

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.

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.