

## Poland: MPC leaves rates unchanged and we expect a dovish tone later

As expected, Poland's central bank has kept rates unchanged. At the upcoming press conference, the governors' majority opinion should remain dovish even though five members recently mentioned that hikes have returned to the policy agenda



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Poland's Monetary Policy Committee decided to leave rates flat (main at 1.5%). The press conference is scheduled at 4PM CET. The main focus should how and whether the MPC bias has changed. After the announcement of election spending pledges (worth 1.7% of GDP) in February five MPC members (out of 10) hinted that hikes in 2020 have returned to the policy agenda.

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*We expect rates to remain unchanged until the end of 2020*

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Nevertheless, we expect rates to remain unchanged at least until the end of 2020. During the press conference, we expect to hear that the majority of the MPC (including the governor, with a double vote) excludes the possibility of tightening. The softening of tone from DM and CEE central banks, still weak Eurozone growth, and initial signs of weakness in Poland should lower the hawks'

propensity to hike rates.

Some MPC hawks might refer to the recent doubling of core inflation (from 0.6% YoY in December 2018 to 1.3% YoY in March 2019), but others might note that this is rather the effect of regulated prices, the expiry of promotions in telecoms (which reduced CPI in 4Q18) as well as the lagged effects of rising wages. Still, the import of low inflation from the eurozone is an important factor constraining further core inflation recovery. CPI should stay below the MPC target (2.5% YoY) this year. As a result, we expect MPC chairman Professor Glapinski to reiterate his forward guidance of flat rates for the next two years or, if the most recent NBP projections prove correct, even until the end of the term.

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