

## July projections from Poland's central bank signal flat rates through 2024

The National Bank of Poland has now presented details of its new inflation projections. In our view, these support flat rates this year but not necessarily into 2025. This is because core inflation pressure is set to be lower than projected in March, and electricity price adjustments in early 2025 might be smaller than the NBP's assumptions



Poland's growth forecast for the second quarter of this year was revised from 3.6% year-on-year (from March projections) to 2.9% YoY due to lower investments and contribution of inventories. In contrast, the dynamics of consumption rose. The latest projection forecasts a 0.6% YoY decline in employment in 2024 (vs. a 0.3% YoY increase in the March projection) and an increase in the unemployment rate to 3.2% in the fourth quarter of this year (from 2.7% in the March projection).

The biggest surprise is the higher level of wages in the July projection relative to that in March (from 11.5% to 12.9% in 2024; from 7.1 to 8.6% in 2025; and from 6.7 to 6.8% in 2026), coupled with a downward revision in the path of core inflation (from 4.7% to 4.2% in 2024; from 4.5% to 3.8% in 2025; and from 4.1% to 3.5% in 2026). Given the strong relationship between services inflation and wage dynamics, this means that the National Bank of Poland has made a very large downward revision in its projections for the inflation of goods included in core inflation, due to expectations for economic activity and global disinflation.

According to the July projection, core inflation should remain at the current level until the end of

2025, and then begin a gradual decline to 3.3% by the end of the projection horizon. CPI inflation is to rise to 6.3% in the first quarter of next year due to VAT increases on food and the release of energy prices, and then return to the 2.5% target in the fourth quarter of 2026. In our view, with the wage dynamics expected from the NBP, the path for core inflation is slightly underestimated and the impact of the release of electricity prices in January 2025 on CPI (1.1pp), is overestimated by about 0.5pp.

The NBP's assumptions imply an increase of almost 20% in energy prices on the bill. The current law introduced a cap on energy prices for households in the second half of 2024 at PLN500/MWh. Based on market trends in recent months and forecasts for fuel and emission allowance prices, we do not assume significant changes in wholesale electricity prices in the coming months. The average price for the baseload contract was PLN390 in January-July this year. Forward contracts throughout 2025 have remained very stable this year at an average of PLN464 this year (today: PLN466).

In conclusion, there is a high risk that core inflation will be at a higher level than projected, especially if wage growth remains strong. On the other hand, the path for energy prices may be at a slightly lower level.

## Author

### Michał Rubaszek

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

### Piotr Poplawski

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

### Leszek Kasek

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@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](http://www.ing.com).