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Economic Comment

No preconditions for rate cuts

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Unsurprisingly, the NBP governor Adam Glapiński repeated the hawkish message at his monthly conference, emphasizing that there are currently no reasons to change interest rates in Poland, or even think about it, as the current NBP forecast suggests CPI's rebound at the end of this year and the monetary policy cannot allow inflation to get more persistent.

He listed several factors that may delay inflation's return to the target: apart from the unfreeze of energy prices after September, also the fact that the Polish economy is in recovery phase, the wage growth remains elevated, pushing up prices of services, core inflation is high and persistent (likely to stay near 4% throughout this year), and high fiscal deficit is limiting the room for monetary easing. He also referred to recent IMF and OECD reports, which recommended no hurry with interest rate cuts in Poland.

According to Glapiński, next decisions will depend on incoming data and the right moment to cut rates will come once inflation data show CPI decline and inflation forecasts confirm its further and persistent decrease in future. One of key harbingers of policy easing would be a marked slowdown in wages and core inflation, and/or lower energy tariffs to be implemented after September. He refused to point any specific moment when such conditions may emerge and said that even though a discussion on rate cuts may start after March, it will be still a long way until the decision.

Overall, we do not change our view, expecting the first rate cut in July and then a gradual decrease of main interest rate, towards 4.5% by the end of 2025 and 3.5-4.0% in 2026.

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