

## National Bank of Poland keeps rates unchanged in May

In line with both our expectations and those of the market, the Monetary Policy Council has kept the National Bank of Poland rates unchanged in May, with the main policy rate still at 5.75%. With inflation trending upwards, the MPC is likely to stick to a restrictive policy bias in the coming months and may keep rates on hold until the end of 2024



The National Bank of Poland left rates unchanged, and may do so until the end of 2024

The National Bank of Poland's post-meeting press release noted the continuation of the economic rebound in the first quarter of 2024, with stronger consumption dynamics accompanied by lower investment growth. It also underlined that wage growth remained strong. Among the sources of uncertainty for the evolution of inflation in subsequent quarters, the Council mentioned the impact of regulatory and fiscal policy on inflation expectations, which was not present in the MPC's April communication. Otherwise, the changes in the communiqué basically concern the part describing the state of the economy, while in the part concerning monetary policy and its prospects the document is the same as the April one.

At Friday's press conference, NBP President Adam Glapiński is likely to highlight the risks of rising

inflation in the coming months, including increases in energy prices, as a justification for keeping interest rates at the current level. Stubbornly elevated core inflation is also an argument for a cautious approach to monetary policy.

We estimate that inflation is currently on an upward trend and will continue to rise until the end of the first quarter of 2025, with the rise reinforced by the unwinding of the energy price freeze. We also see the persistence of core inflation, mainly on the back of buoyant growth of services prices. In such an environment, the Council is likely to maintain a restrictive policy stance and hawkish rhetoric in the coming months. We expect NBP rates to remain unchanged until the end of 2024 and the monetary easing cycle to begin in 2025, when rates could be cut by a total of 75-100bp.

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