

Slowing core inflation sees more room for National Bank of Poland cuts

Poland's April CPI was revised up to 4.3% YoY vs the flash estimate of 4.2% YoY, but its composition points to a further slowdown in core inflation. We think the disinflationary trend should continue, and we expect the National Bank of Poland to resume its monetary easing after a pause in June. We see three 25bp cuts materialising by year-end



Shoppers on Szewska Street in the medieval Old Town of Thorn, Torun

Slight upward revision in April CPI but core inflation continued easing

Poland's StatOffice has revised April's inflation estimate upwards by 0.1ppt to 4.3% year-on-year. Prices of goods increased last month by 3.5% YoY, and services prices by 6.3% YoY, compared to 4.4% and 6.4% respectively in March. The rise in food and non-alcoholic beverage prices slowed to 5.5% YoY from 6.5% YoY in March, while fuel prices for transport fell by 8.3% YoY, following a 4.7% YoY decline in the previous month. Core inflation, excluding food and energy prices, decreased to approximately 3.4% YoY from 3.6% YoY in March, according to our estimates.e

Downward trend in headline inflation to be continued

The sharp drop in inflation in April was largely due to the high statistical base in the "food" category, owing to the reintroduction of VAT on food products in April 2024. However, we are seeing a clear disinflationary trend. Wage growth has slowed to single-digit levels, and core inflation has been falling since the start of the year. Low crude oil prices on global markets and a weaker US dollar are contributing to the decline in gasoline and diesel prices. We think another significant drop in the annual inflation rate will occur in July, when we compare energy prices to their higher levels following the partial withdrawal of the energy shield in mid-2024.

NBP rates may go down by another 75bp by end-2025

We estimate that in July, CPI inflation may fall below 3% YoY, and we do not expect it to rebound in the following quarters. By mid-2026, CPI growth should be consistent with the National Bank of Poland's (NBP) inflation target of 2.5%.

Meanwhile, in the first quarter of 2025, GDP growth slowed to 3.2% YoY from 3.4% YoY in the fourth quarter of 2024. This means that the Monetary Policy Council still has significant room to continue cutting rates. We expect the next rate cut of 25bp to occur in July. We also anticipate two further 25bp cuts in September and November. In 2026, the Council will continue easing monetary policy, reducing the reference rate to 3.75%.

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