

## National Bank of Poland set to cut rates in November followed by a pause

The first Monetary Policy Council policy decision in the aftermath of general elections should bring further policy easing, but the NBP is likely to be more cautious than before given previous guidance on limited space for further easing



According to the flash estimate, CPI inflation moderated further in October and turned out slightly lower than expected by the markets. In such an environment the policy choice is between holding rates flat and a 25bp cut (to 5.50%) we find as a baseline scenario.

The central bank will also release the new macroeconomic projections, which should also bring important policy guidance. Overall, it should point to an economic recovery in 2024, with consumption playing the predominant role. At the same time the inflation path should be adjusted downwards, given the lower starting point, but again it would point at CPI returning to the target of 2.5% (+/- 1 percentage point) in 2025 only. We will also see if a 2026 projection will be added, as this may also bring multiple hints about the next decisions.

National Bank of Poland Governor Glapiński's press conference will be closely followed by the

markets as it may give some hints on the central bank policy bias ahead. The Council is broadly expected to take a pause in December as rate setters usually avoid making any decisions in the last month of the year unless there is a pressing urgency for policy actions and we do not see it to be the case this year. The pause may be extended into the following months as the Monetary Policy Council will want to see the impact of administrative and political decisions. There is a lot of uncertainty regarding the 0% VAT on food, regulated prices of electricity and gas, policy measures to trim a jump in energy costs and its impact on inflation at the beginning of the year.

We do not rule out that the Council may refrain from any policy moves until the March NBP staff projection, in order to get a clearer picture of inflation prospects. The fiscal outlook also gives arguments for a more cautious approach with respect to policy easing. The 2024 draft budget prepared by the incumbent Law and Justice (PiS) government had already envisaged a sizable fiscal gap (close to 5% of GDP and 6% of GDP borrowing needs). The new coalition government by the former opposition (Civic Coalition, Third Way, New Left) is likely to pursue delivering on some of its fiscal pledges from campaign, driving the 2024 fiscal deficit towards 5.5-6.0% of GDP and borrowing needs to 7% of GDP).

## Authors

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

### Adam Antoniak

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto: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 <http://www.ing.com>.