

# Poland Watch: CPI remained at 15.5% in July

CPI path should become more flat for now but we expect new peaks in early 2023 before a durable decline. Risks to forecasts remain to the upside amid still high and uncertain energy and food prices. After today's release we still expect one more rate hike in September.

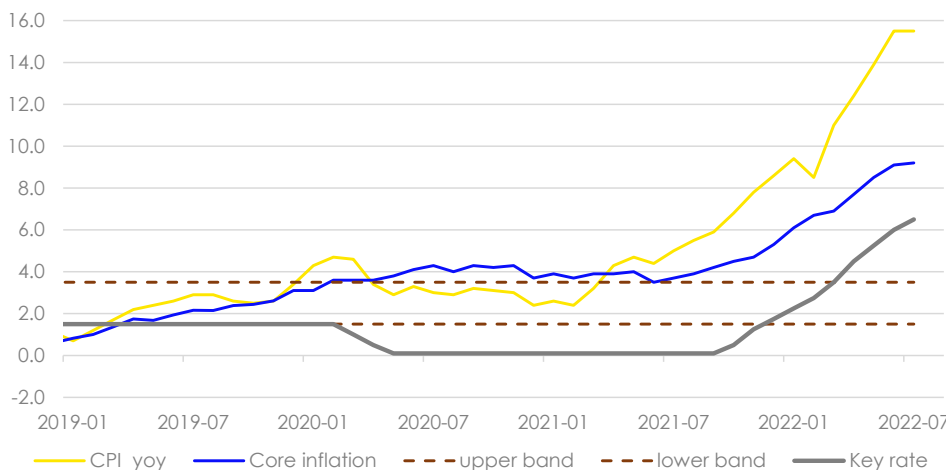
CPI finally not increasing but far from declines for now **1**

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## Inflation path becoming flat, but not shifting downward yet



Refinitiv, RBI/Raiffeisen Research

data in %

RBI estimate for core inflation in July 2022: 9.2% yoy

## CPI finally not increasing but far from declines for now

Despite expectations for an awaited decline in Polish CPI in July (our forecast was at 15.4% yoy) the indicator was unchanged according to a flash release from the CSO at **15.5% yoy**. While it may still be revised (and was changed to the downside last month), the details of the reading do not point yet at a significant breakthrough in price dynamics. The most crucial factor is that although **core inflation might have risen slightly to 9.2% yoy from 9.1% in June, the monthly dynamics show some easing for the second month in a row** (see the last graph in the note). As the economic downturn unfolds in the next months, it will become harder for firms to raise prices which should limit pressures in core inflation hence we expect that the indicator should reach or have already reached a peak. In the case of the headline CPI, the path will be more volatile amid still high dynamics of food (both monthly above seasonal pattern and double-digit annual growth) as well as ongoing price pressures in energy. Here the regulated price hikes in early 2023 together with the uncertain future of the antiinflationary government shields **lead to our Q1 2023**

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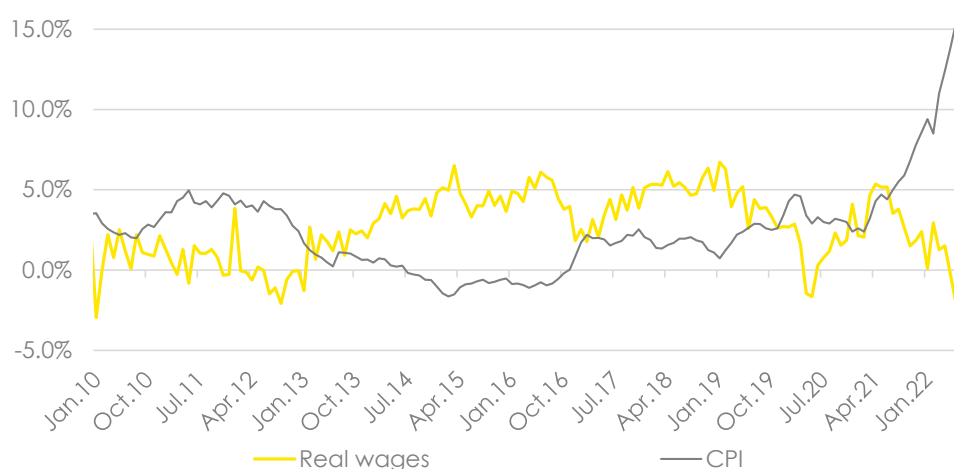
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forecast when we still expect to see new peaks of CPI above current levels. Only after Q1'23 do we expect a gradual and more durable decline.

We also do not expect much easing in CPI in the rest of 2022. End of year value should be somewhat lower but the path should be rather flat from now on. As we recently raised our 2022 CPI forecast to 13% yoy from 11.6% we still see upside risks here.

From the MPC's point of view, today's reading alone is not a strong factor behind already appearing expectations that the hiking cycle has concluded. Despite deteriorating economic data and real wages turning more negative (graph below), there are still chances for adjustments in the key rate at the next meeting in September. Therefore **we keep our forecast of a 7% target key rate for the cycle which implies one more 50bp rate hike in September and a period of stable but high interest rates for the rest of 2022 as well as most of 2023.**

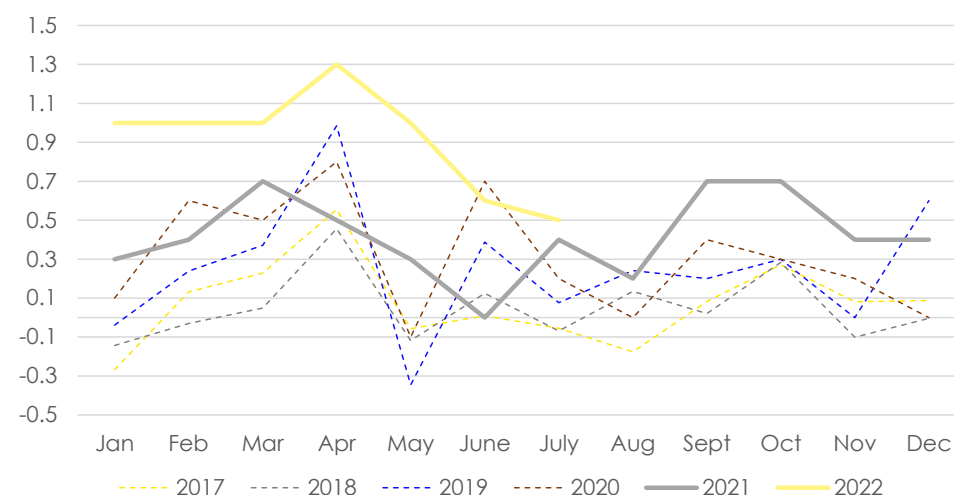
#### Real wage dynamics turned negative and may remain so in the next months



Refinitiv, RBI/Raiffeisen Research

data in %, yoy

#### Last two months with some easing in core inflation pressures as visible in monthly dynamics



Refinitiv, RBI/Raiffeisen Research

Core inflation in %, mom by month

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