

Poland's uncertain inflation prospects as commodity prices drop sharply

October CPI inflation was revised to 6.6% YoY, against a preliminary estimate of 6.5%. The inflation outlook is exceptionally uncertain due to administrative decisions. Our baseline scenario assumes 2024 CPI as high as 6%, leaving no room for additional NBP rate cuts



Food and non-alcoholic beverage price growth in Poland was revised from 0.4% MoM to 0.5%. Commodity prices rose 5.7% YoY, while service prices increased 9.3% YoY, compared to 7.6% and 9.7%, respectively, in September. The deceleration of services price inflation is noticeably slower than that of goods prices.

The biggest contributors to last month's decline in the annual inflation rate, relative to September, were a further slowdown in food price growth (7.6% in October vs. 10.1% YoY in September), a deeper decline in fuel prices than a month ago (-14.4% vs. -7.0% YoY) and slower growth in energy prices (8.3% vs. 9.9% YoY). We estimate that core inflation, excluding food and energy prices, declined to around 8.0% from 8.4% in September. On a monthly basis, however, we saw a high increase in core prices (about 0.6% MoM).

The inflation outlook is exceptionally uncertain due to the lack of any final decision on the zero VAT

rate on food and support measures in the energy market, as well as a decision on electricity and gas prices for households in 2024. Based on past declarations by representatives of the future government coalition, we assume that the VAT rate on food will be raised from January 1, 2024, and electricity prices will be frozen until the middle of next year.

In such a scenario, average annual CPI inflation in 2024 could be as high as 6%, leaving no room for interest rate cuts. We forecast that they will remain unchanged until the end of next year (the main NBP rate at 5.75%).

Author

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@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.