Snap | 30 June 2026 POLAND

Polish inflation returns to the central bank’s target in June

Polish CPI inflation surprised to the downside for the second month in a row. It has now reached the National Bank of Poland's target of 2.5%, with food prices continuing to fall. Markets had already priced out rate hikes ahead of the June flash CPI, but some investors may now start speculating on rate cuts in 2H26. We expect rates to remain on hold for now

Falling food and non-alcoholic beverage prices proved the main surprise in today's data, and are now lower than they were a year ago

Polish CPI inflation fell to 2.5% year-on-year in June (ING's expectation: 2.9%; consensus: 2.7%), down from 3.1% YoY in May, according to the flash estimate from Poland Statistics (GUS). For the second consecutive month, inflation surprised on the downside and is now exactly at the National Bank of Poland’s (NBP) inflation target. This suggests there is no need for interest rate hikes, as the recent oil price shock did not generate a lasting inflationary impulse.

As expected, June saw a sharp decline in fuel prices (-7.4% month-on-month), supported by the fall in crude oil prices from above US$100/bbl throughout most of May to just over US$70/bbl currently. This allowed retail fuel prices to decline despite the reinstatement of the higher excise duty rates that had been in place at the beginning of 2026.

The main surprise, however, was a second consecutive and sizeable monthly decline in food prices. Prices of food and non-alcoholic beverages fell by 0.7% MoM in June, following a 1.0% MoM decline in May, and are now lower than a year ago. A modest decline was also recorded in energy prices (-0.4% MoM). According to our estimates, core inflation, excluding food and energy, remained broadly unchanged from May at around 3.0-3.1% YoY.

The June inflation reading leaves the Monetary Policy Council in a comfortable position. Inflation is now at target, while the oil market shock has generated only a limited inflationary impulse, largely confined to fuel prices. At the same time, disinflationary – and in the case of food, outright deflationary – trends have persisted in other categories. Even before the June inflation release, markets had already priced out bets on rate hikes. Less than three weeks ago, FRA contracts were pricing in at least three 25bp interest rate hikes. We expect that market attention will now shift towards the possibility of NBP rate cuts in the second half of 2026.

Our baseline scenario assumes that the central bank's policy rates will remain unchanged in the coming months (with the reference rate staying at 3.75%), and that the MPC's next move will be a rate cut rather than a rate hike. From today's perspective, it appears that the war in the Middle East interrupted the monetary policy adjustment cycle, but that the NBP could return to easing if the medium-term inflation outlook continues to improve. The July inflation projection should provide the Council with a better assessment of current inflation dynamics and the potential scope for monetary policy easing.

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