

## Poland: NBP chairman sees no rate hikes, further FX interventions possible, but no floor

During a press conference National Bank of Poland chairman A.Glapiński presented a very dovish stance, underlining much scope for rate cuts, if needed. The NBP may also conduct further FX interventions, but won't introduce an FX floor



Chairman Glapiński underlined that rate cuts are only warranted given a substantial deterioration in economic prospects. This situation would allow significant room for additional rates cut, including negative rates. In the current scenario envisaged by the central bank Glapiński sees flat rates until the end of the Monetary Policy Council term, and rate hikes are out of question. According to Glapiński, the NBP may again purchase large quantities of bonds if needed.

Regarding FX policy Glapiński stated that the NBP has no FX target level and will not conduct policy similar to the Czech Republic (e.g. introducing an FX floor). If needed, the NBP will conduct further FX interventions though.

The MPC chairman underlines a substantial possibility of an additional rate cut this quarter – we

see the odds of such a scenario at 40%, most likely happening in March. The number of people vaccinated in Poland remains relatively low (400,000), so a third wave of the pandemic remains a risk. Regardless of Glapiński's comments we consider a single rate cut by 10bp as the most likely option. Some MPC members underlined that negative rates may be illegal.

We see the NBP focusing on two key aspects: (1) preventing a strong appreciation of the zloty, allowing for a fast recovery as soon as the pandemic fades and (2) supporting the government in the introduction of further relief programmes (by bond purchases). Supporting debtors via lower credit rates is rather not a major factor, as at the current level of rates credit margins plays a much higher role than policy rates. Also, Glapiński confirmed that low demand for credit stems from uncertainty.

Therefore NBP policy should focus on bond purchases, especially if the government decides on further relief programmes. Importantly, the NBP refrained from purposefully acting to reduce Bund spreads, and rather focusing on stabilizing the market. NBP FX policy should focus on occasional FX interventions, both actual and verbal. The central bank is surely aware that without an FX floor such actions should only delay a €/PLN decline if we see further demand in Central and Eastern European assets.

## Author

### Piotr Poplawski

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

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