NBP preview: Rate cut pause likely to be extended into February

Poland's central bank kept interest rates unchanged in January after policymakers signalled a pause in the easing cycle at the end of last year. Fresh monthly data supports staying on hold though inflation trends leave room for more cuts

We think the NBP will keep rates on hold this week as recent strong data makes a cut hard to justify

Given the inconsistent communication and lack of transparent reaction function in the past, market participants remain reluctant to take comments from the National Bank of Poland at face value. Economic data is currently driving the NBP's decisions rather than the governor's statements. At the press conference following the January pause in cuts, the central bank governor, Adam Glapiński, reiterated that decisions are taken on a month to month basis, depending on incoming data.

Macroeconomic figures released since the January policy meeting provide solid arguments for maintaining a wait and see approach in February as well. First, both manufacturing and construction in December turned out much stronger than expected, indicating that economic growth is becoming increasingly broad-based. The robust economic performance in late 2025 was also confirmed by the estimate of full year GDP growth at 3.6%, which implies economic expansion of around 4% year on year in the fourth quarter. Second, wage dynamics in December also surprised to the upside. Admittedly, this was driven by strong annual bonuses in sectors like mining, but still, the reading broke the downward trend in the pace of wage growth observed in the previous months.

Despite the recent string of activity data, economists remain split on their expectations for the outcome of February's MPC meeting, which confirms the difficulty in predicting monetary policymakers' intentions given recent communication and policy actions.

The main argument to cut now is the inflation forecasts. According to our estimates, January inflation fell below 2% year on year. We assume that the NBP's staff may deliver similar short-term forecasts to the MPC, which could call for a resumption of rate cuts in February, even before the release of the official January CPI figure and the March central bank inflation projection.

Our baseline scenario assumes that the NBP will keep interest rates unchanged this week, as a cut would be difficult to justify considering the strong data released in recent weeks. The absence of an official January CPI reading also supports pausing until more data becomes available, helping to assess whether disinflation is continuing despite the ongoing economic recovery. In our view, the MPC will want further clarity on whether wage and core inflation pressures will continue to ease in 2026.

Still, we continue to expect the next cut in March and further easing in the following months. We see the terminal NBP rate at 3.25% this year – or even lower if the inflation outlook improves beyond our already optimistic forecasts. We expect CPI to hover near the lower bound of the NBP's target range (2.5%+/-1%) in 2026 and a series of low inflation prints in the coming months should trigger further NBP rate cuts.

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