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Economic Comment

Geopolitics Trumps the Doves

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Polish MPC kept interest rates on hold, with the reference rate at 3.75%. The decision was quite obvious, given a recent spike in commodity prices that pushed CPI to 3% in March and raised uncertainty about the inflation and economic outlook. Plus, several MPC members, including the ones perceived as the most dovish, clearly suggested recently they were not going to change monetary policy anytime soon.

The official post-meeting statement pointed to significant uncertainty about the global economic outlook, repeated that next decisions will be driven by the upcoming information and emphasised that the outlook heavily depends on geopolitical situation and commodity market developments.

At the post-meeting conference the NBP governor stressed that the inflationary effects of the current commodity price shock are likely to be much smaller than the effects of the Russian aggression on Ukraine in 2022, due to many reasons (including different stage of the cycle and the labour market, different level of interest rates in the starting point, much smaller reaction of prices of gas, coal, energy, food right now, more stable exchange rate). Yet, the MPC acknowledged that the situation in the Middle East will result in slightly higher inflation trajectory and possibly slightly lower economic growth. Therefore, Glapiński said he does not foresee any changes in interest rates in the near future. Asked about the outlook for the coming months, NBP governor initially said that rate hikes are out of question, as it seems that the situation in the Middle East does not seem to escalate further, while the rate cut, earlier suggested by some MPC members, is now under question mark. Later he admitted that if the war in Iran does escalate, then the MPC will not hesitate to raise interest rates to defend price stability in the medium run. Glapiński said he does not expect it to happen though, as he is a natural born optimist.

Overall, we think the Polish central bank will keep rates unchanged until the end of this year, and possibly even until the end of 2027, as the inflation profile has worsened due to the war in the Middle East. Our current forecasts suggest that even if war does not escalate further, inflation rate will not return to the 2.5% target before the end of next year.

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

In ~~2025 Q4~~2026 Q1, annual ~~activity~~GDP growth ~~rates of major advanced economies were close to their long-term averages. In recent months, inflation~~rate probably slowed down in the euro area ~~has been running close to the European Central Bank target, whereas~~and increased in the United States~~, it has remained above~~. As a consequence of supply constraints related to the conflict in the ~~Federal Reserve target. Energy commodity~~Middle East, prices ~~have risen recently. By contrast,~~ of fuels surged globally. At the same time, agricultural commodity prices ~~remain markedly~~ are still lower than a year ~~ago.~~earlier. According to Eurostat flash estimate HICP inflation in the euro area in March 2026 increased to 2.5%. The outlook for global activity and inflation is subject to significant 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 3.8% y/y in 2025 Q3). The annual GDP growth was positively affected by an increase in domestic demand, including consumption and investment, with a slightly negative contribution of net exports. In January 2026,~~in February 2026 retail sales and industrial output increased in annual terms, while ~~industrial output as well as~~ construction and assembly production markedly declined~~. At the same time, annual~~ again. Annual wage growth in the enterprise sector in ~~January~~February 2026 ~~was markedly lower than in~~stayed unchanged compared to the previous month. This was accompanied by a further fall in employment in this sector.

~~CPI inflation, following a decline over the course of 2025, fell again in January 2026, according~~According to the Statistics Poland ~~preliminary data (~~flash estimate, in March 2026 CPI inflation increased to 3.0% (against 2.~~2% from 2.4~~1% in ~~December 2025). Inflation net of food and energy~~February), mainly due to strong surge in fuel prices ~~also declined over~~ resulting from the conflict in the ~~course of~~Middle East.

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

~~Taking into account inflation 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.~~

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~~ in Poland. These prospects are currently influenced by changes in macroeconomic situation abroad~~ –~~, including changes in global commodity prices and inflation, amid geopolitical ~~tensions –~~context. Fiscal policy and regulation concerning fuel prices as well as changes in growth of activity in the Polish economy and further developments in wage growth also 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.

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