Minutes of the Monetary Policy Council decision making meeting held on 8 October 2025

During the discussion at the meeting of the Monetary Policy Council, it was noted that the economic situation in Poland's immediate environment had not seen significant changes recently. Available forecasts show that GDP growth in the euro area will run at around 1% in 2025-2026. It was emphasised that in Germany, Poland's main trading partner, economic condition indicators had improved since the beginning of 2025, but available data on production still pointed to stagnation. It was observed that the expected fiscal expansion in this economy would help accelerate growth in the coming years, while Germany's structural problems dampen its long-term growth rate. Meanwhile, incoming data from the United States, on the one hand, confirmed a marked rebound in activity in 2025 Q2, while, on the other hand, hinted at some deterioration in the labour market in 2025 Q3.

The Council members pointed out that inflation in the euro area had risen slightly in September 2025, but remained close to the European Central Bank's target, thus the ECB was keeping interest rates unchanged after previous cuts. At the same time, in the United States inflation is running somewhat above the Federal Reserve's target, and core inflation is on the rise; yet, due to some deterioration in the labour market, the US central bank cut interest rates in September. In most countries of Central and Eastern Europe, inflation has not returned to low levels; and in some countries, it has recently risen, which is why the central banks of the Czech Republic, Hungary and Romania are keeping interest rates unchanged. Interest rates in the Czech Republic are markedly lower than in Hungary and Romania, though, which reflects i.a. differences in inflation levels.

While discussing economic activity in Poland, it was observed that economic conditions remained strong, although GDP growth was slightly slower than assumed in the July projection. According to available estimates, GDP growth in 2025 Q3 had probably been close to its Q2 rate and was still driven primarily by consumption. It was pointed out that in August 2025, retail sales had increased by 3.1% y/y, and industrial output by 0.7% y/y, with industrial output growth running higher after adjustment for seasonal and calendar effects. It was highlighted that construction and assembly output had declined in annual terms in August, and the weaker performance of this sector might signal sluggish investment growth in 2025 Q3.

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During the discussion on the labour market, it was emphasised that the situation in this market had not changed significantly. The Council members pointed out that demand for workers in the enterprise sector remained subdued, which was manifested in the declining number of FTEs compared to the beginning of 2025. At the same time, although the registered unemployment rate has risen in recent months, this was probably largely due to regulatory changes. It was pointed out that in August 2025, wage growth in the enterprise sector slowed to 7.1%, which, on the one hand, suggested that it continued a gradual downward trend, while, on the other hand, remaining elevated. Certain Council members stressed that wage pressure indicators – as declared by enterprises in survey studies – were declining. In turn, other Council members judged that the limited supply of labour might support the relatively high wage growth going forward.

While analysing the situation in the credit market, it was pointed out that some recovery had been observed. The annual growth in corporate loans, particularly investment loans, is gradually increasing. Similarly, the annual growth in PLN-denominated housing and consumer loans is on an upward trend.

During the discussion on inflation, it was pointed out that in September 2025, the annual growth in consumer prices remained unchanged compared to August, at 2.9%, i.e. was broadly in line with the NBP inflation target, although above 2.5%. Attention was drawn to the fact that the growth in the prices of food and non-alcoholic beverages had slowed down, while fuel price growth had risen, which was due to base effects. Certain members of the Council emphasised the favourable impact of trends in commodity prices on the disinflation process. At the same time, it was estimated that in September 2025 inflation net of food and energy prices had probably remained at its August level, as growth in service prices was still elevated, while growth in goods prices was slow. However, certain Council members underlined that some other core inflation measures, such as inflation excluding administered prices, were lower. They also noted that HICP inflation excluding prices of energy, food, alcoholic beverages and tobacco products was lower as well. Meanwhile, certain Council members argued that a relatively large part of the inflation basket net of food and energy prices posted elevated price growth.

While discussing the outlook for inflation, the Council members stressed that two important pieces of information on energy prices had come in since the previous Council meeting. Firstly, the freeze on household electricity prices had been extended to 2025 Q4, which means a downward shift in the likely CPI path for 2025 Q4 relative to the earlier forecasts. Secondly, the Energy Regulatory Office approved new electricity sales tariffs, which, under the assumption that they remain unchanged in the quarters to come, would mean a rise in inflation as of January 2026, albeit to a lesser extent than the rise resulting from the previous tariffs. Thus, the Council members pointed out that according to available forecasts, CPI inflation might rise above 3% in 2026 Q2, which would be additionally boosted by base effects. Certain Council members emphasised, however, that in the first half of 2026 the forecast annual growth in consumer prices would not result from fundamental inflationary pressures. At the same time, it was pointed out that according to forecasts, core inflation would stabilise at a level slightly above 3% in the coming quarters. The Council members indicated that at the next meeting a new medium-term projection of inflation and GDP would be presented, which would take account of not only macroeconomic data from the recent months, but also lower interest rates than those assumed in the previous projection as well as current information on fiscal policy.

The Council members noted that although the uncertainty about developments in consumer prices until the end of 2025 decreased, risks for the subsequent years persisted. It was observed that apart from uncertainty about energy prices, the year 2026 was likely to see cumulation of spending under the National Recovery and Resilience Programme, which could be a factor boosting demand pressure in the Polish economy. In the longer horizon, a possible rise in inflation driven by the launch of the ETS2 system in 2027 is a risk factor.

At the meeting it was underlined that domestic fiscal policy was highly inflationary. In the 2026 Draft Budget Act, the government assumed that in 2025 the public finance sector deficit would rise again (to 6.9% of GDP), which points to a further easing of fiscal policy. It was pointed out that the high fiscal deficit was observed despite the robust economic growth. At the same time, in the *Public Finance Sector Debt Management Strategy in the years 2026-2029* the government assumes that in 2029 public debt in ESA terms will exceed 75% of GDP, which means a rise of more than 25 percentage points of GDP within six years. The Council members emphasised that expansionary fiscal policy limited the space for interest rate cuts. It was pointed out that recently some rating agencies revised downward the outlook for Poland's credit rating. At the same time, it was noted that interest rate cuts implemented by the Council in the past quarters reduced public debt servicing costs.

Taking into account an improved inflation outlook for the coming period, in the assessment of the majority of Council members, it became justified to adjust the level of NBP interest rates. At the same time, the Council members emphasised that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity. Fiscal policy, consumption demand recovery and elevated wage growth remain the risk factors for low inflation. Uncertainty stems also from the level of administered energy prices and inflation developments abroad, following, among others, from changes in trade policies of major economies.

At the same time, a view was expressed that the current level of the NBP interest rates was too low.

The Council decided to cut the NBP reference rate by 0.25 percentage points, i.e. to 4.50%. At the same time the Council set the remaining NBP interest rates at the following levels: the lombard rate at 5.00%, the deposit rate at 4.00%, the rediscount rate at 4.55%, and the discount rate at 4.60%.

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