

## Poland: rates flat, press conference to focus on FX-loans and minimum wages

The MPC has decided to keep rates flat. We expect its press conference (at 4PM CET) to be neutral or slightly negative for POLGBs prices. The Council should maintain its bias for keeping interest rates unchanged, but the discussion on the effects of doubling the minimum wage could activate MPC hawks, leading to longer-term inflation outlook worries.



Source: Shutterstock

- Today the Monetary Policy Council should – in our opinion – uphold its preference for stable policy rates. A.Glapiński – the NBP President – should say that CPI exceeding the upper bound of the inflation target in 1Q20 (3.5% YoY) should be a temporary phenomenon. Therefore raising policy rates would be without justification, all the more so as the main DM central banks are loosening their monetary policies.
- The consequences of an expected ECJ ruling on FX-mortgages will also be an important topic of MPC discussion. The focus will be on the tools the NBP or Financial Stability Committee (FSC) have to alleviate problems in the banking sector should those FX-mortgages eventually have to be converted to PLN. These problems could arise from an unfavourable ECJ ruling, or from clients seeking recourse in the Courts and the possible need for commercial banks to set aside provisions. The position of the NBP President will be

of utmost importance in the Financial Stability Committee decision.

- We expect that journalists at the press conference will ask about the steep rise in the minimum wage (to nearly double by 2024) proposed by the government last weekend. The NBP President will be expected to give his opinion on the consequences of such a course of action for wage dynamics in the whole economy, for inflation, and for the competitiveness and innovation of Polish enterprises. According to our estimates these strong minimum wage rises should add 1.2-2.2ppt to average salary dynamics in 2020 and maintain this elevated growth in following years. Each 1ppt of wage growth adds 0.3ppt to CPI. We see some upside risk to our above-consensus forecast for average CPI for 2020 at 3.2% YoY (3.2-3.5% YoY), but no longer expect CPI slowdown in 2021 (when the economy is prone to slow). In 2021 we expect average CPI to be close to 3-3.2% YoY. The NBP governor has already said that doubling the minimum wage does not hold risks for the economy, a view we don't subscribe to. We think the discussion should activate MPC hawks, raising concerns about the longer-term inflation outlook.

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@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 <http://www.ing.com>.