

## Poland: No policy change in December, additional non-standard easing in 2021

The December Monetary Policy Council meeting should be a market non-event. We expect no policy change. Central bankers should also reiterate their recent remarks confirming our call of no further rate cuts



3Q20 GDP data confirmed dire private investments, as they only slightly improved from the peak of the pandemic in 2Q20. Thus markets should eye hints of additional non-standard stimulus for the next year.

We see two main easing channels. Firstly, further asset purchases of Polish government bonds and instruments guaranteed by the government. This should support the government relief programme. It may also prevent a more pronounced Polish zloty strengthening if the further rise in €/US\$ continues to bolster Central and Eastern European currencies. Purchases of corporate debt are unlikely and impossible on a larger scale due to a shortage of properly rated instruments. The current QE programme is open-ended and theoretically requires no announcement to extend it. But such remarks should help to trim PLN gains.

Secondly, the central bank may try to support credit creation and investment activity more

directly. Those may include modification of the bill discount credit via extension of its maturity and lower costs, introduction of targeted longer-term refinancing operations, or refinancing of state-guaranteed loans to businesses.

Further rate cuts are unlikely. CPI remains persistently high, especially the core component. Moreover, some central bankers recently emphasised that moving rates into a negative territory would have very limited positives, while being detrimental to the financial sector. Others stated that negative rates may be downright illegal. As such, the MPC reaction to further PLN gains should be mostly verbal, as QE extension should happen regardless.

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