

Another 50 basis point rate hike in Poland

The 50bp rate hike by the National Bank of Poland is consistent with recent Monetary Policy Council statements. We expect the Council to continue the tightening cycle, pushing the reference rate to 4.5% in the year-end



Today's MPC decision to hike interest rates by 50bp (main rate to 2.75%) is consistent with a significant change in MPC rhetoric, especially by Chairman Glapiński, evident since the January meeting. In our view this results from rising fears of a wage-price spiral, especially considering the very strong 4Q21 data.

The scale of the hike was a disappointment to investors, who were expecting decisive policy actions, similar to Czechia. As a result, we see upside €/PLN pressure. We think this is only temporary though. The post-meeting statement confirms that the Council is concerned with persistently high inflation. Recent comments by Glapiński's suggest a substantial shift in the MPC's stance and a readiness to deliver further hikes. Glapiński recently noted that rate hikes would exceed market expectations (terminal rate priced around 4% at the time). We expect the MPC chairman's conference tomorrow (15:00 CET) to confirm this stance.

We expect the MPC to continue the hiking cycle next month with another 50bp. This remains consistent with previous central bankers' comments, suggesting the scale of hikes to remain unchanged, and not to cause market expectations either for an overtly aggressive policy

tightening, or a premature end to the tightening cycle. The Council noted that PLN appreciation is consistent with the policy target. We see the FX channel as the fastest tool in NBP's arsenal, capable of impacting inflation.

Therefore we expect the zloty to revert back to gains soon, reaching 4.40-45 in the year-end. The outlook is also supported by diminishing political risks. The Presidential Supreme Court reform bill supports the view, and the ruling PiS aims to de-escalate the conflict with the European Commission and access money from the Recovery Fund.

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