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POLAND

Rising energy prices may force the NBP into a 50bp rate hike in early 2027

Broader inflationary pressures, second-round effects and wage-driven inflation remain limited, but a worsening energy shock is pushing the inflation outlook higher. We expect inflation to move well above the upper bound of the National Bank of Poland s tolerance band in September. We now forecast a cumulative 50bp hike in interest rates in early 2027



With another energy price shock, we expect the National Bank of Poland to raise the base rate by 50bp to 4.25% in early 2027

According to our estimates, CPI inflation increased to 4.2% year-on-year in September, i.e., well above the upper range of accepted deviations from the National Bank of Poland's (NBP) target of 2.5% +/- 1 percentage point. The latest increase was driven primarily by another energy shock.

Higher crude oil prices, combined with the expiry of the government's fuel tax relief programme and the reinstatement of the 23% VAT rate on fuels, pushed petrol and diesel prices sharply higher. We estimate that fuels alone contributed around 2 percentage points to annual CPI inflation in September.

Looking ahead, inflation is likely to remain above 4% YoY for the coming months. A prolonged period of elevated inflation raises the risk that energy-driven price increases eventually broaden into more persistent inflationary pressures. As a result, the inflation outlook has deteriorated materially. We also see a lower probability of renewed fuel price intervention, given the continuing political deadlock between the government and the president.

The next key Monetary Policy Council (MPC) meeting will take place in November, when the NBP publishes an updated staff projection. We expect the new forecast to present a less favourable inflation outlook than the July round. Furthermore, the projected decline in inflation during the second half of 2027 looks increasingly uncertain. Upside risks to food prices are building as higher natural gas prices raise fertiliser costs and put pressure on agricultural production expenses. At the same time, the probability of increases in regulated household electricity and gas tariffs from the start of 2027 appears to be rising.

Given the expected increase in inflation and the likelihood that CPI remains above the upper bound of the target tolerance band for at least four to six months, we are revising our interest rate outlook. We now expect the MPC to deliver a cumulative 50bp increase in the policy rate, taking the NBP reference rate to 4.25%. Under this scenario, the National Bank of Poland would join other central banks responding to renewed inflation pressures with moderate policy tightening. We currently view early 2027 as the most likely time for rate increases, when inflation is expected to peak.

That said, an earlier response cannot be completely ruled out. Rate increases could arrive sooner, potentially following the publication of the November inflation projection, particularly if energy markets deteriorate further. Even so, we continue to expect significantly less tightening than is currently priced in by financial markets. Our baseline scenario assumes a cumulative 50bp increase in the reference rate, compared with roughly 125bp priced into market expectations at present.

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