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Economic Comment

The MPC cut interest rates despite uncertainty

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Polish MPC cut interest rates by -25bp, the main reference rate to 3.75%. The decision, which seemed to be a done deal only a week ago, became much less obvious in the last few days given the uncertainty introduced by the conflict in the Middle East. Apparently, the Polish central bank got convinced by the results of the new NBP projection and decided to show it is insensitive to short-term market fluctuations, but rather is focusing on mid-term trends.

The new NBP projection lowered CPI forecast: by 0.7pp for 2026 and by 0.2pp for 2027. The mid-point of the projection in 2028 (shown for the first time) is exactly in line with 2.5% inflation target. GDP forecast for 2026-27 was increased slightly (0.3pp) and in 2028 is at c.3%.

The post-meeting MPC statement, as always, is not too revealing. It refers to the situation in the Middle East only very briefly – mentioning increased uncertainty due to geopolitical situation and higher global commodity prices. The rest is very similar as in the previous months. We will look for more forward guidance in tomorrow's conference of Mr.Glapiński, but we would expect it to be a "hawkish cut" i.e. with the communication emphasising even more than in the last few months that the monetary easing has already gone a long way and now the central bank is in the fine-tuning mode, so has to move with caution.

Whether or not another rate cut in April or May is still possible will be mainly a function on the situation in the Middle East and how quickly / if oil and gas prices retreat from current levels. If they don't, the window of opportunity for more easing will close, as inflation will probably start climbing since March.

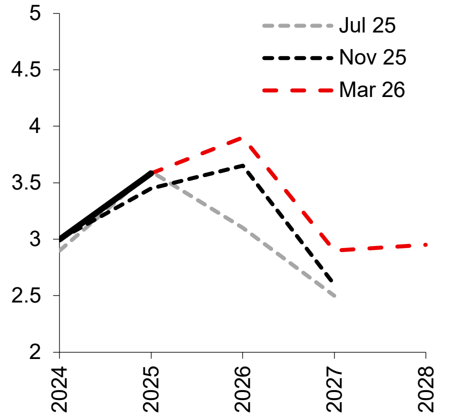
Inflation and GDP projections in subsequent Inflation reports

Middle points of GDP and CPI growth paths and width of 50-percent probability ranges.

	GDP growth			
	Mar 25	**Jul 25**	**Nov 25**	**Mar 26**
2025	3,75 (±0,85)	3,6 (±0,7)	3,45 (±0,35)	-
2026	2,95 (±1,05)	3,1 (±1)	3,65 (±0,95)	3.9 (±0.8)
2027	2,3 (±1,2)	2,5 (±1,2)	2,60 (±1,1)	2.9 (±0.9)
2028	-	-	-	2.95 (±1.15)
	CPI inflation			
2025	4,9 (±0,8)	3,95 (±0,45)	3,65 (±0,05)	-
2026	3,4 (±1,4)	3,1 (±1,4)	2,95 (±1,05)	2.25 (±0.65)
2027	2,5 (±1,4)	2,35 (±1,45)	2,60 (±1,5)	2.4 (±1.3)
2028	-	-	-	2.45 (±1.55)

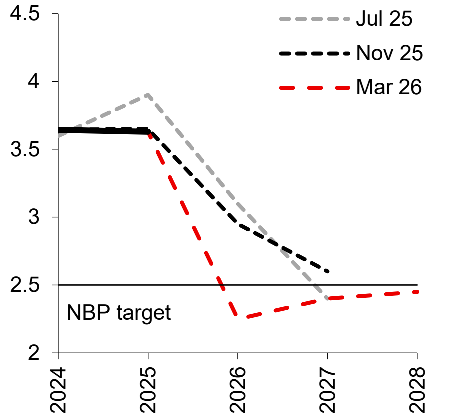
Source: NBP, Santander Bank Polska

GDP growth according to NBP projections (projection mid-points)



Source: NBP, Santander Bank Polska

CPI growth according to NBP projections (projection mid-points)



Source: NBP, Santander Bank Polska

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

In ~~the second half of~~ 2025 Q4, annual activity growth rates of major advanced economies were close to their long-term averages. In recent months, inflation in the euro area has been running close to the European Central Bank target, whereas in the United States, it has remained above the Federal Reserve target. ~~At the same time, global~~ Energy commodity prices ~~are~~have risen recently. By contrast, agricultural commodity prices remain markedly lower than a year ago. The outlook for global activity and inflation is subject to uncertainty, related, in particular, to geopolitical situation.

In Poland, according to the Statistics Poland preliminary estimate, GDP growth in 2025 Q4 amounted to 4.0% y/y (against 3.~~6%, which signals that economic~~8% y/y in 2025 Q3). The annual GDP growth ~~in 2025 Q4~~ was ~~probably close to that observed in 2025 Q3. Data from the labour market indicate that, despite~~ positively affected by an increase in ~~December,~~domestic demand, including consumption and investment, with a slightly negative contribution of net exports. In January 2026, retail sales increased in annual terms, while industrial output as well as construction and assembly production declined. At the same time, annual wage growth in the enterprise sector ~~slowed down over the course of~~ in January 2026 was markedly lower than in the previous ~~year~~month. This was accompanied by a further fall in employment in this sector.

~~CPI inflation declined to 2.4% y/y~~ CPI inflation, following a decline over the course of 2025, fell again in January 2026, according to the Statistics Poland preliminary data (to 2.2% from 2.4% in December 2025 ~~(compared to 2.5% y/y in November 2025).~~). Inflation net of food and energy prices also declined over the course of the previous year ~~and stood at 2.7% y/y in December~~.

The Council became acquainted with the results of the March projection of inflation and GDP based on the NECMOD model. In line with the projection, prepared under the assumption of unchanged NBP interest rates and taking into account data available until 19 February 2026, there is a 50-percent probability that the annual price growth will be in the range of 1.6 – 2.9% in 2026 (against 1.9 – 4.0% in the November 2025 projection), 1.1 – 3.7% in 2027 (compared to 1.1 – 4.1%) and 0.9 – 4.0% in 2028. At the same time, the annual GDP growth – according to the projection – will be with a 50-percent probability in the range of 3.1 – 4.7% in 2026 (against 2.7 – 4.6% in the November 2025~~. Incoming information suggests that CPI inflation may decrease in 2026 Q1 and remain at a level consistent with the NBP~~ projection), 2.0 – 3.8% in 2027 (compared to 1.5 – 3.7%) and 1.8 – 4.1% in 2028.

Taking into account inflation ~~target in the coming~~developments and its outlook for the subsequent quarters, in the Council's assessment, it became justified to adjust the level of the NBP interest rates.

~~Against this background, the Council decided to keep the NBP interest rates unchanged.~~

Further decisions of the Council will depend on incoming information regarding prospects for inflation and economic activity. Fiscal policy, expected recovery of demand in the economy, further developments in wage growth as well as macroeconomic situation abroad~~,~~ – including changes in global commodity prices and inflation, amid geopolitical tensions – remain risk factors for inflation outlook.

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.