# National Bank of Poland rates set to be unchanged with dovish rhetoric likely

The NBP is broadly expected to keep rates unchanged on Tuesday, 6 June. The market will focus on the post-meeting statement and later on the Bank chairman's press conference. We expect dovish rhetoric, further supporting market views of rate cuts in the fourth quarter. We see odds of 2023 rate cuts at around 30-40%


The June Monetary Policy Council meeting is not likely to bring any policy decisions but it should be marked by the clear change in the policy bias. At the press conference, NBP Governor Glapiński will welcome the further decline in headline inflation (13.0% year-on-year in May according to the flash estimate) and a turnaround in core inflation excluding food and energy prices. The first quarter composition pointed to weak households consumption (down by 2% YoY) – clearly a disinflationary factor. The NBP may even go as far as declaring the end of the tightening cycle. It is a move the central bank has refrained from stating despite keeping rates unchanged since September 2022.

While the MPC is still in a wait-and-see phase, some members of the Council have openly hinted at the possibility of rate cuts this year. We expect this to be underlined both in the post-meeting statement and in MPC Chairman Glapiński's press conference. While there are vocal dissenters

(Tyrowicz, Kotecki), they remain in the minority.

We would consider 2023 rate cuts as premature and rather a one-off move than the beginning of the cycle. While we share expectations that the headline CPI inflation will move to single digits in the year-end, a cross-country comparison (especially with the Czech Republic) shows that inflation easing in Poland has been relatively moderate so far, especially in the core component. Moreover, both the government and the opposition continue to unveil new social pledges ahead of general elections later this year. Public acceptance of price increases also remains high.

Even though short-term prospects for core inflation improved somewhat recently due to zloty firming and declines in commodity prices, the return of CPI to the target remains a distant prospect (2025-26) in our view. As such our baseline scenario still assumes NBP rate cuts in the second half of 2024, as the prospect of CPI reaching the NBP target (2.5% YoY +/-1pp) becomes closer in time. In our view rate cuts would not help Polish government bonds with longer maturities. Such an action is likely to be considered as a policy mis-step by investors.

## Authors

**Adam Antoniak**
Senior Economist
adam.antoniak@ing.pl

**Piotr Poplawski**
Senior Economist, Poland
piotr.poplawski@ing.pl