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Polish CPI inflation picks up unexpectedly in June, driven by the core component

CPI inflation increased slightly in June, ahead of an expected drop towards the National Bank of Poland s target in July. We ll now be keeping an eye on the central bank s next decision on rates, communication from Governor Adam Glapiński, and the NBP s staff inflation projections

Torun, Poland

According to the preliminary estimate, Polish CPI inflation in June rose to 4.1% year-on-year (ING: 4.0%, consensus: 4.0%) from 4.0% YoY in May. Food and non-alcoholic beverage price growth slowed, in line with our forecast, to 4.9% YoY from 5.5% YoY a month earlier. The year-on-year fall in fuel prices was 10.0% compared with 11.4% in May; this was steeper than our expectations, which took into account increases in petrol station prices in the second half of the month due to conflict in the Middle East. Energy prices increased by 12.8% YoY versus 13.0% a month earlier, in line with our forecasts. According to our estimates, core inflation – the main source of today's inflation surprise – rose to 3.4% YoY in July, up from 3.3% YoY in May.

Significantly lower-than-expected wage pressure in May and the government's decision to maintain the electricity price freeze for households in 2025 are signs of improvements made in the inflation outlook from the previous month. Despite today's data, our estimate is that CPI should be close to the National Bank of Poland's inflation target in July. This means that the Monetary Policy Council has room for further monetary easing.

In contrast, recent opinions from MPC members indicate that the chances of rate cuts in the coming months are low. They see wage growth above 6%, expansionary fiscal policy and tightening by other central banks in the region as arguments for a no-change policy. This week, the new NBP staff macroeconomic projection will be released, which, alongside NBP Governor Adam Glapiński's press conference on Thursday, should provide more insight into future monetary policy decisions.

We expect further interest rate cuts to be made in 25bp increments, occurring in September and November. At the end of 2025, we expect the reference rate to drop to 4.75%. Rate cuts should continue in 2026, when we estimate the main rate will hit 4.25%.

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