

## Poland: A change in the Council; hawkometer update

The departure of Rafal Sura may weaken the dovish camp, although the timing of his departure is uncertain. With or without Sura, the Monetary Policy Council's bias should turn more hawkish



### A departure from the Monetary Policy Council

According to the Polish News Agency, MPC member Rafal Sura is to join the Supreme Administrative Court. His candidacy has already passed the vote in the National Council of the Judiciary and will be presented to Poland's President for approval.

We see Sura as a dovish member in the current MPC. The date of his departure is uncertain. While his candidacy has been approved by the National Council of the Judiciary, approval by the President may take a long time.

Recent comments have suggested that the hawkish camp has been strengthened by Professor Zyżynski, who has called for ending the asset purchase programme after the lockdown is lifted and also supports signalling a rate hike in the coming months. We have now seen four out of the ten MPC members calling for the start of monetary policy normalisation. Without Sura (we still don't know when he might leave) the dovish camp would be even smaller, with four hawks and five doves – please see the updated hawkometer.

## Inflation should remain elevated

With or without Sura, our CPI forecasts call for the start of monetary policy normalisation. We see average CPI in 2021 at about 4% year-on-year, however, in the next few months CPI should reach 5% YoY, well above the upper boundary of the National Bank of Poland's target (2.5%+/-1%). So far, a significant part of the inflation rise has been caused by regulated prices (garbage collection and electricity), as well as the low base in oil prices. But there are more than just supply factors at play.

We have been arguing for some time that the recovery from the Covid-19 recession is going to be different from previous cycles. This time, households have the funds to return to higher spending quickly once the pandemic passes. The lagged impact of the recession on the labour market and inflation should be quite limited this time round. Also, subsequent inflation readings in economies more advanced in reopening point to CPI upward surprises.

---

*In our opinion, the average annual CPI inflation should also remain at an elevated level of 3.4% next year.*

---

In our opinion, the average annual CPI inflation should also remain at an elevated level of 3.4% next year. This is an effect of the unfavourable GDP structure in recent years, with a decreasing share of private investment. We believe that additional inflationary pressure will also be generated in 2022 by fiscal stimulus from the Recovery Fund and the local budget.

Elevated inflation has forced a turnaround in the MPC's communications, which have become less dovish. For the time being, the prevailing view among most of the Council is that this is a temporary phenomenon, but we believe this is already changing and the next NBP inflation projection should force the NBP to act. We expect the first rate hike in Poland to take place in the first half of 2022 (7 out of 10 MPC members see their terms expire in 1Q22). However, we do not rule out a rate hike at the next inflation projection update in November 2021.



Source: ING

### Author

**Rafal Benecki**

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@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](http://www.ing.com).