

## Poland: MPC stays on hold, expect a dovish tone

The new projections should calm down central bank worries about a tight labour market and its impact on inflation. We expect a more dovish tone later today



# 1.5%

 NBP policy rate

As expected

As widely expected, the Polish central bank decided to leave rates flat (the main rate at 1.5%).

The key takeaway from this Monetary Policy Committee (MPC) meeting will be how the Council bias changed after National Bank of Poland updated its macroeconomic projections. The strong GDP dynamics, solid rise of wages and some unfortunate comments by Governor Glapinski in Davos have raised rate hike expectations to 70bp in 2019.

Market expectations for rate hikes in 2019 have already declined to 60bp now, and we still see more space for a dovish market reaction. We assume a 50bp increase next year, with risk skewed to the downside. Overall we expect the tightening cycle to be relatively short-lived. The adjusted Taylor rule presents 2.25% as a natural interest rate.

---

*During the press conference, the MPC is unlikely to communicate that hikes are off the table*

---

We assume that the March central bank projections should trim some MPC members worries about the tight labour market and its impact on inflation. The NBP projection should show a lower path of both core and headline inflation for 2018, backing a dovish stance.

During the press conference, the MPC is unlikely to communicate hikes are off the table. However, some members may confirm staying in “alert mode” (or “wait-and-see” approach). But still, recent data and new projections should soften Council worries about labour market overheating and its impact on inflation.

In our view, the MPC assumes that later CPI peak increases the odds that it will coincide with a foreign economic slowdown and so the Council might avoid tightening.

Consequently, we stick to our call of assuming 50bp in hikes in 2019 with an increasing downward risk. Some market participants expect a more hawkish bias, but we think they will call against that.

## 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).