

Poland: CPI slows in December

CPI inflation in December dropped to 2.4% year-on-year compared to 3.0% YoY in November. This was due to lower growth in food (0.8% YoY vs. 2.0% YoY in November) and core prices (we estimate it at 3.8% YoY in December vs. 4.3% YoY in November). On average CPI was 3.4% in 2020 vs 2.3% in 2019



Source: Shutterstock

2.4% YoY

CPI inflation in December

0.1ppt higher than the flash estimate

Higher than expected

The decline in core inflation is mainly the result of lower growth in services prices (6.4% YoY in December vs. 7.8% YoY in November). This was due to a sharp decline in prices of transportation services (down 14.9% YoY vs. a 2.0% increase in November) and lower price growth in the communications category. Also, clothing prices fell more sharply in December than in November. This is a result of demand disruption caused by the introduction of new restrictions, as well as an

acceleration of the sales season following the post-Christmas retail restrictions announced in mid-December.

In 1Q21, due to base effects for fuel and food, price growth should amount to ca. 2.5% YoY, but in 2021 CPI should average 3.1% YoY. The most important pro-inflationary factors this year includes administrative decisions: the introduction of the power fee, the Renewable Energy Sources fee, the sugar tax, the retail tax and the increase in rubbish collection fees. We estimate that the combined impact of these factors on CPI is about 1.0ppt. Companies are also likely compensating for the cost of adjusting their operations to stricter sanitary requirements.

Upward pressure on CPI is also expected to come from the expected rebound in consumption. Already in 3Q20, consumer demand was higher than in 4Q19, the pre-pandemic period, despite a sharp contraction in 2Q20. A low unemployment rate, generous fiscal programmes increasing households' disposable income combined with double-digit growth of money supply, should be an effective inflation stimulus. The record low share of private investment in GDP is also not conducive to easing inflationary pressure. Such a growth structure is not supportive for building competitive advantages which, through increased productivity, would alleviate inflationary pressures from higher consumption.

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>.