

Polish inflation close to target but set to increase

Poland's CPI inflation numbers came in at 2.6% YoY, close to the NBP target of 2.5% (+1percentage point). They're soon expected to start exceeding the upper bound of acceptable deviations from the June target as the majority of energy shield measures were withdrawn. We're not expecting a rate change until the second quarter of 2025



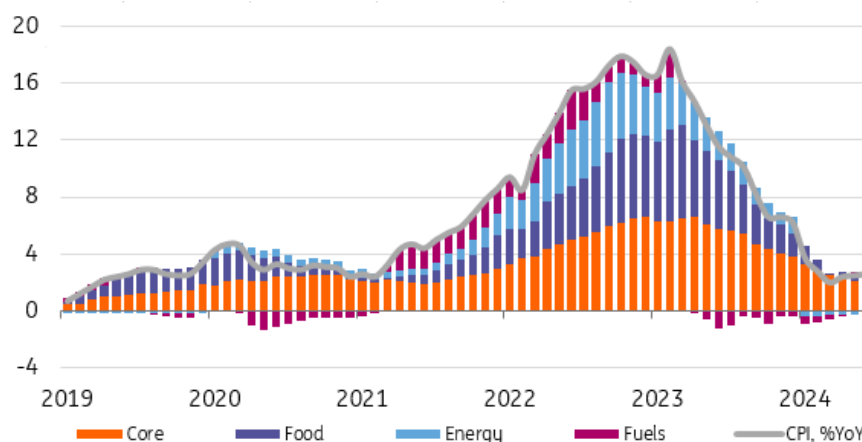
Shoppers in Warsaw

Poland's StatOffice confirmed its preliminary estimate of June CPI inflation at 2.6% YoY. Goods prices rose by 1.3% YoY last month and services prices by 6.1% YoY, compared to 1.2% YoY and 6.2% YoY respectively in May. Food prices were the largest contributor to the increase relative to May. They accelerated in June to 2.2% YoY from 1.3% YoY in May. We saw the biggest jumps in meat (mainly poultry), butter, fruits and vegetables.

We estimate that core inflation, excluding food and energy prices, eased to 3.6-3.7% YoY from 3.8% YoY in May, but it still remains elevated.

Inflation still close to the NBP target

CPI inflation, %YoY



Source: GUS.

June was the last month this year with CPI inflation around the National Bank of Poland's target. We expect the headline inflation rate to rise above the upper limit of acceptable deviations from the inflation target in July, mainly due to the partial withdrawal of the energy shield. We estimate that increases in gas and electricity bills will drive up inflation by around 1.3-1.5 percentage points.

Our current forecasts indicate that consumer inflation will trend upwards and peak (probably above 6% YoY) in March next year. In such an environment, the MPC will keep interest rates unchanged in the coming months, and the first cut may not come until the second quarter of next year when we could see some room for monetary easing of 75bps.

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.