

## Polish central bank keeps rates on hold; governor likely to stay hawkish

Poland's CPI continues to surprise on the downside, but mainly due to the unwinding of supply shocks. During the central bank's monthly press conference, the governor is expected to focus on the mid-term inflation risk, which is largely beyond the control of monetary policy. We see unchanged rates until the end of 2024



Adam Glapinski,  
President of the  
National Bank of  
Poland

The April policy decision was hardly surprising as the MPC has remained on autopilot in recent months. The Council made minor changes to its post-meeting statement, i.e. it presents a slightly more upbeat view on economic activity. The MPC notes "an increase in the dynamics of economic activity" while in the previous month, policymakers assessed that "a gradual recovery is taking place". The key summary passage on inflation and future decisions is barely changed.

The financial markets are trying to predict how reliable the MPC's current hawkish stance is, as inflation is falling and its trajectory is more optimistic than had been expected earlier. We think the MPC should stick to its mildly hawkish tone in the coming months.

We expect Governor Adam Glapinski to say tomorrow during the press conference that inflation is low, but should soon rebound on the back of regulatory decisions, fiscal expansion, an economic

recovery and buoyant wage growth. The majority of risks will be deemed to be beyond the MPC's control.

We note that most of the downside surprises in recent inflation prints and the rapid decline in recent months are mainly due to the reversal of earlier supply shocks and low commodity inflation as well as slow growth in imported goods prices.

In our view, the inflationary threat posed by the unfreezing of energy prices is exaggerated. The alternative scenario presented by the NBP, and assuming a jump in CPI to 8%, is unrealistic given today's low wholesale electricity and gas prices. In addition, by presenting these projections, the NBP is unnecessarily fuelling the inflation expectations of financial markets. This is particularly visible amongst foreign investors who seem reluctant to return to the Polish debt market for various reasons.

The main problem is high and sticky core inflation. After a year of weak consumption, core inflation is still growing at a rate of 0.5% per month. This is still high and there is no significant improvement in the monthly figures so far. Services inflation, in particular, remains high and will probably remain so due to high wage dynamics that have an inflationary impact.

We see rates remaining unchanged until the end of the year.

## 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 [www.ing.com](http://www.ing.com).