

## National Bank of Poland preview: Rates on hold amid new projections

We expect unchanged rates and a hawkish tone, but less so than in January, when the governor called for easing in 2026 only. The new projections should still assume average 2025 CPI slightly below 5%, with in our view an unrealistic jump in electricity bills in the fourth quarter. The NBP may soften its tone in the second half of the year only



We expect no change in rates at the upcoming Monetary Policy Council meeting (decision on Wednesday, 12 March, press conference the day after). National Bank of Poland governor Glapiński is likely to maintain a hawkish tone, as in the previous months. The NBP will release a new projection, but we expect that it will be close to the interim NBP's projections presented by the governor after the November Inflation Report.

The NBP should again heavily emphasise inflation risks, including, among other things, what we consider an unrealistic scenario involving a jump in energy prices in the fourth quarter. It will also point out high wage dynamics and sticky services inflation. The NBP is also unlikely to significantly lower the CPI path for 2025, taking into account, for example, the recent strengthening of the zloty

or a drop in crude oil prices. It will rather balance this with arguments about the ongoing economic recovery and fiscal expansion.

In our view, the pass-through from the current level of interest rates on the economy is strong, via the credit channel and the strong zloty. Demand for credit remains weak, as corporates compare the current high level of rates with the last decade of super-low interest cost of credit. The strong PLN is also having a cooling effect on exporters. The declared €/PLN break-even for exports profitability is 4.00/€, but it has moved significantly lower along with the current spot rate. Even so, the current €/PLN spot rate is the closest to the exporters' profitability break-even rate in over a decade. This, coupled with continued weakness in Germany, is discouraging investment by exporters, who have traditionally been above average in capital expenditures. Therefore, we see room for a slight fine-tuning of monetary policy. It is rather limited (cuts of 50-100bp) as sticky core inflation suggests caution in rate cuts.

We do assume the NBP may soften its tone in mid-2025 and cut rates in the second half of the year, after inflation peaks, and when the NBP will acknowledge the official update of electricity tariffs, which we believe should bring a stabilisation of household electricity prices, rather than a jump the NBP assumes today. Recent comments from the Ministry of Climate are in line with our assumptions, and point that the electricity tariffs review should bring their decrease to the current level of frozen prices, so effectively have no impact on CPI.

We do expect that during the press conference following March decision, Mr Glapiński should repeat his recent forward guidance that there are no indications for rate cuts in 2025, but further decisions will depend on data. In February, he softened the tone and no longer repeated the statement from the January meeting, when he said cuts are possible in 2026 only.

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