MNI National Bank of Poland Review: June 2025

Executive Summary:

- **The NBP left interest rates unchanged, as expected.**
- **Forward guidance was reset to data dependence, tone turned more cautious.**
- **Fiscal policy and household energy prices were flagged as key risks.**

Key Links:

- **MPC Statement**
- **Press Conference**

Key Takeaways: Cautious Tone Reduces Odds Of July Cut

The National Bank of Poland (NBP) left interest rates unchanged in a well-telegraphed decision. The statement accompanying the policy announcement was rather laconic and most changes were related to the traditional acknowledgement of recent macroeconomic data, without any further discussion of the implications for the interest-rate outlook. In a similar vein, Governor Adam Glapiński kept his press conference unusually short. While he refused to offer any explicit forward guidance, the tone of his comments on the macroeconomic backdrop was evidently more cautious, with regulated household energy prices and loose fiscal policy flagged as key risks for the period ahead.

Almost unanimous consensus for an on-hold decision was underpinned by the Governor's suggestion in May that the Monetary Policy Council (MPC) would likely pause in June, watch incoming data, and wait for the publication of a new official macroeconomic projection in July, before considering taking further action. The Council stood pat on rates this month and returned the phrase stating that it 'judges that the current level of the NBP interest rates is conducive to meeting the NBP inflation target in the medium term' to the statement. It was not immediately clear whether this served to justify the decision to keep interest rates on hold, or whether it was a more forward-looking signal. Otherwise, the statement was not particularly informative and largely described data released since the previous meeting, with little in the way of deeper discussion.

Governor Glapiński may have delivered his shortest press conference thus far and was much less prone to speculate or reveal his private opinions than at his recent pressers. The Governor said that the decision was taken after a '*lively*' discussion but otherwise the tone of his rhetoric turned considerably less dovish. We are somewhat at a loss to reconcile these two developments, as it does not seem probable that the MPC seriously considered tightening policy, but it might be just an artefact of Governor Glapiński's communication style. For the record, none of the MPC members publicly called for a cut already at this meeting, but nobody apart from hawkish dissenter Joanna Tyrowicz mentioned a possible hike either. Considering the recent disinflationary developments (on balance, if not on the whole), if there was a lively discussion, we would expect it to be on a potential cut.

The pivot to a cautious approach was delivered in several steps. The Governor reiterated that last month's 50bp rate cut was a 'significant adjustment', which allowed the MPC to take a breather this time around. He refused to commit to any specific rate path, in stark contrast with his relatively detailed discussion of the interest-rate outlook in April and May. His interpretation of data was generally hawkish, with the assessment that short-term disinflation is coupled with the emergence of factors boosting longer-term inflation outlook. Although headline inflation did soften in May, it remains significantly above the target; wage growth cooled in 1Q25 but remains robust and accelerated in the private sector in April; economic growth is solid and may accelerate in 2Q25, amplifying demand-side price pressure. At the same time, the Governor acknowledge the lowering of gas tariffs, but it will only affect inflation in July.

While playing down the significance of disinflationary developments, Governor Glapiński drew attention to a couple of key sources of uncertainty, which will play an important role in determining the trajectory of monetary policy. The first one is administered household energy prices, with updated tariffs set to kick in with the expiry of the existing price cap at the start of 4Q25. Governor Glapiński took note of abundant messaging from the government, signalling expectations that prices will decline (which aligns with market consensus), but refused to take it as a given until formal announcements are made. The second one is loose fiscal policy, which – according to projections from external analysts – may lead to deficit exceeding the 60%-to-GDP ratio. Again, the Governor said that there is currently no information on the 2026 budget and a draft fiscal plan will only be published around mid-September. For the record, none of these uncertainties will dissipate by the time the MPC receives its updated projection next month.

We think that the Governor's rhetoric puts the July rate cut into question. To be clear, macroeconomic conditions may be ripe for another interest-rate reduction next month, with inflation expected to return to the +/-1pp tolerance band around the +2.5% Y/Y target, or possibly approach the point-target itself. Furthermore, the new projection should involve significant dovish revisions relative to the forecast from March after most data prints fell on the disinflationary side of expectations. However, the message from the Governor's press conference was that the MPC remains cautious, conservative, and unwilling to rush into further monetary easing. In addition, he emphasised that the Council will not yet have any certain information on updated energy prices or the 2026 budget next month. As a result, we think that the next decision might be a coin toss and it is well possible that the MPC will delay its next rate cut until September (there is no decision meeting in August).

For the record, the Governor said that the MPC discussed the reserve requirement system but not with a goal to immediately change its parameters. Rather, members studied analytical materials prepared by NBP staff on the origins of the system in Poland and on how it works in other countries.

Analyst Views (Alphabetical Order)

Commerzbank: Glapinski's Language Makes September Rate Cut Less Likely

- Commerzbank say Glapinski pivoted away from a July rate cut, which they did not expect. But, his broader rhetoric marked a clear pivot away from his own previous guidance about the need for monetary easing. While acknowledging that CPI inflation had slowed, Glapinski stressed that it remains "well above" the 2.5% target.
- They add that, as they had feared, the presidential election upset is making NBP's monetary policy political once again. Commerzbank were expecting the next rate cut in September – while Glapinski may not have ruled this out explicitly, his change of language makes a rate cut much less likely now, as he will hardly want to support the struggling KO government if he can find a reason not to.
- The implication of this less dovish stance is fewer rate cuts going forward than previously anticipated, potentially keeping rates high until well into 2026 or even the 2027 elections, Commerzbank note. This should fundamentally have a negative impact on the zloty exchange rate.

Goldman Sachs: Forecast 100bps of Easing Before Year-End

- Goldman Sachs note that the substance and tone of Glapinski's comments (both hawkish) were broadly unchanged from his previous presser in May.
- All-in-all, they say his comments can be seen as a more assertive policy stance post the recent election. In Goldman's view, Polish inflation dynamics favour a resumption of monetary easing. In addition to the favourable developments in the household utilities basket, disinflationary external factors – such as muted

growth in producer prices, wholesale gas prices running at a fraction of their peak, the strength of the Zloty, and dovish ECB policy – will continue to weigh on inflation and keep it below target across 2025H2.

- Reflecting Goldman Sachs' dovish views on the inflation outlook, they are forecasting 100bps of monetary easing before year-end, although the hawkishness of today's press conference has increased the uncertainty over the timing of the next cut.

ING: Previous Baseline Scenario of 25bp July Cut Now More Uncertain

- ING note that the overall tone of the NBP governor's press conference was quite hawkish. There were no clear declarations of readiness to further ease monetary policy. The NBP chair emphasised inflation risks related to electricity prices and fiscal policy, attaching less importance to the decline in current inflationary pressure and the disinflationary impact of the URE decision on gas prices. They say this suggests that the NBP will not rush to further ease monetary policy.
- ING expect that current inflation data and the new projection may provide arguments for further interest rate cuts, but the NBP's reaction function seems to be changing again. ING's previous baseline scenario, which assumed a 25bp cut in July and two more cuts in September and November, is now more uncertain.
- According to ING's forecasts, inflation will be within the NBP's target range by July, and they still consider the increase in electricity prices in the fourth quarter to be unlikely, given the price developments in the wholesale energy market. However, the NBP does not show a willingness to continue interest rate cuts soon.