

## National Bank of Poland president has a positive disinflationary message for the new year

Governor Glapiński stated that based on history a radical disinflation process can be very costly. This suggests that the central bank is unwilling to tighten policy further to accelerate disinflation. The governor hopes that interest rates can be cut at the end of 2023, but we see it unlikely due to elevated and persistent core inflation



President of the National Bank of Poland, Adam Glapiński

### Current inflation

At the January 2023 press conference, National Bank of Poland President Glapiński positively assessed the deeper-than-expected decline in CPI inflation in December (16.6% year-on-year, down from 17.5% in November). At the same time, he stressed that current inflation is very high and that reaching the inflation target is still a long way off and the disinflation process will be gradual.

### External environment

President Glapiński noted the weaker economic environment surrounding the Polish economy, including the technical recession in the euro area. The underlying cause is the war in Ukraine. The first effects of the tightening of monetary policies of the major central banks are also visible. This is accompanied by a favourable situation on the labour market, although wages are falling in real terms. In Poland, this has been the case since May 2022.

### **Inflation outlook in Poland**

The NBP head stressed that global commodity prices have been falling recently, although they are still several times higher than three years ago, before the pandemic and the war in Ukraine. He also noted the slower dynamics of agricultural commodity prices and improvements in global supply chains. The reduction in producer inflation PPI indicates lower cost pressure. According to the NBP, the disinflation will not be rapid and steep. CPI inflation will pick up in January and February (although it is difficult to assess whether it will exceed 20% YoY) and then decline to single-digit levels by the end of 2023, possibly as low as 8% YoY in December this year.

### **PLN exchange rate**

President Glapinski noted that the zloty exchange rate is stable and resistant to external turbulence despite NBP rates remaining unchanged in recent months. Unlocking the funds from the EU Recovery and Resilience Facility would be positive for the zloty rate, although the NBP president assessed its impact on GDP and inflation as negligible. In his view, full utilisation of these EU funds would accelerate Poland's GDP growth by 0.4 percentage points in the first year and by 0.2pp in following years.

### **Monetary policy**

In the Monetary Policy Council's view, the level of NBP interest rates (6.75%) is adequate in the current environment. Once again Governor Glapiński expressed hope that interest rates could be lowered late this year, although this hope is lower as forecasts for end-2023 CPI inflation are higher (around 8% YoY in December, rather than c.6%). He pointed out that for this to happen the fall in inflation must be judged as sustainable.

### **Conclusions**

In our view, the NBP governor statements suggest that the NBP will not aim to bring down inflation quickly to the de jure inflation target of 2.5% with a +/-1pp deviation. The de facto inflation target is a gradual reduction in headline CPI inflation. In our assessment, after the rise in inflation in January and February, the disinflation process in the following months will be accompanied by a persistently high level of core inflation, several times higher than the NBP's inflation target. This will not allow for NBP interest rate cuts this year.

## Author

### Adam Antoniak

Senior Economist, Poland

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

### Leszek Kasek

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto: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](http://www.ing.com).