

Economic Comment

2Q25 is the optimal timing for a rate cut?

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NBP president's speech at today's press conference sounded, in our view, more dovish than previously. The governor said he hoped very much that the March NBP inflation projection will lay ground for a start of discussion in the MPC about possible interest rate cuts. He was not convinced, however if March will be the appropriate timing of the first rate cut. Instead, he suggested that the first move will likely come after March, seeing Q2 as the "optimal" timing for such decision. What is more, he said it will be the beginning of "a cycle" of rate cuts, which contrasted with his last month's statement, when he emphasized that the first rate cut will not herald the start of a cycle.

Glapiński also spent some time explaining that it is quite possible that at some point he could be outvoted by the majority of the MPC members. We see it as another signal that possibly the NBP president feels he is losing the backing of his earlier loyal supporters in the Council. The first sign of it was his sudden withdrawal from a declaration of the first rate cut no earlier than in 2026, which happened just after the MPC's one-day working meeting in late August. What it could imply is that Glapiński's own views may be not as important for the central bank actual decisions and the shape of future monetary policy that they used to be, and instead we should track the opinions of other MPC members with more attention.

Glapiński repeated the earlier pledge that next central bank decisions will depend on coming data and new forecasts and if the MPC gains confidence that inflation has stopped rising and will be falling in coming quarters (which will be confirmed by new forecasts), policy easing may start.

We stick to the opinion that March may be too early for the MPC to start interest rate cuts (as long as we believe in our forecasts of solid GDP growth and CPI inflation reaching the local peak no earlier than in March 2025). Nevertheless, Adam Glapiński's comments seem to suggest that the majority of MPC members may be not patient enough to wait until July with the start of the easing cycle, so there is growing probability of the rate cut somewhere in 2Q25. We assume that once the easing cycle starts, the central bank will move gradually in 25pb steps every meeting, until it reaches the level of interest rates deemed as neutral. In our view, such level could be near 3.5%-4.0%.

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