

## Has the National Bank of Poland ended the easing cycle?

The Monetary Policy Council (MPC) left rates unchanged (the main rate at 5.75%), against market and consensus expecting a 25bp cut. The MPC should also leave interest rates unchanged in December, and the pause may extend at least until the central bank's March projection



The post-meeting statement states that the MPC decided to leave rates flat due to: the scale of the previous months' cuts, as well as the uncertainty about future fiscal (expansion) and regulatory decisions (the extension of the freeze on electricity and gas prices) and their impact on inflation. The Council reiterated that future decisions will depend on incoming information on the CPI and GDP outlook.

### The November projection

The new projection shows lower CPI in 2024 vs. the July projection, but higher inflation in 2025, and failing to reach the 2.5% target. With a probability of 50%, CPI inflation will be 11.3-11.5% in 2023 (11.1-12.7% in the July projection), 3.2-6.2% in 2024 (3.7-6.8%) and 2.2-5.3% in 2025 (2.1-5.1%).

On the other hand, GDP growth will be between -0.1 and +0.6% in 2023 (-0.2 +1.3% in the July

projection), 1.9-3.8% in 2024 (1.4-3.3%) and 2.4-4.7% in 2025 (2.1-4.4%).

This means that compared to the July projection, the inflation path has been revised downward over a shorter horizon, mainly due to the lower starting point. However, the assessment of medium-term inflationary pressures (2025) is slightly less optimistic. In contrast, economic growth forecasts have been revised upward for both the shorter and longer horizons.

## Conclusions

We are waiting for tomorrow's press conference with NBP Governor Glapiński, but today's statement shows less faith in disinflation, which may suggest we are near to the end of the easing cycle. In our view, the MPC should also leave interest rates unchanged in December, and the pause in rate adjustments may extend until the central bank's March projection. To be verified tomorrow, but it looks like the Council ended a short and dynamic monetary easing cycle today.

Given the uncertainty surrounding regulated energy prices, the scale of shielding measures in this area, and the future of the zero VAT rate on food, the Council will most likely want to familiarise itself with the impact of the aforementioned factors at the beginning of the year and the subsequent course of the inflation path. We do not rule out that there may be one more rate cut in March, but in general, we assess that the space for further interest rate cuts is severely limited.

We expect inflation to temporarily fall below 5% in the first half of 2024, followed by a rise above that level. This should be accompanied by an economic recovery (GDP growth of 2.5% or more in 2024), driven by stronger consumption. This will take place in an environment of fiscal expansion and Poland holding the general government deficit at about 6% of GDP, one of the highest in the EU. Tomorrow's presser of the NBP governor should shed more light, but we think the easing cycle in Poland is about to end.

*NBP projections & ING forecasts*

	Jul-23		Nov-23		ING	
	CPI	GDP	CPI	GDP	CPI	GDP
<b>2023</b>	11.9	0.7	11.4	0.3	11.6	0.4
<b>2024</b>	5.2	2.0	4.7	2.9	5.0	2.5
<b>2025</b>	3.6	3.1	3.8	3.6	5.0	3.5

Source: NBP, ING

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