

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

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.