Poland: Rates flat, MPC dovish despite upbeat revisions

The central bank's CPI projection matches our above-consensus expectations for 2021, but expects CPI to subside in 2022, which is not in line with our forecasts given that Poland is not a developed-market-like economy that suffered from subdued CPI before the pandemic. The central bank is also quite bullish on 2022-23 GDP

The Monetary Policy Council (MPC) decided to keep rates flat. The main focus during today's MPC meeting was the tone of the statement and amendments in the National Bank of Poland (NBP) projections for GDP and CPI. Overall, the summary press release remains unchanged and the Council repeats that it should keep the asset purchase programme open, and warns that it can undertake FX interventions if needed, without providing more precise guidance on the size and frequency of operations.

However, there are subtle changes in the communications which present a less dovish approach. (1) The tone of the statement is slightly more upbeat on 2021 GDP. The MPC mentions the global recovery as an important driver of the GDP recovery in Poland (on the top of the aggressive monetary policy support), and no longer mentions high pandemic uncertainty as a factor constraining private investments and GDP recovery. (2) The CPI projection was revised up for 2021 to 3.15% year-on-year and now is consistent with our 2021 forecast. We had the highest CPI forecast in the consensus until the January 2021 CPI was published, but this is no longer the case as consensus rose recently. Interestingly, the NBP expects that CPI should return back to 2.8% YoY on average in 2022 despite a robust recovery, which we don't subscribe to. (3) The NBP also revised up its GDP projection; in 2021 GDP should grow by 3.95% YoY, so still below our forecast (4.5% YoY), but more interestingly the NBP is very bullish on 2022-23 GDP with projections at 5.45% and 5.5%YoY respectively, which is even above our expectations at 5% YoY in 2022. The NBP presumably added the successful absorption of the EU Recovery Fund.

Overall, we find that the tone is less dovish than last month. We also think rates should stay flat at least till the end of the MPC term in mid-2022 or even the end of 2022, despite the higher CPI profile.

The market took the NBP projections and change of statement as a strong shift to the hawkish side, which we find as an overreaction. The Statistics Office should revise CPI down together with the annual basket revision (released this month) and also the NBP governor should repeat his dovish statements on Friday.

	2021	2022	2023
GDP			
mid range of projection from Mar-21	3.95	5.45	5.4
change vs projection from Nov-20	0.85	-0.25	-
ING forecast	4.5	5.0	
CPI			
mid range of projection from Mar-21	3.15	2.8	3.2
change vs projection from Nov-20	0.55	0.1	-
ING forecast	3.1	3.4	-

Source: NBP, ING forecasts

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