Poland: inflation should remain close to its target level

The Monetary Policy Council (MPC) maintained its dovish bias. Governor Glapiński even strengthened his forward guidance, saying he expects rates to remain flat till the end of the MPC term (until 2023). He also noted the next move is more likely a cut, but this is a distant story.

As expected, Poland's central bank decided to leave rates unchanged at 1.5%. In the post-meeting statement and later comments the Council underlined that inflation should significantly undershoot the November 2018 projection and not exceed the target (2.5% YoY) within the policy horizon, contrary to the projection. This reflects the bill aimed at preventing the rise in electric energy prices and a significant drop in oil costs. The Council also expects GDP to overshoot the path from the latest projection. In other aspects the statement was largely unchanged – the MPC still expects solid, but somewhat slower growth ahead. J.Kropiwnicki, present during the conference, stated he is concerned with developments on global commodity markets, fearing substantially higher oil prices.

Chairman Glapiński reiterated the central bank is ready to deliver non-standard measures if needed. But simultaneously he added this is a very distant story. These measures as far from required, as the liquidity of the banking sector remains high. The central bank promised to present the list of those measures in the near future.

Our outlook remains unchanged – we expect rates to remain flat at least throughout 2020. Poland should maintain a solid, but slower growth compared to a robust 2018, driven by consumption and public investments.

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