

## Poland to keep rates on hold as QE remains the focus

Expect the central bank of Poland to keep rates on hold tomorrow with the MPC focusing on more quantitative easing if required. Our baseline scenario assumes asset purchases should reach between 8-10% of GDP by December 2020



Poland's central bank meets tomorrow and we think the central bank will keep rates on hold as the MPC has concluded its rate easing cycle and is unlikely to test negative rates.

FRA rates imply stable rates for the next 18 months and limited prospects of hikes after that too. Key MPC members have expressed unwillingness to push the deposit rate below zero, also other policy rates are already compressed. Post-meeting comments are likely to remain grim, underlining a strong recession and a lengthy recovery.

Further cuts would substantially strain the stability of some of the weaker participants of the financial sector. Also, the experience of other countries shows that near-zero rates result in the deterioration of credit availability rather than improvement.

## *For next year, we estimate the government deficit to be around 5% of GDP*

---

The council is likely to focus on the quantitative easing program and our baseline scenario assumes that asset purchases should reach between 8-10% of GDP in December 2020, of which around half have already been delivered). However, the likelihood of program extending into 2021 is rising.

For next year, we estimate the government deficit to be around 5% of GDP and the government may face obstacles to finance it without central bank support.

Moreover, we see PLN strengthening as a major reason behind the aggressive rate cut in May. Since then €/PLN has stopped declining, and the zloty remains relatively stable against Central and Eastern Europe counterparts.

### Author

#### **Piotr Poplawski**

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@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](http://www.ing.com).