‘No chance’ of Polish rate cuts this year as NBP Governor steps up rhetoric

Following Thursday's news conference and other MPC members' statements, there's clearly no chance of a rate cut in Poland this year. And given that absence of doubt over the Council's upcoming moves, we might be waiting until 2026

National Bank of Poland (NBP) Governor, Adam Glapinski

Inflation still a concern for Poland's central bank

Today’s press conference shows that the NBP Governor is focusing on the fight against increasing inflation in the coming months, associated with the gradual unfreezing of energy prices and continued high wage dynamics. The chances of any rate cuts this year are negligible despite the risks to economic growth, not least weaknesses coming from Germany, and other central banks' decisions.

During today's conference, Governor Adam Glapinski stated that a cut might only be possible in 2026 at the earliest; previously he'd mentioned next year. The NBP Governor stressed that core inflation is high, as it is in other EU countries, and it will continue to remain at elevated levels, primarily due to the prices of services linked to high wage dynamics. The GDP growth projection of 3% this year and more than 3% in subsequent years suggests that the NBP expects high consumption dynamics. We'll get more on that when the Inflation Report is published tomorrow.

Glapinski underlined that the NBP's goal is to bring inflation back to target on a sustainable basis. Unfortunately, according to the latest projection, the NBP expects it to be around 5% at the end of 2024 and to reach over 6% in the first half of 2025. The main reason for this is the liberalisation of energy prices, whose impact on CPI inflation will be 1.6pp in July this year and 1.3pp in January 2025. After that, inflation is expected to decline gradually, only returning to target by the end of 2026 (assuming rates are left at the current level). In our assessment, the impact of the restoration of the capacity fee in electricity bills and the increase in other energy carrier fees from January 2025 appears to be overestimated by about 0.5pp.

Arguments for a stronger currency

The NBP Governor's continued, indeed more hawkish rhetoric provides an additional argument for a stronger zloty. Added to that rhetoric is, among other things, the prospect of further EU fund inflows. As for Treasury bonds, there is an argument for a flattening of the curve, given that the short end of Polish T-bonds is pricing in some rate cuts later this year.

At the same time, the credibility of bringing inflation to target in the medium term is growing, which is supportive of longer-maturity POLGBs. We do not rule out inflows from abroad into the domestic market.

We still think there is a scope for NBP rate cuts next year after CPI inflation peaks in the first half of 2025, but the chances are getting lower.

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