

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.

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