

## Chairman Glapiński's press conference confirms a bias shift in Poland

During his press conference Monetary Policy Council Chairman Glapiński underlined rising risks to the inflation outlook, particularly given uncertainty over fiscal policy. We read Glapiński's statement as an announcement that the current level of rates will be maintained for a longer time. We expect rates will remain unchanged until the end of 2024



President of the National Bank of Poland, Adam Glapiński

### Inflation outlook

Glapiński noted a further decline in headline (by about two-thirds from the February peak) and core inflation. He reiterated that Poland no longer faces high inflation, which in his view was caused by earlier external shocks. According to the National Bank of Poland's projection, inflation will continue to decline, but more slowly than before. The last two months of 2023 should not bring a significant change in inflation. The inflation target should be reached at the end of 2025, so the horizon for inflation to return to the target has not changed significantly from the July projection, despite the 100bp rate cuts. The macroeconomic projection assumes that the VAT rate on food will remain at zero, but the November forecasting round is subject to extremely high uncertainty.

## Monetary policy: a slow decline in inflation and high uncertainty ahead

The MPC chairman said that the significant interest rate cuts in September and October resulted from inflation coming in lower than the NBP's earlier expectations. As a result, the Council assessed that loosening monetary policy would not extend the timeframe for inflation to return to target, but would support the economy.

In November, the Council decided to leave interest rates unchanged, as the space for rate cuts had shrunk significantly after the earlier cuts. In addition, uncertainty about the outlook for inflation in the coming quarters has recently increased significantly. The governor pointed to limited information on future fiscal policy and administered prices.

Glapiński stressed that a clearer picture of the inflation outlook will be outlined in the March projection, which will be based on new information on fiscal policy, regulated prices and the impact of these factors on the inflation path.

### Conclusions

During the press conference, the NBP president repeatedly emphasised the uncertainty of the inflation outlook, particularly in relation to decisions on regulated prices (electricity and gas), maintaining a zero VAT rate on food and the shape of fiscal policy (how strong the fiscal expansion will be) in 2024.

Glapiński also underlined pro-inflationary factors, i.e. budget sector wage hikes. On the other hand, important statements that were made at press conferences in previous months were missing, e.g. we saw little or no comments on the rate of economic growth, there was a statement that a real rate of -2% or -3% will harm the economy.

We read the President's press conference as an announcement that the current level of rates will be maintained for a longer time. This new approach by the NBP is positive for the zloty, negative for short bonds (which are pricing in too large rate cuts), and positive for long ones (because the chances of CPI returning to target, although not soon, are increasing).

Glapiński noted the high relevance of the NBP's March projection to future Council decisions, suggesting that the MPC may keep rates unchanged in the coming months. He did not indicate whether we now have a break in the monetary easing cycle or a halt to rate changes for a longer period. The NBP president assessed the scenario of possible interest rate hikes as unlikely. Our baseline scenario assumes that NBP rates will remain unchanged until the end of 2024.

### Author

#### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@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 <http://www.ing.com>.