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# Economic Comment

## Zero probability of rate cuts this year

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At today's conference, NBP President Adam Glapinski reinforced his hawkish message from May - he openly announced that his message is hawkish and, under the scenario assumed by the NBP, the probability of rate cuts this year is zero. The main arguments against rate cuts are the expected rise in inflation to around 5% at the end of the year, and numerous pro-inflationary factors, such as loose fiscal policy, wage growth, economic recovery and rising energy costs. According to Glapinski, at present, even the most dovish MPC members do not have the arguments to speak in a dovish tone. Moreover, the NBP governor has not ruled out a rate hike if inflation does not ease next year or continues to rise. In contrast to previous conference the NBP Governor clearly mentioned a possibility of a rate hike.

Adam Glapinski said he hoped that space for rate cuts would emerge in the middle of next year (unlike a month ago, when he pointed to 1Q 2025), which would be in line with our baseline scenario. The NBP president stressed again that future decisions depend on data, but focused mainly on the path of CPI in 2025. Rate cuts could occur if the decline in inflation to the target is sustainable. The current descent of inflation near the NBP's target is transitory in the bank's view, with regulatory decisions on energy prices key to CPI forecasts.

The NBP Governor assessed that the ECB's rate cut has no impact on the MPC's decisions, although it may contribute to the strengthening of the zloty.

The market reacted to the statement with an increase in rates by a few basis points, and, as we assumed, the conference could be the impetus for a slightly longer upward adjustment in rates.

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