

## National Bank of Poland governor's tone to marginally soften from July

Economic recovery is progressing on the back of buoyant consumption, while inflation remains elevated. The Monetary Policy Council suggests it may be more open to debate on rate cuts in 2025, especially if the government extends measures to contain electricity price increases next year. We see room for 100bp of rate cuts in 2025



NBP Governor Adam Glapiński

In second quarter 2024 GDP grew by 3.2% YoY, beating market and our expectations. Growth was still driven by private but also public consumption that rose by 4.7% year-on-year and 10.6% YoY respectively. The former was underpinned by substantial improvement in real disposable income of households, while the latter by wage hikes in the public sector. Fixed investment also surprised to the upside, rising by 2.7% YoY vs -1.8% YoY in 1Q24. Since investment outlays of enterprises performed even worse than in the first quarter, we attribute the rebound in total investment to public outlays (most likely defence spending). Inflation remains elevated and rose to 4.3% YoY in August vs 4.2% YoY in July.

Rates are broadly expected to remain unchanged in 2024; we see room for 100bp cuts in 2025. NBP Governor Glapiński, who in July suggested rates could remain flat till 2026, made a pivot and joined the emerging MPC majority calling for cuts in 2025.

We expect the governor's tone after the September meeting to be somewhere between his hawkish tone from July and the dovish MPC majority, which we heard over the summer. Second quarter GDP was strong, and the Ministry of Finance revised up its 2024 and 2025 deficit forecasts. Inflation is rising in the second half of 2024. Those are arguments calling for maintaining a hawkish tone. At the same time, average inflation in 2025 should be below the July NBP projection as the government wants to halt electricity prices increase in January 2025. As the main central banks start (Fed) or continue (ECB) easing cycles, Glapiński presumably does not want to be outvoted by the rest of the MPC.

**FX and Money Markets:** The zloty was unable to extend 2024 lows despite a significant weakening of the US dollar, typically supportive for CEE FX. We see risk of €/PLN moving above 4.30 after the summer. The domestic and European macro backdrop should not sway the market away from a relatively aggressive NBP easing scenario anytime soon. With global risks at least partly priced in, for now we don't expect €/PLN to move significantly above 4.35 in the year-end unless a substantial deterioration in EM sentiment occurs.

**Domestic Debt and Rates:** We see curve steepening in 2H24. The 2025 central budget hints at record-high borrowing needs and POLGBs' issuance. With limited foreign interest in local debt, domestic buyers may prove insufficient to prevent a rise in yields. On the other hand, borrowing needs are high but distributed to many sources of funding, which gives the Ministry of Finance many alternatives. We also think that the market is pricing an overly aggressive NBP easing path, ie, given the expansive fiscal policy domestically. Still, with lacklustre domestic data both domestically and from the eurozone, a repricing of the NBP easing path may not come this year.

## Quarterly forecasts

¤	1Q24	2Q24F	3Q24F	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F
Real-GDP-(%YoY)¤	2.0	3.2	3.1	3.7	3.2	3.5	3.6	3.8
CPI-(eop, %YoY)¤	2.0	2.6	4.8	4.7	5.9	5.3	3.9	3.1
Central-bank-key-rate-(eop, %)¤	5.75	5.75	5.75	5.75	5.75	5.50	5.00	4.75
3m-interest-rate-(eop, %)¤	5.88	5.85	5.85	5.85	5.83	5.53	5.12	4.95
10yr-yield-(eop, %)¤	5.43	5.74	5.51	5.74	5.51	5.33	5.23	5.34
€/PLN¤	4.30	4.31	4.30	4.30	4.30	4.32	4.33	4.34
US\$/PLN¤	3.99	4.03	3.84	3.91	3.91	3.93	3.94	3.95

Source: Macrobond, ING estimates

## Authors

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

### Adam Antoniak

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

### Piotr Poplawski

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@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 <http://www.ing.com>.