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Economic Comment

Interest rate cut thanks to improved inflation outlook

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Polish Monetary Policy Council cut interest rates by 25bp, the main rate to 4.50%. Majority of analysts, us included, expected rates to stay in place. The statement offers some clues about the decision: a sentence about a gradual slowdown in corporate wage growth was added and the document mentions improved inflation outlook for the coming period.

The final paragraphs, which describe the MPC approach, were exact copies of the September statement, meaning that the Council still operates on a case-by-case basis, and still sees fiscal policy, consumption demand recovery and elevated wage growth as risk factors to inflation. The part about administered prices being an uncertainty factor was also kept unchanged, despite the fact that since the previous meeting a bill was passed extending the electricity price freeze to 4Q25.

The remarks by MPC members since the previous meeting were focused on cautiousness, high fiscal deficit as an issue limiting the scale of possible monetary easing, making us believe that the Council would prefer to wait with another rate cut until November, to see the updated NBP staff projection before voting on interest rates. What must have affected the MPC was the further slide in corporate wages in August and the fact that CPI stayed below 3% in September, according to the flash release.

NBP President Adam Glapiński holds a press conference on Thursday at 1500CET and in our view may repeat that the October rate cut, the fourth this year, is yet another "adjustment, not a cycle", to keep easing expectations in check. We expect the next rate cuts to come in January and March next year, unless we hear something from Glapiński tomorrow that makes us feel we should add more cuts to our baseline scenario.

MPC post-meeting statement (changes vs. September statement):

In the euro area, the annual GDP growth in 2025 Q2 amounted to 1.4%. ~~Meanwhile 5%, while,~~ in the United States ~~the annual it stood to 2.1%. Available data signal that~~ GDP growth ~~amounted to 2.1% in 2025 Q2-Q3 in these economies probably slowed down.~~ Inflation in the euro area is close to the European Central Bank inflation target, ~~while in whereas core inflation remains somewhat higher. In~~ the United States, ~~it inflation~~ is running ~~slightly~~ above the inflation target of the Federal Reserve, ~~amidst rising core inflation.~~ The outlook for global activity and inflation is subject to uncertainty, related, among others, to changes in trade policies.

In Poland, ~~according to the Statistics Poland preliminary estimate, GDP growth accelerated to 3.4% y/y in August 2025 Q2 (from 3.2% y/y in 2025 Q1). The GDP growth was positively affected primarily by saw a faster rise in consumption. In July 2025, annual growth rates of retail sales, and industrial output as well as in annual terms, while~~ construction and assembly production ~~were positively decreased.~~ At the same time – despite a slight decline – annual wage growth in the national economy in 2025 Q2 remained elevated. ~~Data from the enterprise sector indicate a gradual slowdown in the wage growth.~~

According to the Statistics Poland flash estimate, annual CPI inflation in ~~August~~ ~~September~~ 2025 amounted to 2.89% (compared to ~~3.12.9%~~ in ~~July~~ ~~August~~ 2025). Considering the Statistics Poland data, it can be estimated that ~~in August 2025 inflation net of food and energy prices declined, amidst remained close to the level recorded in August, amidst still elevated~~ services price growth ~~remaining elevated.~~

Taking into account ~~an improved~~ inflation ~~developments outlook for the coming period,~~ in the Council's assessment, it became justified to adjust the level of the NBP interest rates.

Further decisions of the Council will depend on incoming information regarding prospects for inflation and economic activity. Fiscal policy, consumption demand recovery and elevated wage growth remain risk factors for low inflation. Uncertainty stems also from the level of administered energy prices and inflation developments abroad, following, among others, from changes in trade policies of major economies.

NBP will continue to take all necessary actions in order to ensure macroeconomic and financial stability, including above all to keep inflation at the level consistent with the NBP inflation target in the medium term. NBP may intervene in the foreign exchange market.

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