

## Polish CPI inflation revised up in November

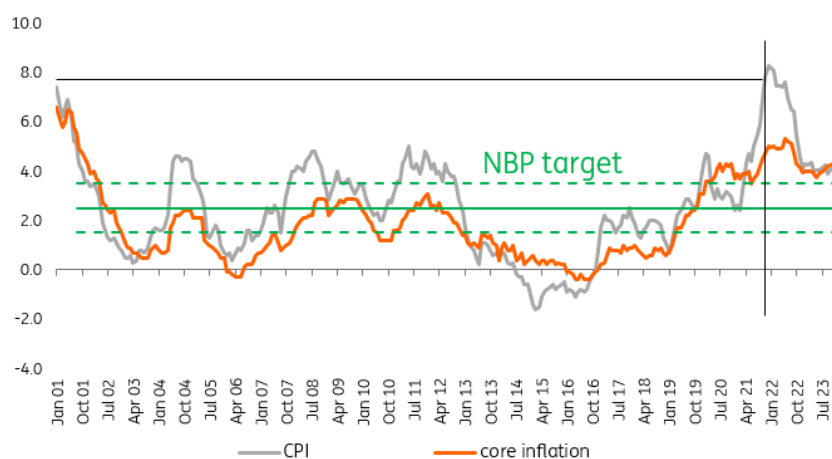
Poland's November headline CPI was revised to 7.8% from 7.7% YoY in the flash reading. We estimate the core component at 4.7% YoY. External shocks are a leading driver behind inflation, but persistently high core and second-round effects suggest further central bank rate hikes



Prices are continuing to rise for these shoppers in Krakow

In October CPI stood at 6.8%, with core at 4.5% YoY. November is another month with a sharp MoM rise in prices (1.0%). The structure reveals that the autumn wave of rising commodity, energy and food prices is largely to blame.

## Inflation and NBP policy target



The core component accounts for a third of the 7.7%YoY headline CPI in November, and the contribution of core components slightly decreased compared to previous months. On the other hand, the contribution of energy prices (electricity and natural gas) and food grew, reflecting global trends. Still, we are far from the conclusion that external supply shocks solely contributed to these elevated numbers. It is rather the second wave of commodity and energy costs which is now reflected in CPI.

In the coming months, these factors should spread into other CPI basket components. Also, we expect the very tight labour market will also contribute to inflation as we see that wage growth will significantly cancel out productivity gains in coming quarters. Core inflation should remain high and sticky, even after the headline CPI declines on base effects in 2022.

As a result, the National Bank of Poland is signalling its willingness to deliver further monetary tightening. In 1Q22 we expect 1 to 2 hikes by 50bps. In 2H22 we anticipate further tightening, bringing the reference rate at least to 3% or even higher.

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