Snap | 28 November 2025

POLAND

Polish economy continues to surprise with low CPI, despite high GDP growth

Poland’s CPI inflation moderated to 2.4% in November, giving policymakers a reason to celebrate as the headline rate fell below the central bank s 2.5% target. The reading means that the door is wide open for another 25bp rate cut in December. A goldilocks economy is set to prevail in 2026, with the terminal rate at 3.00-3.50% and risks tilted to the downside

Poland’s GDP growth slowed to 3.4% year-on-year in 1Q

November CPI surprised to the downside

Poland has recently seen wide press coverage owing to its GDP outperformance against both the EU and the UK, and has now surprised once again with a low CPI reading. Poland's consumer inflation fell to 2.4% year-on-year, according to the StatOffice's flash estimate, from 2.8% YoY. This is below both our forecast of 2.5% and the market consensus at 2.6%. The decline from October stemmed from slower food price growth (2.7% YoY vs 3.4% YoY in the previous month) and lower inflationary pressure from core categories.

We estimate that core inflation, excluding food and energy prices, dropped to around 2.8% YoY from 3.0% YoY in October. Energy prices did inch up in November, but were still lower than we had expected, which explains another downside surprise with CPI below consensus. Lower price pressure from both core inflation and food prices suggests that the disinflation is broad-based.

Our call for December NBP cuts should now align with consensus

Taking November's CPI report into consideration, market consensus is now likely to expect the 25bp rate cut we had previously pencilled in. Both CPI and core inflation should be slightly lower than the National Bank of Poland (NBP) had forecasted in its November macroeconomic projection.

Target rate may be below 3.50%

Poland's inflationary outlook for 2026 is also improving:

1. We see a further slowdown in wage growth, as the current cyclical recovery is less labour-intensive than before (it's now based on services, as opposed to manufacturing previously). What's more, the low dynamics of wages should continue in 2026, due to lower administrative contribution (with just a 3% minimum wage hike in January 2026 compared to 20% previously).
2. We don't expect an energy price hike despite what the NBP has incorrectly communicated over recent quarters, as the new regulated electricity prices for 2026 are unlikely to exceed the current cap of PLN500/MWh.
3. The ETS2 implementation is postponed until 2028.
4. While the fiscal imbalance is sizeable this year and is likely to remain that way in 2026, the inflationary effects of the high fiscal deficit are very limited. This is due to the elevated saving rates of households and corporates, who are concerned about the proximity of the war and want to rebuild safety buffers, likely as a result of the not-too-distant memory of high CPI in recent years.

In our view, the balance of risks is skewed towards a lower CPI in 2026 than our forecast of 2.7% average. We see the terminal rate at 3.50%, but it could drop as low as 3.00%. On top of a December NBP cut, we foresee at least two more 25bp rate cuts in the first half of 2026 – although rates are likely to remain stable in the first few months due to the limited scope of CPI reports at the beginning of the year, ahead of the March update of basket weights and the COICOP2018 introduction.

Missed opportunity

EM asset management community underweighted POLGBs, despite slowing inflation and the prospect of further NBP cuts in 2026

It isn't good news all around, though, as Poland is not fully benefiting from the decline in inflation. During our trip to London this week, clients' attitudes were very cautious, and they were unwilling to bet on further rate cuts in Poland in 2025. We think a "goldilocks economy" (i.e., robust economic growth and low inflation) will prevail in 2026. This is a missed opportunity and a communication failure for a country that needs to finance record-high borrowing needs in 2026.

Still, as we mentioned previously, we've seen a series of positive surprises lately for Poland, and the latest low CPI reading provides further support for optimism. In our view, low inflation is sustainable in 2026, despite the country's GDP outperformance.

Author

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

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