MNI National Bank of Poland Preview: July 2025

Details:

Monetary Policy Decision	**July 2nd**	**-**
Press Conference	**July 3rd**	**14:00BST/15:00CEST**

MNI Point of View: Low Chance Of Cut

The inflation path in 1H25 belied the scenario charted by National Bank of Poland (NBP) staffers in their March report, which should find its reflection in the updated forecast supporting this week's rate decision. However, it seems that neither the relatively dovish realised inflation trajectory, nor the relatively benign medium-term inflation outlook will sway the Monetary Policy Council (MPC) to immediately resume cutting rates. Latest communications from panel members suggest that their bias is tilted towards inflationary risks and sources of uncertainty. Considering the perspective of the policymaker, we align with consensus in expecting the MPC to stay put this week, before restarting interest-rate cuts and potentially formally announcing an easing cycle in September.

The importance of this week's MPC meeting is amplified by guidance framing it as a 'live' one and by the accompanying publication of the triannual macroeconomic projection. Historically, the NBP has placed much emphasis on its internal projections as important guides of monetary policy decisions. Although the panel receives situation reports from the staff at each of its monthly meetings, Inflation Reports chart longer-term trends, allowing the Council to justify its decisions with reference to more detailed analytics. The lower starting point for inflation this year, coupled with a range of disinflationary surprises, is widely anticipated to result in a downward revision to the NBP's inflation outlook over 2025 and 2026. Furthermore, consensus is for the growth outlook to be nudged lower for 2025 and revised a touch higher for 2026.

Understandably, the release of flash June CPI data days ahead of the rate decision drew more attention than it normally would. Headline inflation slightly exceeded market consensus, accelerating at the margin to +4.1% Y/Y. Notably, partial statistics suggested that the uptick from May's +4.0% Y/Y was driven by core categories, supporting the case for caution. On the other hand, the broader picture remains benign. The June reading came after a dovish revision to the CPI basket at the beginning of the year and a series of disinflationary surprises. It also preceded the significant decline in headline CPI widely expected in July, as a high comparative base effect in energy prices (driven by administrative decisions surrounding price shield mechanisms) and the implementation of a recently announced 15% cut to gas prices for households will likely bring overall inflation to within the +/-1pp tolerance band around the NBP's +2.5% Y/Y target.

The medium-term outlook is rather favourable as well, with inflation expected to stay within the tolerance zone through the rest of the year. The NBP's assumptions on energy prices beyond the expiry of the price-freezing mechanism have long been deemed unrealistic and there is broad consensus that the rebound in prices towards the end of the year pencilled into the previous forecast will not materialise. This should come with the caveat that although Governor Adam Glapiński has started to acknowledge the government's declarations surrounding administered energy prices, the NBP's strategy of dealing with uncertainty remains working on the assumption of legal status quo. Should the central bank remain religious about this approach, feeding the outdated electricity tariff levels into its forecasting model, the new projection could still chart an inflation path showing a rebound in 4Q25. Alternatively, it could tweak its assumptions based on expert judgement, append a scenario analysis, or offer more clarity on its interpretation of the projection in the statement and during the press conference. In any case, fundamentally, the inflation outlook for the remainder of 2025 remains benign.

And yet, whether the overall picture is disinflationary enough, is in the eye of the beholder. Judging by recent comments from members of the rate-setting panel, they are in no rush to reduce interest rates. First, the Governor

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used last month's unusually short press conference to play down expectations of an immediate rate cut. His focus turned away from positive current inflation developments and towards medium-term risks, chiefly loose fiscal policy and administered energy prices. Subsequent voices in support of a cautious approach could be heard from different factions within the MPC and cited different reasons, suggesting that the odds of a cut in July are rather low. Ludwik Kotecki said that the Council was unlikely to cut this month due to the 'global situation' (i.e. tensions in the Middle East and their implications for commodity prices). Several days later, Ireneusz Dąbrowski assessed the probability of a July cut to be 'close to zero' and pointed to the still elevated pace of wage growth, which in his view should cool to around +6% Y/Y (in nominal terms) to indicate stabilisation.

Importantly, some of the key uncertainties cited by MPC members will not have dissipated by the time they vote on monetary policy this week. As mentioned by Governor Glapiński, the draft 2026 budget will only be published around mid-September, even as we may get some preliminary cues along the way. Updated electricity tariffs have not been announced yet and will only take effect from the beginning of October. It is worth noting that the government have moved to extend the price-freezing mechanism until the end of 2025. Analysts interpreted it as a disinflationary development but the government introduced the extension as an amendment to the 'wind farm bill' that, according to source reports, will likely be vetoed by President Andrzej Duda. On the geopolitical front, the ceasefire signed by Israel and Iran has brought some reprieve, but any tentative truce might be fragile.

Considering the NBP's conservative approach to risk-management, muted expectations of an immediate resumption of monetary easing among MPC members, and lingering risks and uncertainties, we expect a stand-pat decision this week. For the record, we think that the overall inflation picture remains sufficiently benign for the NBP to reduce the restrictiveness of monetary policy. We still think that the risk of a 25bp cut is on the table, although it is not our baseline scenario. Since the NBP does not hold a decision meeting in August, the next opportunity to cut rates will be in September. It is possible that by this time, some of the uncertainties cited by MPC members will dissipate, paving the way for easing and, possibly, a formal announcement of a fully-fledged rate-cutting cycle.

Data Watch

mni **Central Bank Watch - NBP**

June 30, 2025

MNI NBP Data Watch List

Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
HICP	% y/y	4.1	4.9	↓	4.7	↓					-0.39
Core Inflation	% y/y	3.3	3.6	↓	4.3	↓					-1.28
PPI	% y/y	-1.5	-1.3	↓	-3.8	↑					0.50
NBP Inflation Expectations	Index	36.3	41.8	↓	41.8	↓					-1.07
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Poland PMI (Manuf)	Index	47.1	50.6	↓	48.9	↓					-0.04
Sold Industrial Output	% y/y	3.9	-1.9	↑	-1.3	↑					1.18
Exports (Mn)	EUR	28072	27533	↑	30637	↓					-0.02
Construction Output	% y/y	-2.9	-0.1	↓	-9.3	↑					0.20
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Money Supply (M3)	% y/y	10.3	9.1	↑	8.7	↑					1.88
Consumer Credit	% y/y	3.1	2.2	↑	3.5	↓					0.30
Credit to Non-Fin Corps	% y/y	5.6	4.7	↑	5.2	↑					1.25
Credit to Households	% y/y	3.1	2.2	↑	3.4	↓					0.67
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales	% y/y	4.3	0.6	↑	3.4	↑					0.34
Unemployment Rate	%	5.0	5.4	↓	5.0	→					-0.85
Ave Monthly Gross Wages	% y/y	8.4	7.9	↑	10.5	↓					-0.70
Employment	% y/y	-0.8	-0.9	↑	-0.5	↓					-0.35
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Equity Market (WIG)	Index	104290	95953	↑	79577	↑					2.09
10-Year Bond Yield	%	5.51	5.73	↓	5.89	↓					-0.38
Yield Curve (10s-2s)	bps	93.1	66.9	↑	74.2	↑					1.41
PLN TWI	Index	119.62	119.23	↑	116.97	↑					1.24

Source: MNI, Bloomberg

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Sell-Side Views

BGK: Reasons For 25bp Cut Abound

- They write that scepticism towards monetary easing in July stems from the revision of forecasts amid geopolitical tensions in the Middle East. The increase in commodity prices in the second half of June corresponds with the narrative stressing uncertainty and the need for a pause in monetary easing.
- On the other hand, BGK think that the return of oil prices to the levels from the beginning of June alongside the cut to household gas prices and muted core CPI momentum provides reasons for a heated discussion on monetary easing already this month.
- They see a considerable risk of a 25bp cut this month and have it as their baseline scenario.

BofA: Rate Cut Will Likely Come In September

- The NBP will likely be on hold as signalled by several MPC members.
- With inflation likely dipping below 3% from July, they think a rate cut will likely come in September.

BOŚ Bank: On Hold Despite Better Inflation Outlook

- They expect a decent fall in headline inflation to around +3.0% Y/Y in July due to a high comparative base for energy prices and a cut to household gas prices. If the government extends electricity price freezing through 4Q25, the probability of a temporary decline in inflation to the NBP's +2.5% Y/Y target in 2H25 will further increase.
- However, they do not think that the prospect of a drop in inflation in 2H25 could encourage the MPC to lower interest rates this week. Their baseline scenario assumes a hold and aligns with consensus.
- They argue that the most likely message from the Governor's presser on Thursday will be a reaffirmation of data-dependence and lack of commitment to any future moves.

Credit Agricole: Anticipated Drop In July CPI To Drive 25bp Cut

- Their revised forecast assumes a 25bp rate cut at the MPC meeting this week due to the anticipated drop in headline inflation towards the +2.5% Y/Y target in July and the government's decision to extend electricity price freezing.
- Considering recent hawkish comments from some MPC members, they see a risk of an on-hold decision this week.
- They expect a slight downward correction to the 2025 GDP outlook and a downward revision to the CPI forecast.

Goldman Sachs: Forecasting 100bp Of Cuts Until End-2025

- They remind that Governor Glapiński guided that 'the fundamental factors that could increase inflationary pressures over the long-term have strengthened'. In their view, the NBP will deliver on his guidance and keep the policy rate on hold.
- They note that a 15% reduction in household gas tariffs – in addition to the favourable base effects created by the July 2024 energy price hikes – will kick in from next month and mechanically push the headline figure below target. Absent a large inflationary shock, Goldman therefore see inflation settling below target from July onwards.
- Given this outlook on inflation, they forecast 100bps of cuts till the end of the year though the risks is to a later cycle given the governor's recent guidance.

HSBC: Steady Rates In July But Three Cuts Still In Pipeline This Year

- They expect the NBP to leave the reference rate unchanged at 5.25% but ongoing disinflation warrants the removal of policy restrictiveness in the coming months, in their view.
- A hold decision this week is likely to be taken against a backdrop of uncertainty about 2026 fiscal policy and 2026 electricity tariffs, both of which were underscored by Governor Glapiński in June.

- HSBC think some of this uncertainty will dissipate by September, and together with headline inflation falling below +3% Y/Y from July, as the impact of last year's energy price hikes wanes, this would lead to an easing cycle in Sep-Oct-Nov (i.e, 3x25bp cuts, taking the policy rate to 4.50%).
- This would still leave the real rate higher at the end of 2025 than end-2024, double the estimate for the neutral real interest rate of ~1%, leaving scope for more cuts in 2026.
- HSBC have pencilled in 50bp of cuts next year to 4.0%, but see two-way risks: to the upside from domestic fiscal policy and to the downside from imported disinflation.

ING: Next Rate Cut Expected In September

- They expect the NBP to keep the reference rate unchanged at 5.25% and will monitor the Governor's comments to verify signs of a hawkish pivot in the MPC's stance.
- Inflation may approach the target in July, hence the Council will have room to loosen monetary policy, but members have been playing down the odds of immediate cuts.
- They expect 25bp cuts in September and November, which will bring the reference rate to 4.75% by end-2026. In their view, the NBP will cut the key rate by a further 50bp in 2026.

Millennium: Cuts Will Only Restart After Summer

- Based on recent communications from Governor Glapiński and other MPC members, their baseline scenario for this week's meeting is a hold, which would be consistent with Bloomberg consensus and investor expectations.
- In their view, the new projection should show significantly lower inflation and core inflation paths. At the same time, the growth outlook for this year may be revised lower alongside an upgrade to the growth forecast for 2026.
- A faster-than-expected return to the inflation target is a factor supporting the case for rate cuts this year, but uncertainty around fiscal policy and sticky services inflation will keep the MPC cautious.
- Against this backdrop, Millennium expect a total of 50bp worth of monetary easing through the rest of this year and believe that cuts will recommence after the summer holidays.

Morgan Stanley: Leaving Door Ajar To September Cut

- They expect the NBP to be on hold but leave the door open for a rate cut in September.

Pekao: Key Uncertainty Factors Remain

- In their view, the MPC will leave interest rates on hold, as most of the uncertainty factors identified by the Council have not yet dissipated. The Council will want to gather more information before resuming monetary easing.
- They note that after the release of flash June CPI data, the probability of a rate cut this week fell from a low to an even lower level.
- Still, a favourable macroeconomic backdrop and the disappearance of key inflationary risks should allow the MPC to cut interest rates by at least 25bp in September.

PKO: 25bp Cuts Expected In September & November

- They expect the MPC to leave interest rates unchanged after several members communicated that they see room for further cuts but not in July.
- Another pause after the 50bp 'adjustment' in May seems justified by the uncertain geopolitical situation and fiscal policy, which may become more expansive after the presidential election.
- In their view, the new projection should show a lower inflation path. However, the recent above-forecast flash June CPI reading may reassure the MPC in its decision to stand pat on rates this week.
- They expect two more 25bp rate cuts this year, in September and November.

Santander: Hold Expected Despite Lower Projected Inflation Path

- Santander expect the MPC to keep interest rates on hold in a decision based on an updated macroeconomic projection but note that communications may flag September as a moment when many uncertainty factors will disappear and a discussion on adjusting rates could be opened again.

- They write that the Governor's most recent press conference departed from the earlier emphasis on decline in current inflation and forecasts pointing to continued disinflation. Instead, the Governor focused on the 2026 budget and the government's decisions on energy prices.
- In their view, the updated projected inflation path should be lower than the one in the March projection due to a significantly lower starting point and the already approved household gas price cut, despite the 50bp rate cut delivered in May.

UniCredit: NBP Could Resume Cutting Rates In September

- They expect the NBP to keep its policy rate at 5.25% this week.
- While Poland's inflation and growth outlooks remain consistent with a further reduction in interest rates, UniCredit believe the NBP will favour a cautious approach due to low probability that the government will be able to agree on significant fiscal reduction and still-high uncertainty related to EU-US tariffs.
- They expect the NBP to resume cutting rates in September.