

Economic Comment

The room to cut rates has appeared

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The NBP president started his conference stating that the MPC has changed its position into dovish. Glapiński said that room to cut rates in the nearest period has appeared, but MPC needs more data to actually do it. The MPC is likely to decide to lower rates if another set of data also proves weak, which we understand as a suggestion that May cannot be ruled out. Glapiński also said he preferred a gradual correction of rates, not a start of a cycle and that he would like to move by 25bp or 50bp, depending on the data. Glapiński said he imagined two cuts by 50bp followed by a pause and then another move this year.

According to Glapiński, this change happened due to lower latest readings of inflation, wages and real economic data. This confirmed the signals, which could have been read from the Wednesday's statement, as it seemed to show the Council was opening the door to cuts. The expected CPI path moved down thanks to revisions in inflation basket as well as to lower oil prices, and it is now markedly lower than the MPC has expected previously. CPI forecasted by the NBP at the end of 2025 moved to 4.2% y/y vs 4.8% y/y expected in the March NBP staff projections. Glapiński has also stressed that core inflation has moved close to the upward limit of target tolerance band (3.5% y/y) and acknowledged the comments of government representatives stating that energy prices will be kept at bay. Still, the NBP president stressed it is not NBP's baseline scenario, as it is still expecting energy prices to go up in 2H24. On the other hand, Glapiński was still underlining upward risks to inflation: economic recovery, still strong wage growth, loose fiscal policy and geopolitical situation.

After the NBP conference we cannot exclude that the first move will happen in May, but it will be strongly dependent on the nearest figures. We think that the upcoming set of data will not confirm the February pessimism, but on the other hand CPI inflation is likely to slide markedly, so there is no clear pattern as regards the possible impact on the MPC. For the time being, we stick to our expectations for 75bp in cuts this year in total.

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