

## We expect the National Bank of Poland to keep rates unchanged again

We expect the Monetary Policy Council to leave interest rates unchanged on Thursday, followed by a relatively hawkish statement. MPC Chairman Glapiński should also maintain his cautious stance at a press conference a day later. We forecast the main rate to remain at 5.75% until the end of 2024



CPI inflation rose in April, and core inflation should stabilise at elevated levels in the coming months. Unlike, for example, developed economies, Poland remains in a period of fiscal expansion, the domestic market is tight and wage pressures are reinforced by, among other things, a strong increase in the minimum wage.

The main part of the core price disinflation process is behind us, and its momentum remains high. On the other hand, the headline CPI inflation rate should continue to rise in the coming months, and the second half of the year rebound in inflation will be amplified by the partial unfreezing of energy prices. We expect that the aforementioned reflation will be emphasised by the NBP president and, combined with high core inflation, pointed to as one of the main reasons for keeping interest rates at current levels. We expect that the NBP's main rate may remain at 5.75% until the end of 2024.

This contrasts with the path of the NBP rates expected by the markets – at least one cut is priced-in this year. In our view, the weakness of industrial production has had a limited impact on inflation, which, among other things, is fuelled by the high rate of growth in disposable income (in real terms above the pre-pandemic pace). Since the beginning of the year, the market has already heavily revised its expectations and we expect this trend to continue in the second and third quarters of this year.

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