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Economic Comment

Gone Till November ?

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The press conference of the NBP governor Adam Glapiński (the first one since the start of the pandemic with the live presence of journalists) started on a very dovish note, which seemed to diminish chances of rate hike before the year-end, but ended with a conclusion that the start of policy tightening in November cannot be ruled out, as the new NBP projection will be the key.

Glapiński emphasised that the currently elevated inflation is entirely driven by supply-side factors, beyond the monetary policy control. He denied existence of any inflationary pressure from the demand side or the labour market and said that all available forecasts foresee inflation's decline next year. Later, Glapiński said that the MPC will not hesitate to tighten monetary policy immediately once it sees a risk of inflation going persistently above the target due to demand-side factors, but currently this is absolutely unjustified. He said he wished such situation takes place as soon as possible, "for example after the New Year". Such message seemed to rule out first rate hikes before the year-end. Also, he said they may start policy tightening by (1) rate hike, (2) tapering bond purchases, OR use one of those two tools (referring to the recent Fed message).

However, at the very end of the conference, asked about the possible timing of policy turn, Glapiński repeated that the November NBP projection will be the key milestone and said "let's stick to November". He also added that the pandemic uncertainty (earlier mentioned as one of the key obstacles for policy tightening) is less and less affecting the MPC's views and it will likely disappear at all by the year-end.

Overall, we think that the conference, although seemingly very dovish in language and in tone, in fact did not change dramatically our view on monetary policy outlook. The November rate hike may be not as likely as before, but still not ruled out, in our view, especially if the upcoming data prove strong and the 4th wave of pandemic proves not too scary. Moreover, Glapiński said he is not a fan of rate hike by 15bp so even if they start a bit later (1Q22?), the first move could be bolder, which could bring us to our earlier expected interest rate path anyway. We still do not have clarity on the sequencing (rate hike vs. QE tapering), though. In Monday's interview Glapiński suggested the QE will end once interest rates go up. Today's comments, albeit not very precise, again seem to suggest that the tapering may come first.

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