09 November 2023

Economic Comment

See you in March

Piotr Bielski, tel. +48 691 393 119, piotr.bielski@santander.pl

NBP president Adam Glapiński sent a hawkish message at today's press conference signalling that the MPC is not going to change interest rates in the nearest months, possibly at least until March when the new NBP projection will be released.

The MPC assessed that the -100bp rate cuts delivered in September-October had positive impact on the economy, smoothing economic growth cycle while not delaying the moment when inflation converges to the target. Yet, the Council decided that keeping rates on hold is now the most appropriate for two reasons: (1) the room for further policy easing has clearly diminished after two previous rate cuts, (2) the uncertainty regarding future disinflation has increased significantly. This uncertainty was attributed largely to the looming change in the government and its unknown decisions regarding fiscal and regulatory policy.

Glapiński confirmed that the current NBP projection (similarly as in July) was based on the assumption of continuation of the anti-inflation shields: zero VAT on food, freeze of energy and gas tariffs, even though it is at odds with the currently existing regulations (the law assumes that those measures should expire in December 2023). Thus, if the new government does not extend those measures indefinitely, the new projection in March will be adjusted upwards accordingly. Also, Glapiński pointed to other pre-election promises of the opposition parties (pay rise in the public sector, higher tax-free income) which, if implemented, would be pro-inflationary. We see it as a suggestion that the next edition of the inflation projection may be revised upwards, at least in the medium run. Glapiński also noted that disinflation trend in the global economy may slow significantly and interest rates may have to remain higher for longer.

Glapiński said the next MPC decisions will be data-driven and he cannot answer whether it is the end of the easing cycle or not, but he cannot imagine rate hikes at the moment – although the MPC will not hesitate to hike if needed. At some point he also admitted that rate cuts would be continued if it wasn't for the elections. Overall, we see the comments of the NBP president as a clear indication that further monetary easing is out of the picture for now, unless the economic scenario deteriorates to the extent that would massively reduce inflation outlook. This is not our scenario, as we see the economic rebound on the horizon, even stronger than predicted by the central bank. We keep the view that the NBP reference rate may stay on hold at 5.75% at least until the very late 2024.

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas 22 534 1885
Cezary Chrapek, CFA +48 887 842 480
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857