

National Bank of Poland preview: Rates on hold for now with a hawkish tilt likely

Soaring energy prices and an upside surprise to the April CPI are unlikely to prompt immediate rate hikes in Poland, but they are strengthening the case for a more hawkish National Bank of Poland (NBP) narrative. Policy rates should stay unchanged for now, with the July projections being a potential turning point



With elevated oil prices and a higher-than-expected April CPI reading, we expect the National Bank of Poland to keep rates on hold at 3.75%

April CPI inflation surprised to the upside, rising to 3.2% year-on-year, most likely driven by stronger core inflation. While the activity data for March were also stronger than expected, but presumably due to companies restocking before expected price rises. While this reinforces the case for vigilance, we believe it is still insufficient to trigger an immediate policy response. We therefore expect the Monetary Policy Council (MPC) to keep rates on hold at 3.75% in the coming months.

That said, the tone of communication is likely to shift. Rate setters may increasingly emphasise upside inflation risks and signal a readiness to act if conditions warrant. In our view, the MPC will seek to underline that policy is not on hold indefinitely and that tightening remains an option should inflation pressures broaden.

Also, longer-term CPI risks could intensify. The lack of progress in US–Iran negotiations and the continued effective blockade of the Strait of Hormuz have pushed crude oil prices above US\$100/bbl. This renewed escalation in energy markets is fuelling concerns about the inflation outlook, both globally and domestically. For Poland, the balance of risks has clearly shifted upward, but the high degree of uncertainty surrounding the duration and transmission of the energy shock calls for caution.

As a result, the MPC is likely to keep interest rates unchanged at the May meeting, opting to gather more evidence on the impact of elevated oil prices on inflation dynamics and economic growth. But, we expect the central bank's communication to gradually adopt a more hawkish tone. The July release of the NBP's updated macroeconomic projections could mark a key moment for reassessing the inflation outlook and the medium-term path of monetary policy.

Our baseline scenario remains one of stable policy rates in the near term. The MPC is reluctant to respond mechanically to a supply-driven shock, particularly given the limited effectiveness of rate hikes in countering higher energy prices and the potential costs to economic activity. However, if incoming data were to point to rising inflation expectations or the emergence of second-round effects, the Council could be forced to reconsider its stance and move towards tightening.

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.