

Poland: CPI rose in June on pent-up demand

According to a flash estimate, CPI rose to 3.3% year-on-year in June from 2.8% in May. The core component is largely to blame, likely reflecting pent-up demand after the Covid-19 lockdown was lifted



Source: Shutterstock

According to our estimates core inflation rose from 3.8% to 4.0% year-on-year. CPI is likely to remain at an elevated level during the holiday period, as Poles skip foreign trips this year and avoid the crowds at domestic destinations. After the holiday period (September and beyond) CPI should decelerate, falling below the National Bank of Poland's target (2.5% YoY) in late 2020 / early 2021. Labour market figures show a substantial rise in unemployment and a sharp slowdown in wage growth. This should trim demand.

The high CPI reading should have a minor impact on the Monetary Policy Committee. The council is largely focused on the real economy, rather than price stability. And weakening labour market conditions should curb CPI soon anyway. We expect rates to remain unchanged at least until 2022.

Author

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@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 <http://www.ing.com>.