

## 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%.

## Authors

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

### Adam Antoniak

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@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 <http://www.ing.com>.