

## National Bank of Poland President says discussion about rate cuts is premature

National Bank of Poland governor Adam Glapinski sees inflation slowing to single digits by year-end. The core rate should decline soon as well. However, he considers the 2023 rate cuts discussion to be premature. Given persistent core inflation, we don't see scope for rate cuts this year



Adam Glapinski,  
President of the  
National Bank of  
Poland

During today's press conference, National Bank of Poland (NBP) President Adam Glapinski said that inflation is declining at a gradual but rapid pace and is at its lowest point since May 2022. He noted that core inflation is moving with a lag and is currently near or at its peak. The NBP expects core inflation to decline in the coming months and quarters trailing the headline rate. The central bank expects CPI to decline to single digits in the 7-9% range by the end of 2023 – although the NBP governor hopes it will be closer to 7%.

Glapinski noted a slowdown in activity but hopes there will be no recession in Poland. Despite some weakening of labour demand, the unemployment rate is very low. Glapinski noted that the observed decline in real wages has affected the majority of European countries, and the scale of the decline in Poland was relatively low compared to other countries in Europe. The central bank expects real wages to start rising in the second half of the year.

Glapinski stated that the rate hike cycle is not over. Given heightened uncertainty, decisions on interest rates will be made on a month-on-month basis. The Council is not discussing possible interest rate cuts, although there may be room for such a decision at the end of the year. Nevertheless, Glapinski suggested that there is no reason to raise this topic at the moment, and such a discussion would be premature. If there are any considerations, they may concern possible rate hikes, he added. The central bank governor reiterated that talks on rate cuts could begin when inflation is clearly heading toward the target.

We maintain our view that there will be no conditions for interest rate cuts before the end of 2023. Our baseline scenario assumes that the NBP will begin the monetary easing cycle in the second half of 2024. Glapinski did not announce the end of the hike cycle but he remains cautious about possible rate cuts before the end of 2023, although he signalled such a possibility in recent media statements. The tone of today's conference itself was less dovish than might have been feared. The main message from the NBP president's conference today: the interest rate hike cycle is not over, and talk of rate cuts is premature.

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