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Snap

## Poland: Rates remain flat, CPI projection to trim rate hike bets

As rates remain unchanged, the inflation projection is anticipated to silence (at least temporarily) rising support for hikes next year

As expected widely, the Polish central bank's Monetary Policy Committee (MPC) left rates unchanged. Investors are now likely to focus on the new inflation projection presented at a press conference at 4 PM CET.

Many are looking for further hints of rising concern over wage impact on medium-term inflation within the Council. We, on the other hand, anticipate the projection to underline a weak link between wages and core inflation. Thus headline CPI should remain below the National Bank of Poland's (NBP) target in 2018, backing Chairman Glapinski's call of flat rates until 2019. Consequently, we anticipate rate bets for 2018, pricing a full hike to decline temporarily.

Previously, NBP projection assumed low wage growth this year, but a non-linear acceleration in incomes is already underway. Wage dynamics accelerated to 6.5% year-on-year in 2H17, above the MPC forecasts.

The higher path this year is expected to push the 2018 NBP projection wage figure up as well, but only marginally (since it already seems reasonable at 6%YoY). Still, average core CPI in 2017 is lower than NBP estimated in the July projection, likely offsetting wages. Hence, 2018 core CPI forecast should barely change in the new projection. The food and fuel prices should rise the headline CPI, but the average is expected to stay below the 2.5%YoY NBP target.

All in all the projection is anticipated to silence (at least temporarily) rising support for hikes next year among centrist MPC members. Finding six members to pass a hike in 2018 against Chairman Glapiński remains unlikely. Especially comments from centrist G.Ancyparowicz indicate she's likely to follow Glapinski's guidance.

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