

## Poland: Rates flat today and possibly in foreseeable future

During the press conference we expect a neutral tone and arguments against both easing and tightening



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Poland's Monetary Policy Committee decided to leave rates unchanged today. The committee should maintain its current neutral rhetoric. We think that during the press conference, the governor should reiterate that interest rates are likely to remain flat, despite a more dovish approach from the European Central Bank. Rising core inflation, together with the strong election spending, is not a strong enough argument to tighten policy.

In its new projection, we expect upward revisions to 2019 estimates for both activity and CPI inflation. The new GDP forecast for this year should be around 4.5% year-on-year vs. 4% YoY projected in March (we expect 4.7% YoY). The revisions to inflation are likely to be more limited; we expect the new 2019 projection at 2% vs. 1.7% in the previous round (in line with our forecasts). At the same time, we don't expect major changes to the CPI projections for 2020 and 2021. Next year's inflation scenario from the National Bank of Poland (NBP) is broadly consistent with our view (2.7%YoY average). The NBP maintains an optimistic forecast of economic activity and changes in this iteration are unlikely.

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