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Poland Economics View

NBP sending a mixed message, on hold for now

OUR TAKE

The NBP Governor justified the decision to keep interest rates on hold in November by highlighting the supply-side nature of the inflation shock, moderating wage growth, and weaker GDP prospects. Concurrently, the central bank head stated that the Monetary Policy Council has turned 'noticeably hawkish' and may consider rate hikes in 2027. We believe the key factors determining whether rates will ultimately be raised are the trajectory of energy prices in the coming months and the degree of government shielding for household energy bills. Our base case projects two 25 bps rate hikes in 1H2027.

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Governor Glapiński dedicated the first part of the monthly press conference to justifying the MPC's decision to maintain interest rates at 3.75% in November. In our view, this section carried a dovish tone, as the Governor cited factors ranging from the supply-side origin of the energy shock and the absence of second-round effects to moderating wage pressure and slowing consumption and GDP growth. He also emphasized that the decision aligned with the broad consensus among market analysts.

However, the opening remarks were followed by a distinctly more hawkish set of comments. In particular, Governor Glapiński highlighted risks of higher future inflation, especially if energy prices remain elevated and temporary fuel tax reductions expire in January. Additionally, the NBP head noted that he was personally 'not optimistic' regarding geopolitical developments in the Middle East, seeing little reason to expect a significant drop in oil prices in the near term. Consequently, he pointed to November as a pivotal juncture after which the Council will be better positioned to decide its path forward.

During the Q&A session, **Governor Glapiński reiterated that the monetary policy stance 'has turned noticeably hawkish'** and differs markedly from previous months. In his view, near-term developments will dictate whether the MPC delivers a rate hike, and whether that move will represent an isolated adjustment or the beginning of a tightening cycle.

Monetary policy implications - Despite leaving rates unchanged in November, the MPC appears far from comfortable with the medium-term inflation outlook. Our base case continues to assume two 25 bps rate hikes in 1H2027, as we expect the Council will need to tighten policy to ensure real rates remain positive. For the MPC to keep rates on hold throughout 2027, global energy prices would need to decline substantially and the government would have to fully shield households from higher electricity, gas, and fuel bills.

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