

Poland: Rates likely unchanged at least until late 2021

The Monetary Policy Council left rates flat. The post meeting comment remained largely unchanged – the Council still expects CPI to return back to the target after a temporary rise in 1Q20



Chairman Glapiński again reiterated his mantra, expecting flat rates till the end of his term (2022). He added that while GDP dynamics decelerate in Poland, the reason behind it is purely external. Glapiński expects that the Polish economy won't deviate significantly from the latest projections of the NBP. In his opinion, market analysts are wrong to revise GDP forecasts down. Glapiński's view on rates and GDP was even supported by centrist R.Sura present during the meeting.

We remain confident that rates will remain unchanged in 2020 and see scope for a cut in late 2021 – if slowing internal demand dampens the inflationary pressure. Data available since the previous meeting supports our call for a gradual slowdown in the economy. Despite the extension of social benefits, households to a large extent increased savings, rather than spending in 3Q. We also see a slowdown in both public and private investments. On the other hand, net trade was very strong (adding 0.8 percentage points to GDP growth) despite the unfavourable external environment.

The relative weakness of internal demand suggests that 2020 growth will underscore optimistic National Bank of Poland projections (4.3% YoY). This in turn should galvanise the neutral stance of

the Council even if we see upside surprises in prices next year. Given a persistent rise in the core component, CPI may even exceed the upper target band (3.5%) in case of a supply shock (eg, another drought). But even in this case the MPC should remain unchanged.

Author

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

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