

Polish Central Bank Preview: February 2021

Details:

Monetary policy decision and release of Monetary Policy Report: 1300 GMT/1400CEST/0800ET, Wednesday 03 February 2021.

MNI Point of View

NBP to Hold at 0.1%, Dovish Tone & PLN Jawboning to Resume

- The NBP is likely to keep rates unchanged this week at 0.1%, sticking with its dovish tone and vocalised pressure on PLN appreciation. Although the MPC may point to potential space for 10bp of easing in 1Q21, the base case remains for rates to stay unchanged out to ~2022.
- A steady flow of better than expected high-frequency data since the Jan meeting should also support no changes to the NBP's current posturing, with the -2.8% FY20 GDP print (vs -3.5% Nov forecast) highlighting Poland's outperformance in the CEE region. However, this may be tempered slightly by recent uncertainty surrounding the vaccine rollout - raising the likelihood that the NBP will remain on the dovish side to maintain positive momentum using QE, rather than rate cuts.
- On the intervention front, the NBP will likely reiterate its willingness to continue FX interventions to "strengthen the impact of monetary policy easing". However, we expect there to be more talk than action, provided EUR/PLN continues to self-regulate around the 4.50-4.48 zone. Nevertheless, a decisive move through these levels will most likely elicit an NBP response in the near-term. Over the medium-term, stronger PLN fundamentals are expected to place appreciation pressure on the currency and likely be allowed to run below 4.48 in 2H21, once the vaccination rollout has moved closer to its conclusion and the recovery narrative is more deeply ensconced.

Sell-Side View

Unicredit: NBP to leave rates on hold & retain its dovish bias. Economy's better than-expected performance in 2020 and its perceived resilience at the beginning of 2021 reduce the need for further stimulus. NBP expected to purchase more bonds issued by state entities when the 2021 edition of the Financial Shield is deployed. FX interventions remain on the cards, but are more likely if the PLN appreciates close to EUR-PLN 4.45 or below.

SocGen: NBP expected to hold, reiterating its pledge to intervene in FX markets to strengthen the impact of monetary policy easing from below 4.50-4.49. Expects the market to eventually test NBP resolve on interventions, given strong PLN fundamentals.

GS: Poland: NBP on hold out to 2022, with near-term rate cut risks skewed to the downside. NBP will likely reiterate its dovish stance, combined with possible FX interventions and the continued use of QE to support the economy. High-frequency data confirms the resilience of the economy amid the second lockdown in December, but vaccine uncertainties may dampen the near-term outlook.