

Economic Comment

Inflation declined, though less than expected

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CPI inflation stood at 2.2% y/y in January, down from 2.4% y/y in December. The outcome was clearly above expectations: the market consensus was 1.9% y/y, while our forecast stood at 1.7% y/y. Given that January inflation data came in above expectations, we believe the probability of an interest rate cut in March has declined, although it remains our baseline scenario. Moreover, we see a lower probability that the MPC will opt for deeper rate cuts later this year. We maintain our view that the easing cycle will come to a halt in 2Q26, with the NBP reference rate settling at 3.50%.

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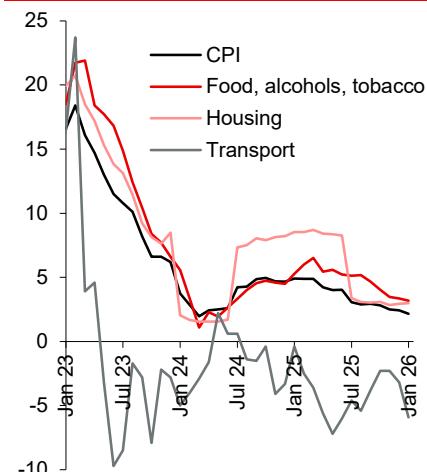
The detailed data show that food prices rose by 1.3% m/m (in line with our expectations), while fuel prices fell by 2.4% m/m and energy prices increased by 1.9% m/m. The latter two readings were slightly higher than we had assumed. Based on the available information, we also estimate that core inflation was higher than expected and close to the December level of 2.7% y/y, although uncertainty around this estimate is higher than usual due to changes in the COICOP classification.

It should be borne in mind that the CPI reading is preliminary and based on last year's weights. Revised data reflecting changes to the consumption basket will be released in March. Historically, such revisions tend to lower the reported inflation rate.

Given that January inflation data came in above expectations, we believe the probability of an interest rate cut in March has declined, although it remains our baseline scenario. The January reading was likely much less of a surprise for the MPC than for us—recent comments from MPC members suggested they expected inflation at around 2% at the start of the year. Nevertheless, the January outcome of 2.2% y/y, in our view, reduces the likelihood that CPI will fall below 2% in the coming months. As a result, we see a lower probability that the MPC will opt for deeper rate cuts later this year. We maintain our view that the easing cycle will come to a halt in 2Q26, with the NBP reference rate settling at 3.50%.

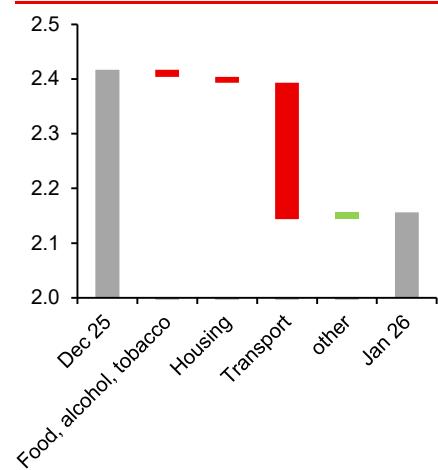
13 February 2026

CPI inflation, % y/y



Source: GUS, Santander

Breakdown of change in annual CPI, % y/y



* Contribution to GDP growth, percentage points.

Source: GUS, Santander

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