

## National Bank of Poland set to remain hawkish and keep projections in the spotlight

We expect the National Bank of Poland to keep rates unchanged on Wednesday, with the main policy rate remaining at 5.75%. Chairman Adam Glapiński's rhetoric is likely to remain hawkish, and new macroeconomic staff projections will set the stage for coming policy moves



Adam Glapinski,  
President of the  
National Bank of  
Poland

Poland's Monetary Policy Council is expected to keep rates unchanged at 5.75% on Wednesday. Market participants will focus on the post-meeting press release, where the main variables from the National Bank of Poland's March staff projections (GDP, CPI) will be unveiled. Theoretically, we may see a lower inflation path than envisaged in the November projections, which may lead to renewed speculation about rate cuts in the second half of the year.

Several arguments point to a slightly better inflation outlook, at least in the short term. Core inflation in the second quarter of last year and so far in the first quarter of this year has come in below the NBP's expectations. The central bank's governor has been vocal about the upside CPI risk

coming from regulated prices of electricity and natural gas. But the wholesale market for both kinds of energy has seen large price declines, below regulated tariff levels. This reduces the risk of a CPI increase of as much as 4ppt, as suggested in a worst-case scenario by NBP President Adam Glapiński. However, we expect that the NBP has prepared several scenarios for inflation, depending on the assumptions made about electricity and gas prices, and the governor could still highlight the high level of uncertainty. Another factor mitigating inflation risks is the pressure from cheap imports, as well as the demand barrier, which has increased competition among large retail chains (a price war is particularly visible in food prices) and also caused furniture price cuts. All of these factors may manifest in a lower 2024 projection, but we doubt there will be significant changes to the 2025 projection.

There are still medium-term inflationary risks, especially in the area of service prices, which are related to high wage growth.

We expect that until the government's proposals on the energy shield are clarified, the MPC will lean towards stabilising interest rates. This is probably the position that Glapiński will present at Thursday's press conference. While the inflation outlook has been improving for 2024, the chairman's rhetoric during the February press conference was hawkish, and we believe it's likely to remain that way in March as well.

Our baseline scenario assumes that interest rates should remain unchanged in 2024, with risks skewed toward the single rate cuts, which might be on the table in the second half of the year, given few signals calling for downside risks for CPI in the coming months.

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