

## Poland: MPC on hold, still sound dovish

The Council presents a high tolerance for wages acceleration and we still expect a first hike in 4Q18



The decision to keep rates flat was hardly surprising. In the post-meeting statement the MPC admits that wages accelerated and investments finally recovered, but the bottom line remains unchanged. Governor Glapinski repeated his mantra on flat rates until the end of 2018.

The Council finds the stronger wages dynamics as a positive phenomenon from the households' wealth perspective, but it is nicely offset by productivity. Hence, unit labour costs dynamics remains subdued and is not a threat to the NBP inflation target.

---

*Governor Glapinski repeated his mantra on flat rates until the end of 2018.*

---

Moreover, the MPC still mentioned some headline CPI deceleration in the coming months (to 1.5% YoY in Dec-17 in our view), while core should keep rising but remain under control due to the disinflationary external backdrop offsetting domestic pressure. The CE4 experiences incomes acceleration and their pass-through on CPI and cross country comparison of unutilised labour (in

Poland much more than somewhere else) still call for patience and there is no need to hurry with monetary tightening.

Some MPC members, ie, Professor Ancyparowicz seems to be more sensitive to current data. She admitted the hike may appear before the end of 2018, but she assigns quite negligible probability of tightening at 10-15%.

The MPC sees a marginal upward revision of NBP inflation projections to be presented in Nov-17, but the scenario of CPI exceeding the 2.5% YoY target is still a very distant story.

Overall, the MPC stance changed from ultra-dovish to dovish. Together with GDP dynamics approaching 5% (we see 4.6% YoY in 3Q17) and non-linear acceleration of wages in the coming quarters (we see dynamics of wages in 2018 higher than the NBP and close to 7% YoY average), the bias may change further, but hikes still seems to be a distant story.

External factors (low Eurozone inflation and US\$/PLN drop) should offset much of the upward pressure coming from higher wages. We keep our call for the first hike in 4Q18.

## 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 [www.ing.com](http://www.ing.com).