

Post-MPC comment

No (even minor) changes

2 October 2013

The MPC left NBP's rates on hold again, which was in line with expectations. The official statement also repeated that interest rates should be kept unchanged at least until the end of 2013. According to the MPC, gradual economic recovery is likely to continue in the coming quarters, however, inflationary pressure will remain subdued. In our opinion, there is a chance that November's meeting of the MPC will more interesting, as the new inflation and GDP projection might affect the so-called forward guidance (longer suggested period of stable rates). We still expect flat rates till mid-2014 and cumulative increase in rates by 75bp next year.

In line with expectations, the MPC did not change interest rates at its October meeting, keeping the reference rate at all-time low 2.50%. For the second time in a row, the official statement included the sentence that "interest rates should remain on hold at least until the end of this year, which will support return of inflation to the target in the medium term". During the press conference, the NBP Governor Marek Belka informed that today the Council did not discuss to extend the suggested period of stable interest rates. The MPC did not discuss the next year's budget draft neither. So what were the main subjects during the meeting? It looks like journalists also had a problem with answering such a question, as they were "desperately trying to get a foothold" (using Belka's words). Finally, practically the only comment (and not bringing so much new, anyway), which referred to the stance of the economy, was the personal view by Governor, who said the data were mixed – from below-expectations to brilliant PMI.

According to the statement, the assessment of economic situation by the majority of the MPC (or possibly even all its members) did not change much and the overtone of the statement is still relatively dovish. Despite some improvement, economic conditions in the global economy remained moderate. As regards the Polish economy, the MPC said the data confirmed that economic growth remained relatively weak (although stronger than a quarter before), while the improvement in economic climate indicators suggests a possibility of the gradual recovery continuing in the coming quarters. Unemployment persists at elevated level, which supports slow wage growth and growth in lending to the private sector remains limited. Finally, developments of inflation indices confirm still weak demand and cost pressures in the economy, together with low inflation expectations (notwithstanding their certain increase in September).

Summing up, official interest rates and rhetoric of the statement have remained unchanged this month. The MPC did not discuss monetary easing nor tightening, even not the period, in which rates should stay stable. As regards the last factor, we expect that more clarity may bring November's meeting, when new CPI inflation projection will be released.

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