

## Polish central bank to maintain dovish stance

As widely expected, the MPC left rates flat. Expect it to maintain a dovish bias during the press conference too with no hikes this year. We stick to our call of a single hike in 2019 with a downward risk



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During the press conference, the Monetary Policy Committee (MPC) is expected to underline that recent CPI releases call for average inflation dynamics in 2018 to be below the last March National Bank of Poland projection. We see 1.4-1.5% YoY vs 2.1% YoY presented by the central bank a month ago.

Both food prices, as well as core inflation, are responsible for the downward revision of our forecasts. MPC may also point out the weak transition of solid wages into prices, but the Council is unlikely to go into the details of the March surprising core inflation drop, as the structure of this figure is due for release this Friday.

Also, the recent activity data shows less robust GDP in 1Q18 but is still close to the central bank projection.

The Governor A.Glapiński is expected to repeat his mantra of no hikes this year and conditionally in

2019.

He is unlikely to extend his forward guidance into 2020 though. If asked about possible cuts, some ultra doves may be keen to ease, but that should not be shared by NBP governor, at least concerning 2018-2019. The governor should reiterate that the current level of rates remains appropriate, underlining that stable rates are beneficial to growth.

We stick to our call assuming a single hike in late 2019 with major downside risk, but largely conditional on the ECB as the Polish MPC is unwilling to increase interest rate disparity against the euro and Central and Eastern European countries as that would unnecessarily deteriorate the competitiveness of Polish companies.

We expect the Council to gradually change its bias in late 2018, as wage growth in Poland temporarily reaches double-digits and in 2019 CPI should be close to the central bank's target again.

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