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POLAND

National Bank of Poland holds rates steady, with further detail still to come

Poland's central bank kept rates on hold today, with the reference rate still at 5.25%. The post-meeting press release was largely unchanged, though it justified a 50bp move in May. We expect the Council to resume its easing cycle in July, with room for an additional 75bp of cuts this year. Further insights are expected in tomorrow's presser



President of the National Bank of Poland, Adam Glapiński

The National Bank of Poland's decision to keep rates on hold was unsurprising, as policymakers had previously suggested a pause in June to assess the economic and inflationary outlook before easing further. Apart from updates to macroeconomic indicators domestically and abroad, the June statement doesn't differ from what we saw in May – although this, however, did justify a 50bp cut. The MPC didn't mention the disinflationary effect resulting from the reduction of the natural gas tariff by the Energy Regulatory Office (URE) effective from July. It lowers the inflation path by 0.2-0.3 percentage points and suggests a return of inflation close to the NBP's target already in July.

The Council's decision this month was consistent with communication from NBP Governor Adam Glapiński during May's press conference, where he suggested that another rate cut in June was unlikely. Still, we believe there is significant room for rate cuts this year. Core

inflation remains on a downward trend, and the main CPI inflation indicator was lower than expected in May. Additionally, the May decision by the Energy Regulatory Office (URE) will reduce household gas bills by approximately 10%. As a result, CPI inflation could be close to the central bank's inflation target (2.5%, +/-1 percentage point) as early as July.

We expect that the July inflation projection by the NBP will bring a significant downward revision of the inflation path compared to the March projection. We anticipate that the MPC will cut interest rates by 25bp in July, initiating an easing cycle. We foresee further cuts of the same magnitude in September and November, with the reference rate potentially reaching 4.50% by the end of 2025. A factor that could limit the scale of rate cuts is the risk of maintaining loose fiscal policy in the medium term.

Further insight into how the NBP perceives this risk and the outlook for further steps by the MPC may be provided tomorrow during the press conference by Glapiński. Investors will be sensitive to any change in his stance in the new environment. During recent pivots, the communication from the governor has preceded changes to the Council's post-meeting statements. The latest shift in Glapiński's communication in April was reflected in the Council's statement in May.

Author

Adam Antoniak

Senior Economist, Poland
adam.antoniak@ing.pl

Leszek Kasek

Senior Economist, Poland
leszek.kasek@ing.pl

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