

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

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.