

Polish CPI comes in below expectations, but core inflation remains high

Polish CPI inflation dropped to 3% YoY in October from 3.2% the previous month, according to flash estimates. The figure came in slightly below consensus mainly on food prices. Based on the initial data we estimate that core inflation only inched down 0.1pp to 4.2% YoY



3.0%

Poland Headline CPI

October YoY

Lower than expected

The drop in CPI was mainly due to food prices, which grew by 2.3% YoY in October vs. 2.7% YoY in September. The rise in fuel prices remained unchanged, while energy prices accelerated by 0.2 pp, to 4.8% YoY compared to 4.6% YoY in September.

The structure of core inflation will be revealed on 13 November, but we assume that the prices of services (including telecommunications), as well as of home furnishings (including furniture and

household appliances etc.) remained high. Persistently high core reflects a rebound in consumption seen in 3Q, as well as a mix of regulatory factors and banks moving to non-interest revenues.

Today's data, especially the persistently high core CPI, indicates that inflation in Poland will be in the upper band of deviations acceptable by the Monetary Policy Committee (2.5-3.5%) for several consecutive quarters (with a temporary drop in 1Q21). However, as long as the CPI does not permanently exceed this band, the MPC will tolerate this. Our scenario assumes the rates will be kept unchanged at least until 2022. Monetary easing in Poland will focus on further assets purchases, supporting the government in financing anti-Covid programmes.

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