

## Poland: Rates on hold. New forecasts up next

New projections from Poland's central bank should show CPI staying safely below the upper bound, driven by supply factors. A peak in CPI in mid-2019 should coincide with a more pessimistic view on GDP. We stick to our call on flat rates



The MPC decision to leave rates flat is in line with its guidance. During the press conference at 4pm, we expect the MPC's tone to remain rather dovish (not ultra-dovish). Hikes are not an option and the Council should stick to its amended forward guidance calling for flat rates in 2019 (the NBP governor abandoned 2020 in its guidance two months ago). The key focus should be on new projections and how they affect the MPC's bias. The central bank should show the CPI's trajectory close to the previous one with inflation still safely below the upper bound of the range around the MPC target (previous projections assumed an average CPI in 2019 of 2.7% year-on-year and 2.9% YoY in 2020). But the drivers of inflation should change, with a lower impact from wages and greater impact from higher energy costs - reflecting the increase in oil prices, as well as CO2 emission rights and coal costs pushing up electricity prices. In other words, the CPI will be affected by factors related to supply rather than demand.

Inflation will likely peak in 2019 coinciding with a more pessimistic outlook for eurozone and Polish

GDP, which still calls for flat rates. We stick to our view which assumes no policy change until the end of 2020.

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