

## 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exceeding the upper bound of acceptable deviations from the June target as the majority of energy shield measures were withdrawn.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



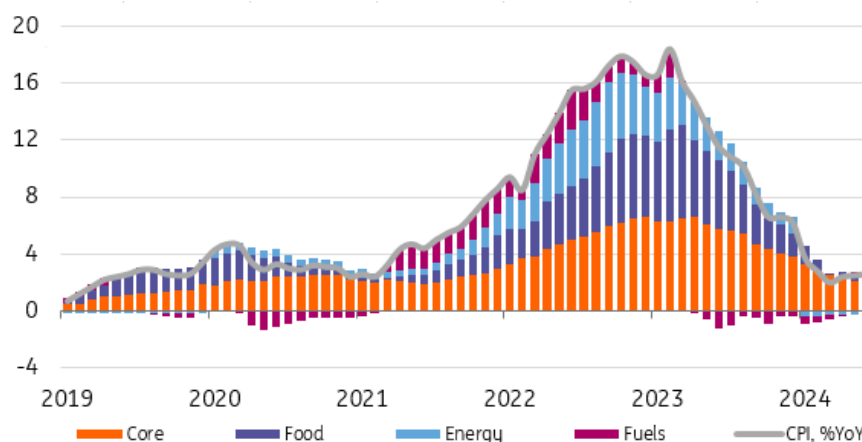
Shoppers in Warsaw

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.

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