

## Poland: broad-based and persistently high inflation likely to continue

The final reading has confirmed the flash estimate of September inflation at 17.2%. This can mostly be blamed on the further rise in energy prices amid soaring coal prices, but energy alone was not fully responsible for the upswing in inflation last month. Core inflation rose to some 10.7%, confirming that inflation is increasingly broad-based



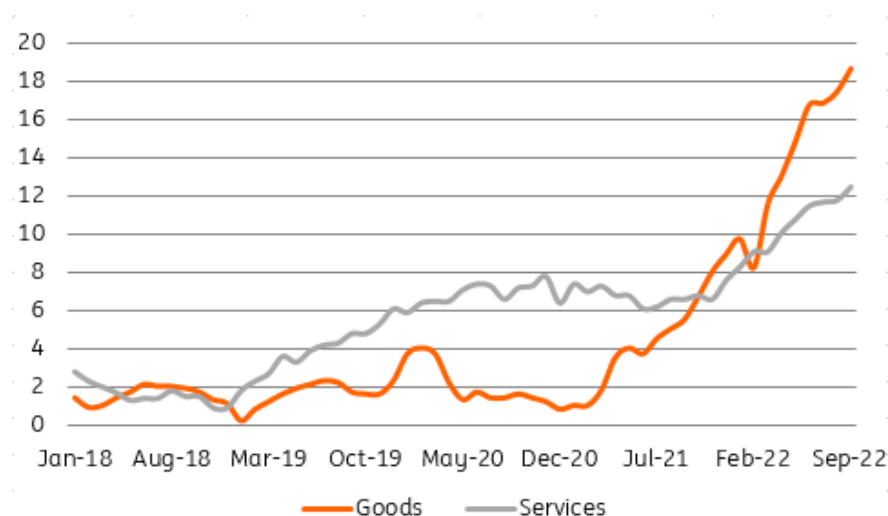
Headline inflation is still elevated, with little chance of a turnaround in the near term

### Flash estimate of September CPI confirmed in final data

Goods prices rose by 18.7% year-on-year and services by 12.5% YoY, up from 17.5% YoY and 11.8% YoY respectively in August. Similar to the previous month, more expensive coal was behind the significant month-on-month increase in prices of energy carriers. The rapid change in weather conditions in Poland translated into increased demand for clothing and footwear, resulting in price increases (4.8% month-on-month). An impressive increase was recorded in education (7.4% MoM), well beyond the typical seasonal pattern. Food prices (1.7% MoM) and prices in restaurants and hotels (1.7% MoM) continue to rise robustly, reflecting rising costs. Based on today's data, we estimate that core inflation excluding food and energy prices rose to around 10.7% YoY in September, up by around 1.5% compared to August.

## Headline inflation still elevated, with little chance of a turnaround in the near term

Consumer prices, % YoY



Source: GUS.

### High and persistent inflation calls for more policy actions

Today's data confirmed that price increases are spreading widely and core inflation gained momentum. This is a bitter reminder that inflation is becoming stubborn and, in an environment of unanchored expectations, we may be witnessing a self-propelling mechanism that will be difficult to stop without decisive monetary policy action that will be potentially costly for the real economy.

Current trends are extinguishing hopes of a fall in inflation in the second half of this year. We have long held the view that the second half of 2022 would not bring a fall in inflation and this scenario seems to be materialising. Against this backdrop, there is still room for further interest rate rises, although the Monetary Policy Council (MPC) seems determined to end the interest rate hike cycle soon. We expect September's data from the real economy to confirm the relatively solid business conditions, allowing the MPC to raise interest rates by 25bp in November. Further steps will depend on the picture painted by the November National Bank of Poland inflation projection and incoming macroeconomic data.

### Be prepared for a long fight against inflation

We fear that without positive real interest rates, inflation is unlikely to be contained anytime soon. While the extension of the anti-inflationary shield until the end of 2023 (our baseline scenario) and measures aimed at limiting the increase in end-user energy prices (e.g. maximum prices for electricity) may contribute to a decline in inflation to single-digit levels by the end of next year, 'deferred inflation' is mounting. In other words, authorities are kicking the can down the road and pushing inflation into the future. The return to original (regular) VAT and excise duty rates along with the withdrawal of measures inhibiting the market formation of energy prices could cause another upswing in inflation in 2024 and require further monetary tightening.

## Author

### Adam Antoniak

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@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 [www.ing.com](http://www.ing.com).