

## Poland: The MPC doesn't worry about other emerging markets

The Monetary Policy Committee (MPC) left rates unchanged. Governor Glapiński confirmed that rates should remain flat till the end of 2019. Here are the three most important takeaways from today's MPC press conference:



### 1 The NBP Governor refrained from commenting on rates policy in 2020

National Bank of Poland (NBP) Governor Adam Glapiński confirmed that interest rates are likely to remain flat in 2019, but was reluctant to give guidance for 2020. Nevertheless, he admitted that in his opinion rates will be stable in 2020 as well. J.Żyżyński (one of the doves) agreed that there are no reasons for policy changes at the moment. There was one hawkish MPC member present at the conference - K.Zubelewicz. He reiterated that rates will be stable because other members of the Monetary Policy Committee are reluctant to act unless the risk of an overshoot of the NBP inflation target becomes significant.

In our opinion, the reluctance of the NBP governor to extend forward guidance to 2020 should not have significant policy implications. His motivation was probably to avoid a situation in

which his long-term forecasts are treated as unconditional commitments.

## 2 Poland immune to other emerging markets crises

NBP Governor Glapiński stated that there is no risk of negative spillovers from the crises in Turkey or Argentina and expected that US trade wars with other countries and regions should have a limited impact on Polish activity. MPC members also highlighted that conservative monetary policy allowed Poland to be more resilient to external shocks compared to Hungary. In our opinion policymakers are unlikely to respond to a worsening of sentiment for emerging markets.

## 3 NBP hypothesis: Central Statistical Office underestimates Investments

The MPC did not directly comment on the slowdown of investments from 8.1% to 4.5% YoY in 2Q. During the press conference, Governor Glapinski confirmed that the central bank had requested an in-depth review of investments accounting techniques used by the Central Statistical Office. The MPC and likely the NBP analysts have hypotheses that expenses of small and medium enterprises are underestimated as the methodology does not qualify, eg, leasing as an investment.

We reiterate our forecast that interest rates should remain flat till the end of 2020. We do not fully share the optimism of the NBP governor about Polish GDP growth (we worry a bit about slow investment), but we agree that the inflation path is not a reason for concern for the MPC and the risk of contagion from other emerging market crises seems low indeed.