

Polish CPI inflation revised up in November

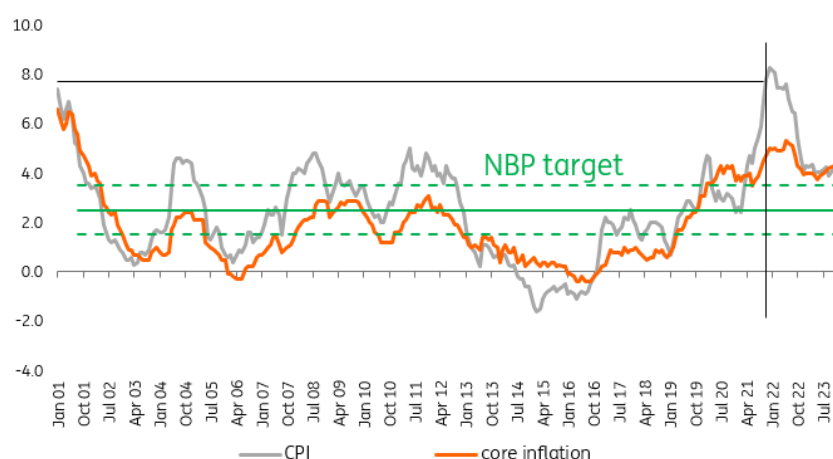
Poland's November headline CPI was revised to 7.8% from 7.7% YoY in the flash reading. We estimate the core component at 4.7% YoY. External shocks are a leading driver behind inflation, but persistently high core and second-round effects suggest further central bank rate hikes



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.

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 www.ing.com.