

31 October 2025 | 3 pages

## Poland Economics Flash

### Lower inflation opens doors for a November rate cut

#### OUR TAKE

*Inflation in October fell to 2.8% YoY and was 0.2 pp lower than the central bank had expected. The surprise is not big but we believe it may be enough to push the Monetary Policy Council to cut the policy rate by 25 bps in November. However, this should not change the terminal rate that we see at 3.75%.*

According to flash estimates, headline inflation fell to 2.8% YoY in October from 2.9% in November. The data is slightly lower than our forecast (2.9%) and below the consensus (3% according to Bloomberg survey). More importantly, the print is also below the central bank's forecast presented in early October (3%).

Although food prices were weaker than we had expected, this was offset by somewhat stronger growth in energy and fuels components. All in all, the downward surprise was mainly due to core factors, but in the absence of the detailed breakdown we are unable to say what the key driver was. Without that information it is difficult to assess whether the surprise was a one off (we lean towards this interpretation) or a result of more sustainable factors. However, what we can estimate at this stage is that the core inflation probably fell to 2.8-2.9% YoY in October from 3.2% in the preceding months. Seasonally adjusted core inflation was at around 0% MoM, but given the volatility of seasonally adjusted data we prefer to look at the 3-month moving , which is running now at 0.2% MoM.

Since the October inflation surprise was relatively small as compared to our forecast (-0.1 pp) it only slightly lowers our CPI path for the coming months (Figure 1). However, in this scenario the CPI is likely to fall towards 2% by July, before moving up again.

**Monetary policy implications** – October inflation surprise may turn out to be a decisive factor, pushing the MPC towards a rate cut in November. Having delivered 125 bps of rate cuts over last six months the Monetary Policy Council will need to assess at the November meeting whether the data justify further rate cuts. The new macroeconomic projection will probably show relatively robust GDP growth in 2026 and the CPI staying slightly above the target in the monetary policy horizon. Also, it can't be ruled out that this time the projection will incorporate introduction of new ETS2 (carbon emission pricing) into the base case, which would raise the 2027 inflation. For this reason we used to think the MPC would stay on hold at the November meeting. However, with much lower inflation in October we decided to change view and we now expect a 25 bps cut at the November 5th meeting. However, the decision will be a close call, in our view. In total we see room for approximately 75 bps of cuts in the coming months, eventually bringing the policy rate to 3.75% in early 2026.

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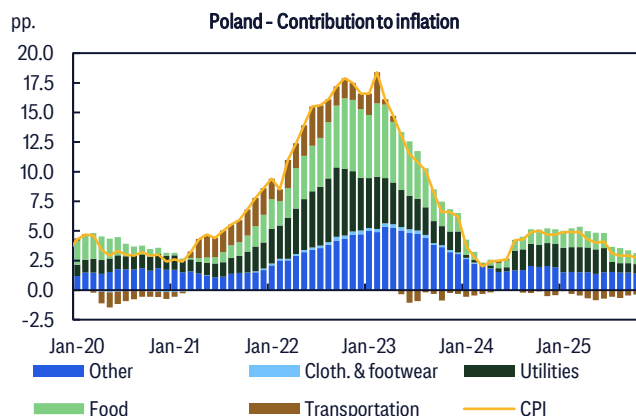
Figure 1. Poland - Inflation forecasts

|                       | 2025 |      |      | 2026 |      |      |      |      |      |      |      |      |      |      |      |
|-----------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|                       | 10   | 11   | 12   | 01   | 02   | 03   | 04   | 05   | 06   | 07   | 08   | 09   | 10   | 11   | 12   |
| CPI (%YoY)            | 2.8  | 2.5  | 2.6  | 2.3  | 2.1  | 2.1  | 2.0  | 2.4  | 2.4  | 2.0  | 1.9  | 2.1  | 2.3  | 2.3  | 2.4  |
| CPI (%MoM)            | 0.1  | 0.2  | 0.2  | 0.7  | 0.2  | 0.2  | 0.3  | 0.2  | 0.1  | -0.1 | -0.1 | 0.2  | 0.3  | 0.2  | 0.3  |
| Core inflation (%YoY) | 2.8  | 2.8  | 3.0  | 2.6  | 2.4  | 2.3  | 2.0  | 2.2  | 2.1  | 2.0  | 1.8  | 1.9  | 2.2  | 2.2  | 2.3  |
| NBP policy rate (%)   | 4.50 | 4.25 | 4.25 | 4.00 | 4.00 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 |

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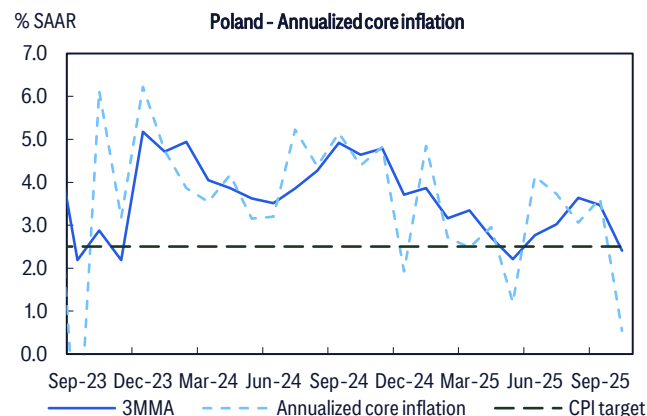
Source: Citi Handlowy Forecasts, NBP, Statistics Poland

Figure 2. In October headline inflation fell to 2.8% YoY, undershooting central bank's forecasts...



Source: Citi Handlowy, Statistics Poland

Figure 3. ... and the drop appears to be driven by deceleration in the core inflation



Source: Citi Handlowy Estimates, Haver Analytics

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