Poland: Unconventional measures still far off

Market participants await details of non-standard monetary measures in the MPC's arsenal. However we think they're unlikely to be used anytime soon

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As expected, Poland's central bank decided to leave rates unchanged (reference rate at 1.5%). We expect the Council to maintain its dovish bias during the press conference.

Last month, the MPC underlined that new NBP projections (due in March) should show a higher GDP trajectory but lower CPI, compared to the November forecasts. The statement also mentioned worse external growth. In our view, this may be partially offset by fiscal stimulus, which the ruling party, PiS, is preparing for 2019-2020. Governor Adam Glapinski again extended his forward guidance and said rates should remain flat until the end of the MPC's term (beginning of 2022). He also noted that the next move is more likely a cut, but this is far off in our view.

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. This is unjustified in our view (given the overliquidity of the local banking sector and presence of the banking tax).

We think the MPC has analysed instruments used by the NBH, the 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 overliquidity. 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 decision will be a cut in our view.

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