Poland: Rates flat, unconventional measures not discussed

The upcoming projections by the central bank should be more bullish on GDP than consensus and similar with regards to CPI

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Poland's central bank decided to leave rates unchanged (reference rate at 1.5%). The Council maintained its dovish bias during the press conference. National Bank of Poland (NBP) Governor Glapinski said that rates should remain unchanged in 2019 and possibly in 2020 as well. Such view was shared by other members present at the conference. Professor Ancyparowicz added that the GDP slowdown in the coming years should not be deeper than that experienced in 2016 (when it dropped to 2.8%YoY). She added that back then rates remained unchanged so there is no need to change them now.

Governor Glapinski also revealed that the new NBP projections (to be released in March) should be more bullish on GDP than consensus (above 4% YoY vs consensus at 3.7% YoY and INGF 3.6% YoY) and similar with regards to CPI (at or below 2%YoY). We are more pessimistic regarding 2019 GDP based on a lower assumption of activity in the Eurozone.

The Monetary Policy Council (MPC) post-meeting statement hardly changed compared to January.

It is a bit more pessimistic with regards to external growth, but the passages referring to GDP, inflation and rates in Poland hardly changed.

New, non-standard measures, in the MPC's arsenal, have recently come into focus, with some market participants even expecting policy actions in parallel with the National Bank of Hungary (NBH). This is unjustified in our view (given the over-liquidity of the local banking sector and the presence of the banking tax). The MPC has not even mentioned them.

We think the MPC has analysed instruments used by the NBH, the European Central Bank (ECB) and others, and a few MPC members may be keen to explore new options. But core members of the MPC, including the governor himself as well as experts from the National Bank of Poland, are against it. The Hungarian case doesn't provide encouraging examples. "The confidence package" from 2009, recently mentioned by MPC member Eugeniusz Gatnar, is not needed at a time of banking sector over-liquidity. The asset purchase programme run by the ECB may only be applicable for Polish government bonds (the corporate bond market is not deep enough), but this is not needed as the Ministry of Finance doesn't have a problem with funding. The actual problem is the crowding out of corporate credit by the bank tax (banks are keen to buy non-taxed POLGBs).

We hold our long-standing expectations for unchanged rates in 2019 and 2020. The next rate decision will be a cut in our view.

Author

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

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