

## Poland's CPI rises in April due to higher core inflation

Polish headline CPI rose to 3.2% YoY in April from 3.0% YoY in March despite a slowdown in the annual growth of fuel and food prices, as core inflation probably increased to 2.9% YoY from 2.7% YoY in the previous month. The National Bank of Poland is still expected to keep rates on hold next week, but may present more hawkish rhetoric



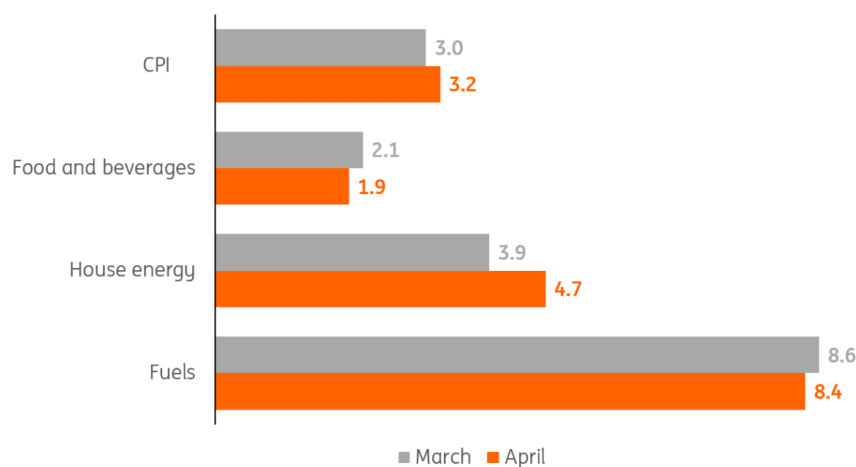
### April CPI inflation above expectations as core inflation jumps

According to the flash estimate, CPI inflation rose to 3.2% YoY in April, up from 3.0% in March, exceeding both our forecast and the market consensus, which had pointed to a decline to 2.9%. The increase in inflation was driven by faster price growth in core categories. We estimate that core inflation excluding food and energy rose to around 2.9% YoY in April, from 2.7% in March.

Price increases were lower than in the previous month for food and non-alcoholic beverages (1.9% YoY vs 2.1%) and motor fuels (8.4% YoY vs 8.6%). By contrast, house energy price growth accelerated (4.7% YoY vs 3.9%), likely reflecting rising solid fuels and central heating prices.

## Inflation up despite a slowdown in food and fuel price growth

CPI and its main components, %YoY



Source: GUS.

A decline in fuel prices and a smaller month-on-month increase in food prices than a year earlier were not sufficient to push down the annual inflation rate, given the rise in core inflation. At this stage, detailed data is not yet available, but price increases probably occurred mainly in categories most closely linked to transport costs, such as air fares and package holidays.

### Interest rates likely to stay on hold next week

The April reading may raise concerns among some members of the Monetary Policy Council (MPC) due to the continued increase in core inflation. Nevertheless, we expect policymakers to maintain a wait-and-see stance and to continue monitoring incoming economic data to assess the scale of the current energy shock's impact on price trends and economic activity.

In our view, National Bank of Poland (NBP) interest rates will therefore remain unchanged at next week's meeting, although the tone of the post-meeting press statement may be somewhat more hawkish. Members of the Council are likely to signal a readiness to raise interest rates if circumstances require it.

### Inflation risks remain

Our baseline scenario assumes that inflation will rise to around 4% YoY by the end of 2026. However, unless this is accompanied by a broader build-up in inflationary pressure, a de-anchoring of inflation expectations, and signs of second-round effects, the MPC will keep interest rates unchanged at least until the end of this year.

A European Commission survey suggests that the rise in inflation expectations in Poland has so far been smaller than the European Union average, and that its current level remains well below the peak seen in 2022-23. The situation remains fragile, though. Today's rise in oil prices above US\$120 per barrel could generate further increases in fuel prices and weigh on business sentiment.

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

### Adam Antoniak

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

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