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Economic Comment

The defeated inflation lurking around the corner

Piotr Bielski, tel. +48 691 393 119, piotr.bielski@santander.pl

The message from today's conference of the NBP governor Glapiński seems to be like this: the MPC scored a big success by bringing inflation to the target (it is very likely CPI is already near 2.5% in March), but believes that keeping interest rates on hold is a good strategy, because it sees the CPI drop as temporary and is convinced that "higher inflation is lurking around the corner".

The magnitude of inflation's rebound in 2H24 is uncertain and will depend on the government's decisions about the removal of the "anti-inflation shields", but in every scenario keeping rates on hold seems to be justified (if not because of higher CPI then because of higher fiscal expansion if "shields" are extended).

Also, the central bankers bear in mind a list of other uncertainties that may affect future inflation: the economic cycle (faster economic growth = higher inflation), global energy prices that may be boosted by geopolitical risks, global food prices that may rebound at some point, global shipment prices that are rising again. Those uncertainties, according to NBP head, justify keeping rates at an elevated level. Glapiński also pointed that Fed and ECB are equally cautious and do not hurry with policy easing, adding that even if they start cutting rates it will not imply any automatism for the NBP decisions.

It seems that the rationale behind the NBP thinking is quite clear: the central bank is determined to bring inflation to the official target persistently and its models are showing that it is possible with the current level of interest rates, which does not give arguments to consider policy easing anytime soon. Glapiński this time refused to provide more specific guidance whether or not any policy changes are likely later this year, saying that he can predict anything credibly only until June. We keep our view that NBP interest rates will stay on hold at least until the end of this year.

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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 Biatas +48 517 881 807
Cezary Chrapek, CFA +48 887 842 480
Marcin Luźniński +48 510 027 662
Grzegorz Ogonek +48 609 224 857