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Economic Comment

Unlikely there will be a majority to cut in 2024

Marcin Luziński, tel. +48 510 027 662, marcin.luzinski@santander.pl

At today's conference, the NBP President sounded hawkish, in our view. He reiterated, following yesterday's MPC communiqué, that the Council wants to see a sustainable return of CPI to the target - and while he expects CPI to be around 2.5% in March, an increase will follow, with its magnitude depending on regulatory decisions. In the case of total abolition of „anti-inflation shields” (freeze of energy prices, VAT on food), NBP sees inflation surging to 8% y/y at the end of 2024 – more or less in line with our calculations what such a scenario (which we do not see as base case) would mean for CPI path. According to the governor, the MPC will align monetary policy with government decisions on shields. Glapiński stressed that in his view there will be no majority within the MPC to cut rates in 2024, provided that the data are in line with the NBP forecasts. NBP president also stressed that core inflation is currently too high to allow for interest rate cuts.

We are expecting the government to resign from “anti-inflation shields” in 2H24 and only partially mitigate the impact of rising energy prices on households, with CPI running in the vicinity of 6-7% in 2H24. More details about energy prices in 2H24 are to be shown by the government in 2-3 weeks' time. Considering that and today's words of Glapiński, we no longer expect rate cuts in 2024 (we had -50bp in 4Q24). The market reacted to the conference by stronger zloty (EURPLN down from 4.34 to 4.32) and lower market rates (FRAs up by 15-20pb, with market currently seeing about 45pb rate cut in 2024).

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division. Economic Analysis Department. al. Jana Pawła II 17. 00-854 Warsaw. Poland. phone +48 22 534 18 87. email ekonomia@santander.pl. <http://www.santander.pl>.

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Biały 22 534 1885
Cezary Chrapek, CFA +48 887 842 480
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857