

04 July 2024

# Economic Comment

## Forget about rate cuts

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The main message from the conference of NBP governor Adam Glapiński was that we can forget about interest rate cuts and the room for monetary easing can appear in 2026 at the earliest.

Glapiński said that according to NBP estimates, higher energy prices will lift CPI inflation in July by c. 1.6pp and then once again in January 2025 by c. 1.3pp after the government's protection scheme expires – it was the reason why the new NBP projection showed significantly higher inflation in 2025 (which confirms our suspicions, which we wrote about in today's Eyeopener report). Such an approach in designing inflation projections, taking into account the current legal status, should not be surprising if it were not for the fact that in 2023 the central bank abandoned it. Instead, the NBP included in the projection the assumption that the anti-inflation shields will be extended, even though it was inconsistent with the laws in force at that time. Apparently, a lot of discretion is used in this regard. It is worth noting that the behaviour of energy prices in 2025 is far from certain – the climate minister actually suggested earlier this week that she would recommend extending the current protection scheme for households and in our view such action would not be a big surprise given the looming presidential election. Our baseline scenario assumes only a slight increase in energy prices at the beginning of 2025, as a result of which the CPI does not significantly exceed 6% y/y in the first quarter of 2025, after which it declines markedly since the middle of the year under the influence of base effects.

According to NBP forecasts, after the energy-related effects fade, inflation should converge towards the official target in 2026 – under the assumption that interest rates remain unchanged, which was emphasised by Glapiński a couple of times. He also underscored that even after direct effects of higher energy prices fade, there will be still a risk to inflation outlook stemming from acceleration of economic growth, elevated wages, uncertain behaviour of inflation expectations and uncertain fiscal outlook – and all those factors are reasons for monetary policy to remain cautious.

Overall, the message from the Polish central bank became even more hawkish than before, not only ruling out rate cuts in 2024 but also in 2025. For now, we feel even more secure with the view that there will be no interest rate cuts in Poland before the middle of 2025. Interest rate cuts in 2H25 still cannot be ruled out if the data allow it – i.e. CPI inflation will be already in a clear downward trend, the NBP forecasts will confirm further decline and the currency will be sufficiently strong.

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