

## Poland: NBP enters the FX market

Presumably, the goal is to support an economic recovery in 2021. The National Bank of Poland consistently plays the role as the most dovish central bank in the region



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According to PAP (Polish Financial News Wire), the NBP intervened on the FX market, and  $\text{€}/\text{PLN}$  rose to 4.51 from 4.44. This is consistent with previous rhetoric and commonly communicated preferences for a weak zloty. The NBP is also consistently the most dovish central bank in the region (the Czech National Bank may deliver two or more hikes in 2021). Intervention took place on an illiquid market to increase the market effect.

The NBP wants to offset the factors calling for a stronger zloty in 2021, ie, current account surplus (3.5% of GDP in 2020 and 2% in 2021), rising  $\text{€}/\text{US\$}$  and record inflows of portfolio capital to Emerging Markets ahead of the expected global economic recovery from 2Q21 onwards.

Presumably, the goal is to support an economic recovery in 2021. The exchange rate channel works, but its use has side effects: higher inflation (we see 3.0% average CPI in 2021 – the highest among consensus) and Polish government bond yields rise – limited by the fact that foreign investors are heavily underweighted in POLGBs and are consistently reducing their exposure.

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