

Poland's central bank keeps rates unchanged; Council cautious on inflation target

As expected, the Monetary Policy Council left interest rates unchanged (main rate still at 6.75%). The post-meeting statement is largely unchanged. Chairman Glapiński should sound even more sceptical towards interest rate cuts before the end of 2023 at Thursday's press conference



In the foreign section of the post-meeting statement, the MPC highlighted increased uncertainty about the global economy due to the turmoil in the banking sector in the US and Europe, but at the same time notes that the Fed and European Central Bank continue to raise rates.

The domestic section of the statement is largely similar to the one in March. There is no change in the section assessing the economic outlook and monetary policy. The Council still believes that the rate hikes so far will lead to a decline in inflation towards the National Bank of Poland target. However, the return of CPI to the target will be gradual.

The MPC seems satisfied with the expected pace of disinflation. Apparently, the MPC judges that

monetary policy has done the bulk of the work in cooling demand and that the pace of disinflation will depend primarily on supply-side factors, such as energy commodity prices and global supply chains.

Since the previous Council meeting, concerns about financial stability in the US have emerged. As a result, the market is pricing in aggressive Fed rate cuts and near-flat ECB rates. NBP President Glapiński declared earlier that rate hikes by major central banks would encourage disinflation in Poland as well. March CPI data in the country confirmed the turning point in CPI, but the pace of CPI decline is slow for now, and core inflation rose again.

We expect Glapiński to sound even more skeptical towards interest rate cuts before the end of 2023 during his speech on Thursday (15:00 CET). This is especially the case since his past announcement that inflation will fall to 6% by the end of 2023 is highly questionable. In our view, rates should remain unchanged until the end of 2023, and we see the first cuts in the second half of 2024.

Authors

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Adam Antoniak

Senior Economist, Poland

adam.antoniak@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>.