National Bank of Poland leaves rates unchanged, focus on tomorrow’s press conference

The National Bank of Poland rates and statement after the June Monetary Policy Council meeting were unchanged. More information should come from tomorrow's conference by the central bank president. We expect a slightly more dovish stance

As expected, NBP rates remain unchanged (reference rate still at 6.75%). The post-meeting statement noted a decline in first quarter GDP and a further contraction in consumer demand, with investment still growing. The document again underlined the favourable labour market situation, including low unemployment. As expected, the MPC noted a further decline in CPI inflation and a marked decline in core inflation in May. The Council continued to see a pass-through of rising costs onto finished goods prices. Aside from updating paragraphs on the first quarter GDP figure and the latest inflation data, the rest of the statement was largely unchanged. The Council reiterated its view that the return of inflation to the NBP's target will be gradual due to the scale and persistence of past external shocks.

The key event in the context of the monetary policy outlook is tomorrow's press conference by

NBP President Glapiński. We expect its tone to be more dovish than a month ago. The decline in inflation has been faster than expected (albeit close to the NBP's March projection). The peak in core inflation is most likely behind us, and the strengthening of the zloty and lower commodity prices should favour further disinflation. The short-term inflation outlook has improved, and some MPC members have again begun to raise the topic of a readiness to cut interest rates before the end of this year.

In our view, the medium-term inflation outlook remains uncertain, and with a tight labour market, high wage pressures and strong consumer acceptance to price increases, inflation may therefore stabilise in the medium term at levels well above the NBP target. The NBP's projection, assuming it leaves interest rates unchanged, suggests a return of inflation to the target by the end of 2025, and a possible rate cut before the end of 2023 could delay this.

Therefore, in the baseline scenario, we see no rate cuts this year. However, an improvement in the short-term inflation outlook, the strengthening of the zloty and a possible softening of other central banks' rhetoric in the coming months could serve as arguments for a single MPC rate cut in the second half of the year. We estimate the probability of such a scenario at 30-40%.

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