026 – when inflation is expected to align more closely with the central bank's 2.5% target. MPC members have repeatedly mentioned the upside risks to the mid-term inflation outlook, including expansionary fiscal policy, robust consumption growth, elevated wages dynamics and uncertainty about the impact of ETS2 on prices. However, current CPI readings, the global backdrop and the local situation call for a low CPI in 2026 too.

Many of the risks flagged by the MPC have not materialised (e.g. an energy price spike in Q4 2025) or eased (such as slower wage growth in the third quarter after a temporary acceleration in the second quarter). As a result, our models, and presumably also NBP forecasts, show inflation heading towards the central bank target of 2.5%.

A cut more likely than a pause at the November meeting

We expect another rate cut on 5 November as inflation continues to moderate and is very close to the NBP target of 2.5%. In October, headline inflation fell to 2.8% from 2.9% YoY in September (defying expectations – including ours and the consensus – of a rise to 3.0%) and core inflation excluding food and energy prices moderated to 3.0% YoY from 3.2% YoY in the previous two months.

We think a 25bp rate cut in November is now more likely than a pause and see the main policy rate at 4.25% at the end of 2025, as monetary policy parameters should remain unchanged in December.

In the environment of solid consumption-led economic growth and expansionary fiscal policy, CPI inflation keeps declining towards the central bank target. The exchange rate is stable and slightly appreciating as the real interest rate is relatively high.

The NBP still has room for monetary easing, and we expect two more 25bp rate cuts in 2026, bringing the main policy rate down to 3.75% at the end of next year. We see the previous MPC decisions as being the frontloading of the easing cycle rather than a major change to the terminal rate. We still expect the terminal rate to be around 3.75%, but now likely to be reached in the first half of 2026 rather than in 2027.

Author

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Adam Antoniak

Senior Economist, Poland

adam.antoniak@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.