Snap | 4 March 2026 POLAND

The Iran war black-swan event did not deter National Bank of Poland doves

Poland s central bank cut interest rates by 25bp, in line with expectations and forward guidance, though made before the situation in Iran. The decision was driven by a large downward revision in the inflation projection. We expect cautious comments from Governor Glapiński tomorrow and see a terminal rate above our previous estimate of 3.25%

Poland's central bank has kept interest rates unchanged at 3.75%

A 25bp cut in line with expectations

The Monetary Policy Council (MPC) has ended its pause in the interest rate adjustment cycle, lowering the reference rate of the National Bank of Poland (NBP) by 25 basis points to 3.75%. The decision was both announced and expected. However, the forward guidance about the March cut was provided before the conflict in Iran, which pushed energy commodity prices up and increased the risk of a negative supply shock on the energy market. But the MPC looked at the strong disinflation trends affecting underlying inflation, while the energy shock is rather a risk for headline CPI.

Mild statement, brief mention of commodity price spike and the war in Iran

The MPC's statement accompanying the rate cut is mild, if not dovish, in tone. Notably, there is a paragraph highlighting that wage growth was "clearly lower than in the previous month", as well as a "further decline in employment". The reference to the war in Iran and the spike in commodity prices is brief, with the paragraph on future decisions stating that the MPC will monitor commodity prices and global inflation, and adding "in the context of geopolitical tensions". On the other hand, the MPC noted a decrease in agricultural commodity prices.

A month ago, the MPC saw inflation close to the target in first quarter 2026; today, it speaks more generally about inflation prospects. It is worth noting that the projection shows CPI below the 2.5% inflation target over the medium term, but the energy shock – if prolonged – could push inflation higher. The statement does not indicate a possible dilemma for the NBP in the event of a negative supply shock, which is likely following the attack on Iran and could affect the NBP rate path this year.

New lower inflation projection

We have also learnt the main assumptions of the March inflation projection, which, as expected, presents a lower inflation path than the November projection. According to the latest NBP estimates, the midpoint of the CPI inflation projection will remain below target, ie, 2.3% this year, 2.4% next year, and 2.5% in 2028. The forecast for 2026 is 0.6 percentage points lower than in November, and in the following years inflation should be close to the NBP's target.

The outlook for GDP growth is somewhat more optimistic. In 2026, the midpoint of the GDP projection is 3.9% (0.2 percentage points higher than in November), followed by 2.9% in 2027 and 3.0% in 2028. The GDP projection probably assumes a drop in the EU's Recovery and Resilience Facility funds at the end of 2026. In our view, some of these expenditures will be postponed to 2027, which will help smooth the economic cycle; therefore, our GDP forecast for 2027 is more optimistic than the NBP's.

Interest rate outlook

We maintain our view that the March cut was driven by improved prospects for core inflation, and any potential spike in headline CPI caused by a potential supply shock and higher energy prices (should the war drag on) is less of a threat to monetary policy than during Covid and at the start of the Ukraine-Russia war.

Today's MPC decision fits into the improved communication policy of the central bank in recent months. Despite rising uncertainty, the Council has delivered on earlier announcements, but will now act with caution, monitoring geopolitical developments.

Tomorrow, we will likely learn from President Adam Glapiński's conference that future decisions will be made month by month based on incoming data. In our view, scope for further monetary easing is limited, and the end of rate cuts is near. If the period of elevated oil and gas prices persists, the terminal rate this year could turn out higher than the previously expected 3.25%.

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