

National Bank of Poland press conference: No rate cuts in 2023

NBP President Glapiński noted a "sharp" downtrend in inflation has begun, but CPI basket changes will yield slightly higher CPI at the end of the year. The main takeaway from the meeting is a less dovish or even hawkish tone with the governor suggesting that there will be “no further hikes”, unlike previous speeches where he alluded to possible cuts this year



President of the National Bank of Poland, Adam Glapinski

Glapiński said that core inflation follows headline CPI with a lag, and in his opinion core continued to rise in March, but will begin to fall in the second half of 2023. At the same time Governor Glapiński cited several arguments as to why high core is so persistent. He presented a cumulative massive rise in real wages in the past several years (since 2015 average real wages have grown by 22% and minimum wages by 36%). That matches our view, that the real wage shock and consumption contraction recently is not strong enough to tame core inflation pressure we have observed recently. We came to a different conclusion than the governor on CPI but the same on rates, ie, we think core CPI will stay persistently high in coming months and that is why the National Bank of Poland should keep rates flat.

Glapiński said that the disruption in the US banking system is a new risk for the global economy. Domestically, there is a projected slowdown in economic growth, which should support a decline in inflation. Real consumption is expected to have fallen sharply in the first quarter, but real wages will begin to rise from mid-2023, leading to an economic recovery.

The monetary tightening cycle is not over, according to Glapiński, and that the Council will make decisions on rates from meeting-to-meeting. However, Glapiński suggested that there will be no further rate hikes, and that the next NBP move is likely to be a cut. Glapiński did not suggest interest rate cuts before the end of the year, which he had signaled earlier. We consider this the main change from his previous speeches. The main takeaway from the meeting is that the NBP is less dovish and perhaps even hawkish in tone.

Our assessment of the outlook for monetary policy after today's conference remains unchanged. We believe that there will be no conditions for rate cuts before the end of 2023 due to stubbornly high core inflation. While the headline inflation rate will mainly decline due to the extinction of the energy shock, the 'domestic' component of inflation (core CPI) should indicate persistent price pressures due to the tight labour market and elevated wage growth and high magnitude of the costs shock at the corporate level. Our baseline scenario assumes the start of the monetary easing cycle in late 2024, with uncertainty about the pace and scale of disinflation remaining high.

Author

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Adam Antoniak

Senior Economist, Poland

adam.antoniak@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.