Minutes of the Monetary Policy Council decision making meeting held on 5 November 2025

During the discussion at the meeting of the Monetary Policy Council, it was noted that the global economy remained relatively resilient to the ongoing turmoil, including trade and political tensions. According to the forecasts by the International Monetary Fund, GDP growth in 2025-2026 is to run at approx. 2% in the United States, and slightly above 1% in the euro area. In Germany, Poland's main trading partner, growth will probably be very weak in 2025 but is expected to pick up to approx. 1% in 2026. The Council members emphasised that the build-up of structural problems and the loss of competitiveness to China were dampening the expectations of a significant rebound in Germany in the coming years.

The Council members pointed out that inflation in the euro area had been running close to 2% for already a few months, i.e. was consistent with the European Central Bank's inflation target and was expected to further decline slightly in 2026. It was noted that the influx of relatively cheap goods from China was acting to lower inflation in Europe. It was also noticed that the prices of many commodities in global markets had been falling recently. Against this background, the ECB is keeping interest rates unchanged. The US Federal Reserve, in turn, cut interest rates in October due to a slight deterioration in the US labour market, although inflation in the United States remains above the Fed's inflation target.

While discussing economic activity in Poland, it was observed that economic conditions remained strong, as evidenced by, among others, favourable data for September 2025. In that month, retail sales increased by 6.4% y/y and industrial output by 7.4% y/y. The annual growth in construction and assembly output also was slightly positive.

While discussing the outlook for economic activity, the Council members pointed out that according to available forecasts, the economic climate should remain relatively favourable in the coming years, and economic growth should remain balanced. It was observed that according to the November projection, GDP growth was expected to accelerate in the immediate future. It was pointed out that the projection assumed a full utilisation of funds under the National Recovery and Resilience Plan and a related strong investment growth in the coming quarters. Consequently, should the NRRP funds not be fully utilised, investment and GDP growth in 2026 might turn out to be lower. It was emphasised that

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after the exhaustion of NRRP funds, activity growth in the Polish economy would likely slow down, as reflected in the projected GDP growth in 2027. Certain Council members pointed out the NBP interest rate cuts of the previous months had contributed to the improved growth outlook for the Polish economy in the coming years in comparison with earlier projections.

During the discussion on the labour market, it was noted that according to Statistics Poland (GUS) data, employment in the enterprise sector was declining in year-on-year terms, and data for 2025 Q3 point to a deepening of this trend. It was observed that the registered unemployment rate had risen slightly in recent months, although this was probably largely due to regulatory changes. At the same time, it was underlined that in 2025 Q3 the annual wage growth in the enterprise sector had declined significantly (to 7.1%), demonstrating a gradually slowing wage growth. The Council members pointed out that the November projection envisaged further weakening of wage growth, among others, due to the expected smaller rise in the minimum wage and weaker wage growth in the public sector in 2026 compared to 2025. It was noted that slower wage growth coupled with declining employment was substantially dampening growth of the wage bill in the enterprise sector, which should curb demand pressure in the economy.

While analysing the situation in the credit market, the observed revival in lending was noted, evidenced by the gradual step-up in the annual growth in household lending, both in the housing and consumer loan segments. The Council members underlined that while the annual growth in corporate loans had slowed down somewhat in September 2025, it remained higher than in previous quarters.

During the discussion on inflation, it was pointed out that according to the preliminary Statistics Poland estimate, in October 2025 the annual growth in consumer prices had declined to 2.8%, which was a level broadly in line with the NBP inflation target, and was getting close to 2.5%. It was emphasised that – considering the Statistics Poland data – it could be estimated that inflation net of food and energy prices had fallen, probably reaching its lowest level in a few years. It was indicated that service price growth, while still elevated, had probably slowed down.

In light of the above information, the majority of the Council members assessed that recently there had been an improvement in pricing processes, with NBP's monetary policy of the past years being a contributory factor. It was further indicated that low inflation in Poland was supported by external factors, including the inflow of relatively cheap goods from China to Europe. However, certain Council members stressed that the lower CPI inflation in September and October 2025 than previously expected largely resulted from slower annual growth in food prices. Other Council members argued that inflation net of food and energy prices was being boosted by steep growth in the prices of excise goods, amid a deflation in the prices of market goods and a persistently negative annual PPI index.

While discussing the outlook for inflation, the Council members emphasised that the November projection pointed to its improvement in the coming quarters. According to the projection, in 2026 the annual average CPI index is to decline to 2.9%, and over the entire projection horizon it is to run within the band for deviations from the NBP inflation target (2.5% ±1 percentage point). At the same time, certain Council members observed that in line with the projection, inflation net of food and energy prices was to remain close to 3% in 2026.

At the meeting, it was noted that the forecast inflation path was fraught with uncertainty. In particular, there is uncertainty regarding energy prices, which will be affected by fluctuations in global commodity prices and regulatory decisions concerning the level of electricity prices for households as of January 2026. In this context, the Council members indicated that the November projection assumed an increase in electricity prices in 2026 to the level of the current tariffs, which means that should electricity prices for households be set at a lower level, CPI inflation might be slightly lower. The Council members pointed out that in the longer term, inflation might be affected by the introduction of the ETS2 system. However, it was stressed that there was no certainty about when – and whether – the system would be introduced. Also its final form and the prices of the CO_2 emission allowances applicable within the ETS2 were uncertain, since no final agreement had been reached in this regard.

Some Council members emphasised that the elevated wage growth continued to pose a risk for low inflation, while certain Council members noted that the observed increase in registered unemployment and the decline in employment should act to lower wage growth. In turn, certain Council members pointed out that according to PMI surveys, the average cost of production in industrial enterprises was falling, which, together with the observed slowdown in wage growth, might point to lower inflation in 2026 than envisaged in the November projection. Some Council members stressed that also the potential incomplete utilisation of NRRP funds and the consequent slower activity growth might dampen price growth in 2026.

The Council members pointed out that the high general government sector deficit was another substantial macroeconomic factor. It was emphasised that as followed from the *2026 Draft Budget Act*, the deficit would remain high in 2026, which restricted the room for monetary easing.

Taking into account a decline in inflation and an improved inflation outlook for the coming quarters, in the assessment of the majority of Council members, it became justified to adjust the level of the NBP interest rates. The Council members emphasised that further decisions of the Council would depend on incoming information regarding the prospects for inflation and economic activity. Fiscal policy, recovery of demand in the economy and elevated wage growth remain risk factors for low inflation. Uncertainty stems also from the level of energy prices and inflation developments abroad.

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

The Council decided to cut the NBP reference rate by 0.25 percentage points, i.e. to 4.25%. At the same time, the Council set the remaining NBP interest rates at the following levels: the lombard rate at 4.75%, the deposit rate at 3.75%, the rediscount rate at 4.30%, and the discount rate at 4.35%.

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