

Poland: CPI in November in line with estimates

According to flash estimates, CPI in November was 3.0% year-on-year vs. 3.1% in October, in line with market expectations. Food and energy prices contributed to the lower annual CPI, fuel prices remained unchanged while core CPI remained elevated



Shoppers at the Poznan City mall in Poland

3.0%

CPI Year-on-Year in November

In line with market expectations

As expected

The data indicates that core CPI increased by 4.3% year-on-year in November. This means an acceleration of core inflation after a temporary slowdown to 4.2% YoY in October. We do not know the structure of the core rate, GUS will publish details on 15 December. In our view, the increase was related to high prices of services, including financial and telecommunications. The cost of furnishing and equipment is also likely to remain high. This is a result of a shift in household

demand for durable goods and some kinds of services.

The structure of price growth (including a renewed increase in core inflation) suggests that the elevated CPI will continue in the coming months. In the first quarter, due to base effects, price growth will slow to about 2.5% YoY but for the whole of 2021, CPI will increase by 2.8% YoY on average. Higher prices will not prevent the Monetary Policy Council from maintaining its accommodative monetary policy. They reduce the likelihood of further rate cuts but we do not see the Council's willingness to increase them as yet, at least before 2022. The National Bank of Poland will continue its asset purchase programme. The Council may propose an additional instrument to support credit and investment growth. Data for the third quarter shows that investment demand in Poland lags far behind consumer demand.

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