

Poland's inflation growth below market expectations as rise in food prices slows

The increase in Polish headline inflation in December turned out lower than market consensus as food price growth came in below expectations. The slight increase in annual CPI inflation stemmed mainly from a slower decline in gasoline prices. Inflation is projected to moderate in the second half of 2025, giving the MPC space for monetary policy easing this year



The increase in Polish food and non-alcoholic beverage prices slowed in December from a month prior

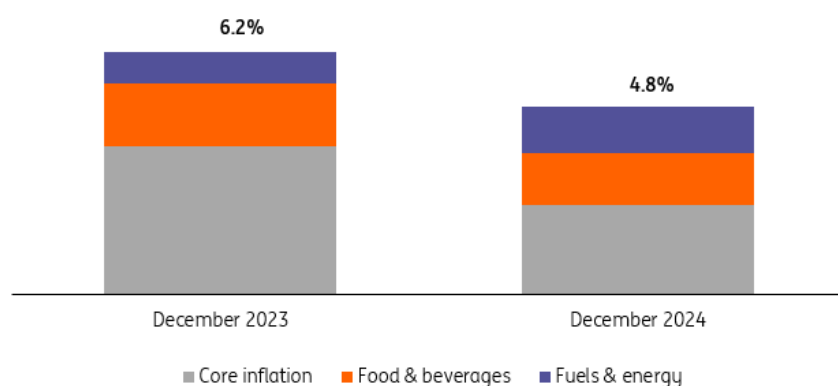
According to the flash estimate, Poland's CPI inflation increased to 4.8% year-on-year in December from 4.7% YoY in November, in line with our forecast and well below the market consensus of 5.0% YoY. This slight increase stemmed from a shallower decline in fuel prices (-3.9% YoY in December vs. -6.0% YoY in November). In line with our expectations, the increase in food and non-alcoholic beverage prices was slower in December (0.2% MoM) than in November (0.7% MoM). This was despite soaring butter prices, which caught a lot of public attention but hold little importance for CPI due to their low share in the basket. Energy prices for households remained at the same level seen in November.

Looking back, progress in taming inflation was limited last year. At the end of 2024, consumer

inflation amounted to 4.8% YoY vs 6.2% YoY at the end of 2023. Lower annual headline inflation resulted mainly from the decline in core inflation from very high to elevated levels (our estimate was 4.2% YoY at the end of last year). Food price inflation at the end of 2024 was lower than it was at the end of 2023, but the contribution of energy prices increased, as electricity and natural prices for households were partially unfrozen in July 2024.

Progress in taming inflation moderate in 2024

CPI, %YoY, prec. points.



Source: GUS, ING.

In the first months of 2025, we expect consumer inflation to increase further and reach its peak in March. This will be driven by hikes in excise duty on cigarettes and a low reference base – the VAT on food was at 0% in March last year compared to 5% today.

In the following months, headline inflation should decline and amount to 3.0-3.5% YoY at the end of the year. In our view, this will create space for monetary policy easing and cuts in National Bank of Poland rates by around 75-100bp. At the same time, we note that signals from the MPC have been rather hawkish in recent weeks, suggesting that policymakers intend to start cutting rates later than earlier this year.

Author

Adam Antoniuk

Senior Economist, Poland

adam.antoniuk@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.