

Economic Comment

03 July 2025

This is not a cycle, but rates likely to go down further

Marcin Luziński, tel. +48 510 027 662, marcin.luzinski@santander.pl

The NBP Governor said at today's conference that the MPC decided to cut interest rates due to better-than-expected inflation and wage data, despite the fact that earlier many Council members were leaning towards a pause in July. At the same time, he said that this was not the beginning of a policy easing cycle, although the MPC could cut rates further if the data favoured this, i.e. inflation was falling further. According to the NBP Governor, if inflation permanently goes down to the target, rates will be cut 'to a very low level' and he specifically mentioned 3% as the possible target level. He also continued to emphasise the four main sources of risk to inflation forecasts as possible obstacles to further easing: loose fiscal policy, an improving economy, high wage growth and volatility in energy prices.

We think that Adam Glapinski sounded more dovish than before and expressed willingness to adjust rates further in line with inflation readings. The latest NBP projection already indicates that inflation is moving permanently towards the inflation target. In our view, CPI inflation could fall below 3% in July, which could again prompt the MPC to adjust interest rates at its next meeting in September. We assume that by the end of the year the MPC will cut rates by 50 points, 25 points each in September and November. Given that we expect GDP to accelerate in 2026, we think that the monetary easing is more likely to stop at 4% for the reference rate, rather than go down to 3%.

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Biatas +48 517 881 807
Adrian Domitrz +48 571 664 004
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857