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# Economic Comment

## Inflation to decline rapidly

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The NBP president Adam Glapiński delivered a rather dovish message during today's press conference. According to Glapiński, the NBP staff forecasts showed that inflation will start falling quickly and will be below 10% in September and slightly above 7% at the end of the year. Personally Glapiński expects inflation to go even lower. The economy is slowing down and this will help the disinflation, but no recession is expected, rather a soft landing, followed by a revived GDP growth. Still, the hiking cycle was not officially ended and the MPC leaves door open to return to hikes if necessary. Fighting inflation remains top priority and upward risks are still present. Council will not tolerate factors hindering the disinflationary processes.

However, the Council will cut rates when it is sure that the CPI is quickly moving towards the target (2.50% +/-1pp). Glapiński said however it is unsure whether this moment will appear at the end of 2023 or in 2024, but he hopes that the first cut will be possible in 4Q23.

In general, it seems that the MPC grew more confident about CPI decline in 2023 after seeing the new NBP staff projections and thus more confident about its decision to stop monetary tightening. This explains why the body mentioned the CPI target in the statement after omitting it for months – they simply became more optimistic about prospects of reaching this mark in the future, not more determined to fight with inflation.

We are expecting rates to remain unchanged in 2023, as we believe that inflation will decline slower than the NBP is expecting (we think CPI will be close to 10% at the end of 2023).

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