

## Poland: MPC holds rates flat

We expect the central bank to stick to its dovish rhetoric and Chairman Adam Glapiński to reiterate that flat rates will remain in place



Minutes from the MPC meeting in January suggest that it sees a low risk of consumer price inflation significantly breaching the central bank's target within the next two years. The Council's outlook is reinforced by recent data, with low inflation and high 4Q17 GDP growth suggesting labour productivity has caught up with wages, effectively limiting the scope for increases in core prices. Consequently, we see a significant risk of a lower CPI path (both headline and core) in the next NBP projection (to be presented during the next meeting).

Markets are expected to focus on today's comments concerning the timing of the first rate hike in this cycle. We see market bets (pricing three full hikes next year) as overdone. These appear to be a result of misinterpreted comments from chairman Adam Glapiński after the Davos summit. The chairman is expected to repeat his statement during today's conference, saying that a scenario of tightening in 1H19 is as likely as that of flat rates over the period. As a result, we

anticipate a decline in the rate path priced in by the market, particularly for 1H19.

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