

Poland: MPC keeps rates unchanged, but has the bias changed?

Poland's central bank keeps rates on hold as expected. Will the NBP governor now reveal more about whether the Monetary Policy Committee's bias has changed?



As widely expected, Poland's MPC has kept rates on hold. The big question now for the upcoming press conference: To what extent will the Governor reveal whether thinking is shifting slightly within the committee and will he maintain his opinion that rates should remain unchanged until 2020?

Recent comments by hawkish members show that the MPC's attitude has moved from ultra-dovish to dovish. Support for a scenario without any hikes until the end of 2020 is lower as new inflation threats appear, not least concerning global oil prices and electricity in Poland. In addition, in my opinion, some Council members are overly optimistic about GDP growth in the coming quarters.

The NBP governor should be less emphatic, but will rather stay with his opinion on flat rates through to 2020. He may add that this is not the majority opinion.

The hike expectations priced in by the yield curve has strongly risen recently due to the oil shock. However, I believe that rates will remain unchanged in 2019 and 2020. Even if Brent stays close to 90US\$/b and electricity prices rise by 10%, CPI should stay below the upper range of the NBP target (3.5%YoY). Also, we see GDP moderation close to 4.3%YoY in 4Q18 vs 5% in 1-3Q18, which is below some MPC members' bullish expectations.

Author

Rafal Benecki

Chief Economist, Poland

rafal.benecki@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 www.ing.com.