

Poland: CPI inflation unchanged in July

Poland's annual CPI inflation in July remained unchanged from June, at 15.5% year-on-year, thanks to a temporary summer cut in gasoline prices. There is no reason for complacency for the Monetary Policy Council (MPC) as inflation is expected to increase further after the summer. More rate hikes are expected this year

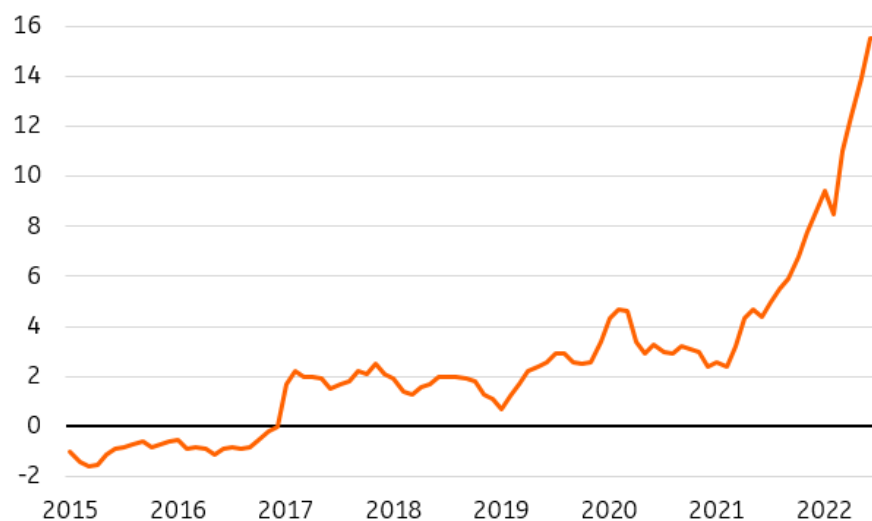


Inflation is outpacing wage growth in Poland

Annual inflation unchanged in July

Consumer prices rose 15.5% year-on-year in July (ING: 15.4% YoY; consensus: 15.5% YoY), following a 15.5% YoY increase in June. The annual inflation rate stayed the same for the first time since February when the indirect tax cuts under the anti-inflation shield took effect. As expected, July brought a decline in fuel prices (-2.6% YoY), helped by the summer promotion of a major player in the domestic fuel market, which forced similar price moves by its competitors. Had fuel prices remained at June levels, July inflation would have risen to 15.7% YoY. Food prices rose by 0.6% month-on-month, i.e. at a similar pace to June, but slower than in April and May. Energy carriers, on the other hand, rose 1.6% MoM, most likely due to further increases in coal prices. Based on today's data release, we estimate that core inflation in July, excluding food and energy prices, was close to August levels and reached around 9.2% YoY.

CPI inflation, %YoY



Source: GUS.

Further increases in inflation and interest rates expected in the autumn

Despite a stabilisation in July, inflation is far from contained. The inflation target remains very distant (2.5%), real interest rates are still deeply negative, and fiscal policy is significantly easing the impact of monetary tightening. Inflationary pressures may be restrained in the coming quarters by the economic downturn in Poland and globally. At the same time, the energy crisis and increases in regulated prices will have the opposite effect. A significant increase in the minimum wage (13.5%) and a high indexation of pensions are to come in 2023, which will sustain wage pressure. This means that consumer prices could continue to grow at double-digit rates in 2023. We expect the MPC to continue raising interest rates after the summer, albeit on a smaller scale (by 25bp). This will be accompanied by signals that policymakers are about to end the monetary tightening cycle. Given the deteriorating economic outlook, the policy rate may not reach the 8.5% we previously expected.

Author

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.