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Economic Comment

NBP Governor wants to be a hawk

Piotr Bielski, tel. 691393119, piotr.bielski@santander.pl

NBP president Adam Glapiński described himself and the entire MPC as “hawkish” at the press conference, saying that they will do whatever it takes to tame inflation and to strengthen the zloty (yet, reaching 2.5% inflation target by the end of 2023 is unlikely).

He declared he would propose continuation of policy tightening at the subsequent MPC meetings and that in his own view the target level of NBP rate at 3.5% or even 4.0% would not be harmful for the economy. Later on he added that even above 4% cannot be ruled out if the new data show it is necessary. During the lengthy speech Glapiński many times contradicted his earlier comments and views presented in the past (for example, saying that the central bank has never suggested it favours weaker zloty). Referring to his recent comment that rates will have to rise more than anticipated by the market, he said that at the time the market was not pricing-in 4% target rate (FRA9x12 was actually at 3.98% at the time) and clarified he never intended to suggest moves by more than 50bp, but rather a lengthening of the cycle.

Glapiński said there is no reason for a FX intervention right now but there is only one possible direction for interventions (read: to strengthen PLN).

To sum up, we maintain our view that the NBP will continue hiking rates at the subsequent meetings at a steady pace, and that the target NBP rate may be 4.00%. Getting higher will be difficult, we think, unless the MPC moves to bigger steps (which Glapiński deemed as unlikely), as in the middle of the year the economic slowdown will be already clearly on the horizon. NBP governor stressed many times today that GDP outlook is a very important factor in their decision making.

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division. Economic Analysis Department. al. Jana Pawła II 17. 00-854 Warsaw. Poland. phone +48 22 534 18 87. email ekonomia@santander.pl. <http://www.santander.pl>.

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski + 48 22 534 18 87
Marcin Luźniński + 48 22 534 18 85
Grzegorz Ogonek + 48 22 534 18 84