

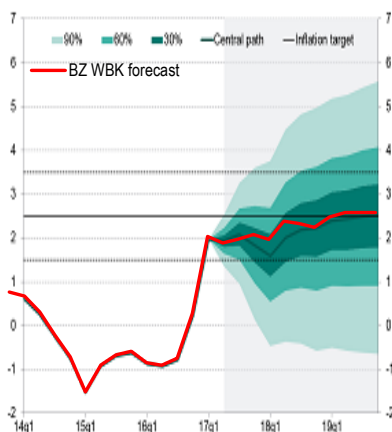
# INSTANT COMMENT

7 November 2017

## MPC meeting and NBP projection preview

It seems that the predominant view ahead of the Wednesday MPC decision is that the new staff projection will make the Council lean somewhat more to the hawkish side. In recent months we have seen a growing number of members who do not agree with the governor's view that rates should stay in place in 2017 and 2018. Some suggested that they will review their (neutral at that time) stance upon seeing the projection. We doubt that the post-meeting statement will sound more hawkish and that after the press conference the market will price-in monetary tightening with greater intensity than before it. The new CPI projection does not need to provide strong arguments for rate hikes, even if it might signal a quicker hit of the 2.5% inflation target than the July edition. Another issue is the dovish governor's choice of wingmen at the press conference. There is a high chance he will appear with two doves by his side (Żyżyński+Łon). Żyżyński+Hardt is another option, yet we would not expect the latter (a hawk) to predetermine the overall tone, especially if the projection does not confirm a persistent breach of the inflation target.

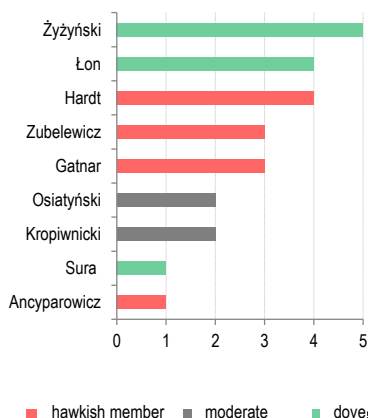
July NBP inflation projection vs. our forecast



### CPI projection – where it starts and where it heads

The fact that September CPI surprised significantly to the upside, rising from 1.8% y/y to 2.2%, might have made some analysts assume that the new NBP inflation projection, the main values of which will be included in the Wednesday MPC statement, has to be more bullish than the previous one. But the July projection already assumed CPI in 3Q17 rising to slightly above 2%, despite the fact that at the moment of its creation inflationary forces seemed to ease. Thus, the starting point does not have to be higher this time. The expected trough in 4Q17/1Q18 (due to high base, as fuel prices soared a year earlier) might be made shallower given high food inflation in some narrow categories like butter, eggs, but this is not something that could make this new projection a true game-changer. After all, it is the core inflation that matters, and this measure seems to have barely moved since April. And even if the moment when CPI touches the target advances vs. the July edition, it does not have to be prompting MPC action either. We got an impression that for the doves/moderate members a projection with inflation running along the target already from mid-2018 instead of 2H19 is not that much of a difference – as long as the path does not bounce off the 3.5% tolerance band indicating a previously unseen risk of a break above. We do not think the NBP in the course of last quarter got arguments for sending the long end of the inflation path much above the previous line.

Last appearance (meetings ago)



### The wingmen

The post-meeting statement has been evolving in recent months, with new arguments placed by hawks in one paragraph. At the same time other parts, like the discussion regarding current economic assessment, were augmented by counterarguments. We do not think the November's statement will be the one that shows green light has been given to monetary tightening. Another issue is the tone of the MPC members' comments at the post-meeting press conference. We do not know if there is a predetermined schedule of attendance, or is it entirely up to NBP Governor Glapinski to pick his wingmen for the press conference, but after the analysis of the attendance at the previous press conferences (see table below) we see high chance that this week the governor will be accompanied by two members out of the three: Żyżyński (staunch dove), Łon (ultra-dove), Hardt (hawk, preferring to wait for early 2018 assessment before acting). It seems that whatever the projection brings in terms of rising the need for monetary tightening, these members could offset with either an openly dovish rhetoric (Żyżyński, Łon, Glapiński) or with reference to further evidence necessary to assess the wage growth-to-CPI pass-through (Hardt).

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**Attendance of the MPC members at the post-meeting press conferences**

Oct 17	Sep 17	Jul 17	Jun 17	May 17	Apr 17	Mar 17
Ancyparowicz Sura	Osiatyński Kropiwnicki	Gatnar Zubelewicz	Łon Hardt	Ancyparowicz Żyżyński	Kropiwnicki Sura	Gatnar Hardt

Feb 17	Jan 17	Dec 16	Nov 16	Oct 16	Sep 16	Jul 16
Osiatyński Zubelewicz	Ancyparowicz Łon	Osiatyński Kropiwnicki	Żyżyński Łon	Gatnar Zubelewicz	Ancyparowicz Kropiwnicki	Żyżyński Hardt

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