

# Flash Comment

## Poland: NBP cuts by 25bp as expected

- As expected the Polish central bank today cut its key policy rate by 25bp to 3.50%.
- We believe that this cut marks the end of the easing cycle.

### Details

As expected, the Polish central bank (NBP) today announced that it has cut its key policy rate by 25bp to 3.50%. This was both the market consensus and our expectation. Today's rate cut came out after two consecutive months of unchanged interest rates.

### Assessment & Outlook

Although the key policy rate was unchanged at the last MPC meeting, the central bank maintained an easing bias in monetary policy. In addition, although inflation is likely to remain at 3.5-4.0% for some months and hence above the NBP's inflation target of 2.5% +/- 1 percentage point, a number of NBP officials recently indicated that further monetary easing could be on the cards. Both wage growth and inflation have recently surprised on the downside, further strengthening the argument for further monetary easing. That prompted the NBP to cut its key policy rate by 25bp to 3.50% at today's MPC meeting.

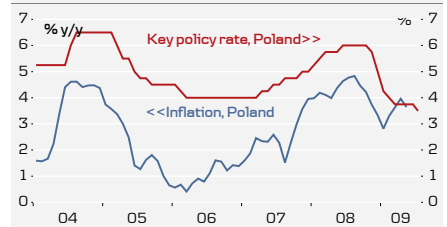
Looking ahead, after inflation coming down significantly in recent months, there are signs that it is beginning to stabilise at the current level, which means inflation will average around 3.5% y/y in 2009, hence above the NBP inflation target. Taking this into account, we believe that today's rate cut might represent the end of the easing cycle. More detail will be provided at the NBP press statement scheduled for CET 16:00.

#### Key figures

	Act	Con	DB	Last
CPI (%y/y)	3.50%	3.50%	3.50%	3.75%

Source: Danske Markets

#### NBP delivers 25bp rate cut



Source: EcoWin Reuters

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## Disclosure

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