MNI National Bank of Poland Review: July 2025

Executive Summary:

- **The NBP delivered a surprise 25bp 'cautious rate adjustment' on a lower inflation forecast.**
- **Governor Glapiński signalled that there was potentially plenty of room for further easing.**
- **The Governor outlined four key risks to the inflation outlook that the MPC keeps an eye on.**

Key Links:

- **[MPC Statement]**
- **[Press Conference]**

Key Takeaways: Inflation Forecast Triggers Cut

The National Bank of Poland (NBP) wrong-footed the market by delivering a 25bp 'cautious adjustment' to its interest rates, bringing the reference rate to 5.00%. While dovish revisions to the triannual macroeconomic projection were widely anticipated, and it has become a common perception that the central bank could easily build a case for further monetary easing, recent communications persuaded most NBP watchers that the Council would rather wait until the end of summer before recommencing interest-rate cuts. On the contrary, a more benign inflation outlook was used to justify another rate adjustment, while the Governor guided that if the current baseline scenario materialises in data from the real economy, the central bank could ultimately bring the reference rate to the vicinity of the inflation target, potentially as low as to 3%.

Facing a range of options ahead of this week's monetary policy meeting, the Monetary Policy Council (MPC) decided on a cautious cut. The statement quoted new forecasts, which showed that 'CPI inflation in the coming months will fall below the upper bound for deviations of the NBP inflation target', as a reason for the adjustment in rates. Governor Adam Glapiński later revealed that the decision was preceded by an 'extraordinarily long' discussion but ultimately there was no hesitation about the decision, and it was taken by near-consensus. The description of the cut as an 'adjustment' drew attention as it has become clear that the MPC makes a distinction between a series of one-off adjustments and an easing cycle.

The outstanding question – that we have also been wrestling with – is whether there is any substantial difference between the two. Some analysts have already started referring to the NBP's 'adjustments' as a cycle. In a similar vein, MPC's Ludwik Kotecki said that the central bank might already be in the easing cycle without declaring it explicitly. Based on how Governor Glapiński uses the term, it seems to us that the difference boils down to the lack of commitment to the future direction of rates or to some regularity in the delivery of easing. Forward guidance continues to emphasise a tactical, reactive posture rather than an intention to implement a systematic strategy for the normalisation of monetary policy. It may well be that it's a distinction without a difference – it now seems to be a given that rates will be trending downwards going forward. But it is our subjective impression that the mode of delivery might be more irregular (at times even whimsical, perhaps) than market participants would like it to be. Whether this will change after the easing cycle is formally announced remains to be seen.

The surprise cut this week was yet another manifestation of the NBP's ad-hoc decision-making. Consensus had shifted towards a hold on the back of the Governor's relatively hawkish press conference in June and subsequent comments from a couple of policymakers who played down the odds of a cut in July. Although the prevailing view in the market was that a looser monetary policy would be consistent with the current macroeconomic environment, the perspective of the decisionmaker is hard to ignore. For what it's worth, it seems to us that the MPC itself changed its view in the course of the meeting. Governor Glapiński said as much during the press conference, noting that new data, updated projections, and the calendar of meetings helped sway members. In an interesting exercise, he engaged in a bit of a counterfactual analysis. He said that if there was a decision meeting in August, the MPC would have probably delayed the cut until then. However, this does not explain a shift in sentiment, as the calendar of meetings is known well in advance. We consider it a plausible working theory that the degree of the downward

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revision to the inflation path in the new projection took the MPC off guard. The fact that it was based on unrealistically hawkish assumptions re: energy prices may have also affected the MPC's perception of the inflation forecast. It would take the proverbial fly on the wall to test this theory, but it might be the case that policymaker preferences evolved as a result of internal discussion.

We assess the tone of the press conference as relatively dovish, despite the ostensible framing of the rate cut as a one-off 'cautious adjustment' and a relatively lengthy discussion of factors that could delay the return to the inflation target. Firstly, out of the four key risks mentioned by the Governor, only the 'very loose fiscal policy' seemed to be a significant source of concern. The official admitted that wage growth keeps trending lower, despite an incidental uptick in April, while accelerating economic activity and energy prices were described primarily as sources of uncertainty. Secondly, the Governor played down June's marginal uptick in headline inflation (to +4.1% Y/Y from +4.0%), said that core inflation likely fell to the lowest level since the outbreak of the COVID-19 pandemic, and noted that headline CPI will return to the +/-1pp tolerance band around to +2.5% Y/Y target in July and should stay there in subsequent quarters. While wrapping up his presser, he even used the phrase 'we are within the target'. Thirdly, the Governor said that the MPC may reduce interest rates again in September if favourable trends are maintained. Fourthly, the Governor guided that if inflation stays within the target range, interest rates could be cut to 'very low levels' and if the baseline forecast materialises, the terminal level of the reference rate could be 3.0-3.5%.

We expect continued uncertainty around future NBP rate decisions. The Council's chosen data-dependent, tactical approach to monetary easing may result in an irregular rate path, while the latest monetary policy meeting demonstrates that outcomes can be decided during the closed-doors meetings. That being said, we think that the macroeconomic backdrop remains conducive for continued monetary easing. The NBP's conservative projection shows that the inflation target will soon be reached, while risks are skewed towards actual inflation undershooting the projection on the back of the very low probability of the assumed rebound in household electricity prices in 4Q25. Hawkish risks may emerge in 2026 as the inflow of EU funds and the effect of NBP rate cuts start stimulating economic activity, while the outcome of the recent presidential election may incentivise the government to adopt a more expansionary 2026 state budget. The government will be forced into a difficult cohabitation, as incoming President Nawrocki has pledged to call its tax-cutting bluffs and table relevant legislation, with the spectre of a high-stakes 2027 parliamentary election looming large. However, over the short- to medium-term, the NBP has the room to loosen monetary policy and is poised to recommence easing in autumn.

Key Parameters of New Projection:

The figures below represent mid-points of forecast ranges with a 50% probability of realisation. The forecasts assume steady interest rates through the forecast horizon. The cut-off point for input data is June 9.

	2025	**2026**	**2027**
CPI	+4.0% Y/Y	+3.1% Y/Y	+2.4% Y/Y
GDP	+3.6% Y/Y	+3.1% Y/Y	+2.5% Y/Y

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Analyst Views (Alphabetical Order)

Alior Bank: It Was Not Not Start Of Cycle

- They quote the Governor's remark that the move in rates was an adjustment rather than a start of a monetary easing cycle.
- Alior draw attention to the Governor's refusal to rule out another cut in September, provided that data remains conducive and electricity prices remain frozen.

BGK: Dovish Presser Despite Hawkish Opening

- BGK write that the Governor's press conference was a game of two halves. The Governor started off by framing the cut as a cautious adjustment of pointing to factors that could delay inflation's return to the target in the medium term. However, the Q&A session brought some significantly dovish comments.
- BGK take note of a remark that the MPC would probably prefer to cut rates at every other meeting, which suggests that the next move should happen in November. In their view, this does not imply a flatter rate path, as an 'adjustment' could be to the tune of 50bp.
- All in all, they think that the presser was rather dovish, despite its hawkish opening. Speculation about the low terminal rate and openness to a September cut suggested that an easing cycle is underway, despite the lack of its formal announcement.
- They continue to look for a further 50-75bp worth of cuts in 2H25, which will bring the reference rate to 4.25-4.50%.

Commerzbank: Cautious Adjustment, Not Easing Cycle

- They write that the Governor described the rate cut as an 'adjustment' and they had been wary of exactly this phrase, as it would be an indication that monetary policy would continue to be politicised and damaging, while conceding one rate cut in the interest of appearing aligned with NBP's own new CPI projections.
- Their impression was that the NBP might be easing away from its pre-existing, hawkish position after all. He indicated openness to a rate cut in September and agreed that inflation could fall to the target already this month.

Goldman Sachs: NBP To Cut Key Rate To 4.25% This Year, 3.50% In 2026

- They write that the Governor justified yesterday's surprise 25bp policy rate cut noting that, based on the latest data, the Polish CPI is forecasted to be on target from July. His comments were in line with yesterday's MPC statement, which highlighted that 'CPI inflation in the coming months will fall below the upper bound for deviations of the NBP inflation target' and, in light of this, 'it became justified to adjust the level of the NBP interest rates'.
- In Goldman's view, the cut was justified, given the improving inflation outlook in Poland. Given the hawkish guidance given by Governor Glapiński post the MPC meeting last month, the latest cut came in as a surprise to their forecasts and consensus. That said, they had estimated a total of 100bp of cuts in 2H2025, and this announcement suggested a potential front-loading of the rate-cutting cycle. Goldman's forecasts remain unchanged, and they continue to expect the NBP to cut to 4.25% by year-end and to a terminal rate of 3.50%.

ING: More Interest-Rate Cuts Ahead

- In ING's interpretation, it turns out that the rate cut in May was not a one-off adjustment, but effectively the start of a monetary easing cycle. However, it will be a peculiar cycle, composed of 'one-off adjustments' of rates in a single direction at different points in time.
- In their view, the decision to reduce rates was justified in the light of macroeconomic fundamentals and the surprise stemmed from hawkish communications deployed by the Governor and MPC members ahead of the meeting.
- ING remind that the updated projection still assumes the unfreezing of electricity prices and their significant increase in 4Q25, which seems to be an unrealistic assumption. Parliament passed a bill extending the freezing mechanism, while market contract prices have stabilised.
- They note that the messaging during the press conference was full of internal contradictions. In their view, a majority of MPC members likely expects inflation to fall close to the target in July and stay there through the end of the forecast horizon, while seeing a significant rebound in electricity prices as rather improbable.

- ING expect the NBP to cut interest rates by at least 50bp in September and they see the terminal rate at 3.50% in 2026.

JP Morgan: NBP To Pause In September, Resume Cuts In November

- They note that the statement lacks concrete policy guidance, relying instead on data dependency and citing ongoing uncertainties like global trade, fiscal policy, and regulated energy prices.
- Fiscal policy is expected to remain expansive, reflected in the extension of the electricity price cap until December. In this context, the NBP is unlikely to initiate a series of rate cuts, with the term 'rate adjustment' indicating an erratic cycle with occasional cuts.
- In the usual day-after press conference, Governor Glapiński once again emphasized the 'adjustment' nature of the move, but also unexpectedly revealed openness for a cut in September, if the data allows.
- JP Morgan anticipate the NBP will prefer to pause in September, and resume cuts in November by 25bp, backed by a new projection. They then foresee three more 25bp cuts next year, with the policy rate reaching 4%.

mBank: Further 25bp Cuts Expected In September & November

- They note that much of the statement was backward-looking, with little in the way of forward guidance. The inflation projection was revised lower but was still relatively high, likely because the NBP did not take into account the extension of electricity price freezing.
- In their view, the MPC may cut rates again in September and then November. After this point, economic recovery in the eurozone and a halt to goods disinflation could raise barriers to further easing. They think that the terminal rate will not be lower than 4%.

Millennium Bank: Monetary Easing To Continue

- Given that inflation should fall below +3% Y/Y in July and may undershoot the NBP's projection in 2H25, another rate cut in September is highly likely, in their view.
- Millennium think that the reference rate will fall by 50bp through the year-end and to the terminal level of 3.50% in 2026.
- They note that the Governor's dovish rhetoric increases the probability of rate cuts being front-loaded, but erratic communications raise uncertainty around the rate outlook.

Pekao: NBP May Cut Rates By Another 50bp This Year

- Pekao write that it seemed that in some sense the decision was a surprise to MPC members too. From the Governor's comments, they infer that the extent of the revision of the inflation projection significantly exceeded their expectations.
- With the projection showing a return to the inflation target, rate cuts make sense, but the NBP still treats them as a series of adjustments rather than a cycle. Nonetheless, Pekao choose to call it a cycle, as there is effectively no difference between the two.
- They note that at one point, the presser turned 'very dovish', as the Governor defined low bar to cutting rates in September and guided that under certain conditions the reference rate may go down to a 'very low level', possibly 3.0-3.5%.
- They expect the NBP to cut rates by a further 50bp this year. They expect a continuation of gradual monetary easing in subsequent years to the terminal rate of 3.5% in 2027.

PKO: Next Cut Seen In November

- The Governor said that the decision to cut rates was made after a long discussion, but there was ultimately no hesitation about it.
- PKO stick with their call for a rate cut at the November meeting but note that a September adjustment cannot be ruled out, depending on energy prices and fiscal policy.

Santander: Not Start Of Cycle But MPC May Keep Lowering Rates

- They judge that the tone of the press conference was more dovish than before and note that the Governor signalled readiness to adjust interest rates to current inflation prints.

- The NBP's projection already shows a sustained return to the inflation target, while Santander expect inflation to fall below +3% Y/Y in July, which may encourage the MPC to consider another cut in September.
- They expect the NBP to cut rates by 25bp in September and November. However, the expected acceleration of GDP growth in 2026 may mean that the terminal rate will be closer to 4% than 3%.

See our summary of sell-side notes released in the interim between the announcement of the rate decision and the Governor's press conference **here**, **here** and **here**.

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