

## Poland's central bank keeps rates on hold

The statement should maintain the easing bias and acknowledge that GDP is likely to perform better than what was forecasted in July



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Poland's central bank's decision to keep rates on hold is hardly surprising.

The MPC statement is likely to acknowledge that GDP in 2020 should perform better than what they forecasted in July -5.4 year-on-year but this is unlikely to lead to any tightening of the bias. Our current GDP forecast is -2.9 YoY.

The reason for holding such a dovish stance is future risks, such as a second Covid-19 wave that could hit the economy. Also, high borrowing needs of the public sector in 2021 require the support of the central bank.

So the asset purchase program should remain open (we point that the central budget deficit for 2021 is too pessimistic and part of the net borrowing needs will be covered by the SURE program, but still should stay ready to act to keep the Polish government bonds market stable).

An additional argument behind the dovish stance is the central bank's dissatisfaction with the strong/stable PLN exchange rate. As long as the ECB remains inclined to increasing QE, Poland's central bank should also remain in easing mode. We forecast the first possible rate hikes in 2022, similarly to the PAP consensus.

There is no press conference today. The statement will be posted at 4 PM CET.

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