# Poland holds rates flat with a more hawkish statement

January's National Bank of Poland policy decision brought no surprises as rates were kept on hold, but the post-meeting press release better reflects the hawkish pivot the central bank governor made in December than the actual December release. The Monetary Policy Council is now firmly hawkish and suggests a delay in the beginning of policy easing cycle. So far neither markets nor analysts are buying this scenario


## Post-meeting press release underscores upside risks to inflation

In line with expectations, the National Bank of Poland (NBP) kept policy rates unchanged (reference rate still at 5.75%). The statement accompanying the January decision of the Monetary Policy Council (MPC) was rephrased in a way that suggests the need for a restrictive policy stance. It stresses inflation risks are linked among others to elevated core inflation, materialised and expected (by the NBP) rises in administrative prices, including electricity prices after the end of the current price freeze in the fourth quarter of 2025. The Council is also paying a lot of attention to wage pressure. Interestingly enough, the latter factor was long ignored by the MPC and Governor Glapiński was even expressing satisfaction with the rapid improvement in the income situation of Poles. The Council attributes the high level of current inflation to government actions, including upward pressure on core inflation from wages driven by hikes in the public sector. The MPC is also stressing the upswing in second half 2024 inflation due to hikes in administrative prices. At the same time the phrases referring to the potential disinflationary impact of softer economic conditions were removed from the press release in January.

In our view Glapiński's hawkish tone at the December press conference did not line up with the more balanced press release in December, and the January one is actually reflecting the shift in the governor's assessment of inflationary and monetary outlooks. In the January document rate setters are pointing to a risk of a renewed increase in inflation due to the electricity price unfreeze in the second half of 2025. Policymakers ignore the fact that the official tariffs will be updated in mid-2025 and retail prices are unlikely to go up after the price cap is lifted. Current wholesale market prices are below the current official tariff and current price cap.

## Governor Glapiński's presser to be hawkish again and rate cuts may come too late

The statement following the January meeting of the Council clearly indicates that the NBP maintains a hawkish stance, and the assessment of inflation prospects and monetary policy increasingly diverges from what the market and the consensus of economists see. Both forecasts and market instrument valuations assume a significant easing of monetary policy in 2025. The current communication from the MPC suggests that the start of the rate-cutting cycle is delayed, and room for monetary policy easing is limited.

In our view, the inflation outlook is significantly more favourable than presented by the NBP. We consider the November inflation projection, assuming the continuation of energy price freezes until the end of 2025, to be more credible than the current scenario presented at President Glapiński’s December press conference and in the statement following the January Council meeting.

According to our forecasts, by the end of 2025, CPI inflation should decrease to around 3.5%, which provides room for interest rate cuts to avoid unnecessary tightening of monetary policy.

Although the current CPI and core inflation are still high, real interest rates are also tight, and the economy is showing more and more symptoms of the effects of restrictive policy (weak credit and corporate investments, high consumer propensity to save). Therefore, tightening the policy stance at this stage of the economic cycle is very controversial.

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