

## Poland's central bank governor takes a somewhat dovish tone

Thursday's NBP press conference hasn't changed our conclusions from yesterday's press release. The committee's stance has toughened, and it will be reluctant to cut rates for the next two quarters. But from the second quarter onwards, expect some easing, perhaps with a 50bp first step



Adam Glapiński,  
President of the  
National Bank of  
Poland

### Economic conditions weakened slightly in Q3 2024

In his regular news conference, the Polish central bank governor, Adam Glapiński, referred to the current economic situation and noted that GDP growth in the third quarter of this year might have been slower than in the second. In particular, consumer demand weakened, as indicated by the latest retail sales data. The industrial sector continues to experience weak conditions, which is related to stagnation or even recession in Germany.

### Inflation uncertain in 2025, but on target for 2026 according to NBP

As for inflation, the NBP chair placed significant emphasis on current decisions regarding regulated

prices but paid too little attention to the persistence of core inflation - both current and projected - by the NBP, which shows that it will remain at a high level in the coming years, contrary to projections in the Czech Republic and Hungary.

Elaborating on inflation, Glapiński placed significant emphasis on current decisions regarding regulated and administrative (non-market) prices, including energy, gas, water supply, and sewage services. According to the NBP, these regulated price increases have pushed inflation up by 2.3 percentage points. He stressed that these factors are independent of monetary policy. Glapiński also acknowledged that other factors besides administered prices are influencing the rise in prices.

He pointed to poor domestic vegetable and fruit harvests and elevated core inflation. The latter is associated with high wage growth, including increases in public sector wages, which translates into rising service prices. Once again, Glapiński was trying to convince his audience that the decline in inflation in the first half of this year was an NBP success, while the increase in the second half was due to administrative actions.

He also added that the current rise in inflation is smaller than in the years 2022-23. In the context of inflation prospects, the NBP head emphasised that the Council is waiting for numerous uncertainties to be clarified. No decision has yet been made on the possible extension of protective measures regarding electricity prices. As a result, the central bank has prepared its inflation forecast in two scenarios. The baseline scenario, based on the current legal state, assumes a full unfreezing of energy prices, which will temporarily push inflation above 6% YoY in 1H25. In the case of continued energy price freezes, the increase in inflation would be only slight. In both scenarios, inflation is expected to fall to the NBP's target in 2026, aided by a slowdown in wage growth.

## **Elevated core inflation is common around the world**

Governor Glapiński argued that elevated core inflation is a common phenomenon and applies to the US, Western Europe and the CEE region; it has its source in rapidly rising service prices and wages just about everywhere. Nevertheless, recent core inflation readings in Poland are the lowest compared to CEE countries. We see an important inconsistency in the President's statement. The NBP's projections for the coming years show continued high core inflation in Poland but a significant decline in the Czech Republic and a slightly smaller drop in Hungary.

## **Fiscal policy is too loose**

Glapiński indirectly criticised fiscal policy for being too loose and added that fiscal tightening would make room for less restrictive monetary policy. He also cited the MPC's official opinion on the 2025 draft state budget. In the opinion of the MPC, the general government deficit this year and next may be larger than the government forecasts (5.7% of GDP in 2024, projected before the amendment, in our view, 6.1% of GDP). In 2025, the deficit is to decrease only slightly compared to 2024.

## **Forward guidance and MPC bias: short-term more hawkish, from March 2025 even softer**

The NBP governor reiterated conditions that need to be met for the Council to start discussions on policy easing and cut rates. The MPC is waiting for CPI inflation to stabilise, even at a high level of

5-6% YoY, but it needs to pass the peak. An additional condition to ease is a projection showing CPI falling to the NBP target. At that point, the discussion will start, and a cut may follow. In 2H25, the projection shows a rapid decline in inflation to the upper band of deviations from the inflation target in early 2026 and a return to the target at the end of 2026, irrespective of increases in regulated prices.

Glapiński stressed that he had not tightened his stance, even though he only spoke about possible rate cuts towards the end of the conference during the Q&A session. He added that the Council is still willing to proceed with rate cuts once the conditions mentioned earlier are met. Professor Glapiński reiterated that it is possible to start discussing rate cuts in March. There may even be a proposal for a rate cut then, although it is unlikely to gain a majority. He also allowed for the possibility of a 50bps cut as a first step, but after March 2025 and in a scenario of a rapid fall in inflation after the peak.

Yesterday's MPC statement and today's press conference by the chairman can be read as some tightening of the stance when it comes to MPC decisions over the next two quarters. But when it comes to its decision from March onwards, the MPC seems to even soften its bias. This is evidenced by the new comment in the press release, which mentions the new element, the possibility of a slowdown in wages. Also, the governor admitted a 50bp rate cut in the first step sounds dovish.

We still think the MPC will cut rates by 100bp in total in 2025, starting from the second quarter, but now we think the odds are perhaps lengthening that they could go a little harder a little later.

## Author

### Adam Antoniak

Senior Economist, Poland

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

### Rafal Benecki

Chief Economist, Poland

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