

Polish inflation dampened by oil prices

CPI decelerated strongly on the back of fuel prices. Core inflation is likely to drop too as a result of lower demand once lockdowns end.



Source: Shutterstock

In April, Polish inflation decelerated from 4.6% to 3.4% year on year, in line with consensus forecasts. These days, forecasting is a tough job and recent readings have been uncertain, so the forecasts were incredibly varied from 2.6% to 4.1%. We were somewhere in the middle with 3.7%.

The most substantial drop was that of fuel prices, which contracted by 15.9pp to -18.8%YoY and lowered inflation by 0.8pp alone.

Growth of food prices was also lower compared to the previous months but still remained elevated (7.4%YoY). We expect prices in this group to remain high as the serious drought in central Europe will definitely hit supply.

Core inflation remained high. Based on available data we estimate stabilisation at 3.6%YoY. Again the disagreement between forecasters was greater than usual as forecasts spread between the 2.5% to 3.7%YoY range. This time we were at the higher end with 3.7%. Furthermore, this figure is an example of a statistical artefact.

Right now, the statistical office is unable to collect prices of services due to the ongoing lockdowns

and is applying imputations. In the short-term, that prolongs previous trends, but core inflation should be lower after lockdowns end.

We expect subdued demand to hamper prices of recreation services and luxury goods.

We expect CPI to decelerate further as weaker demand and base effects should hamper it. 2Q and 3Q readings should remain high, leaving 2020 average around 2.9%YoY.

Still, we expect a drop towards 1.9%YoY average in 4Q and 1.5% in December.

Author

Rafal Benecki

Chief Economist, Poland

rafal.benecki@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>.