

Snap | 31 October 2024

# Polish CPI inflation up to 5.0%YoY in October

Poland's headline inflation increased to 5% year-on-year in October, driven by food and fuel prices. At the same time, core inflation most likely moderated slightly, but its momentum remains high. The Monetary Policy Council (MPC) will keep interest rates unchanged until the second quarter of 2025 as the inflation peak is still ahead



The increase in Poland's CPI inflation rate was mostly driven by a rise in food prices

Poland's CPI inflation rate rose to 5.0%YoY in October from 4.9%YoY in September, according to the StatOffice flash estimate. The increase was driven by a rise in food prices (4.9%YoY vs 4.7%YoY in September). Compared to September, vegetables, among other items, became significantly more expensive.

Annual inflation was also boosted by fuel prices due to the low base effect in October 2023, when there were price promotions at petrol stations. After two months of year-on-year declines, prices in October this year were at the same level as a year ago (0.0% YoY). The annual rate of energy price growth was similar to September (11.5%YoY vs 11.4%YoY). The latter remains elevated from the latest adjustment in regulated retail electricity and natural gas prices.

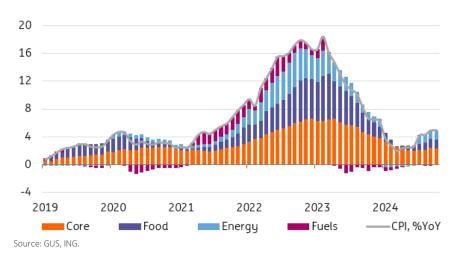
We estimate that core inflation, excluding food and energy prices, moderated to around

Snap | 31 October 2024 1

4.1-4.2%YoY from 4.3%YoY in September, mainly due to the high base effect from last year when core prices rose by 0.6% month-on-month. The momentum of core inflation remains high (around 0.4-0.5%MoM).

# **CPI** inflation

## %YoY, precentage point



High inflation remains the decisive factor in the MPC's decision to delay the start of an interest rate cut cycle. Particularly as a further significant rise in inflation on the back of higher energy prices is expected at the beginning of 2025, with a peak of around 6%YoY.

The ongoing loose fiscal policy reflected in the latest amendment to the 2024 budget act is also an argument for maintaining a restrictive monetary policy. The central bank's rhetoric could be softened by disappointing retail sales data for September, but considering that the weak result may have been due to one-off factors (flooding), the National Bank of Poland (NBP) is unlikely to react nervously.

We expect the MPC to leave interest rates unchanged next week, and the November NBP staff projection is unlikely to significantly clarify the inflation outlook due to uncertainty regarding regulatory and administrative decisions. We anticipate that only the March projection will be viewed by Council members as a credible scenario for economic developments. Therefore, we expect the first interest rate cut of 25bp to occur in the second quarter of next year, with a total reduction of 100bp over the next year.

### **Author**

## **Adam Antoniak**

Senior Economist, Poland adam.antoniak@ing.pl

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division of ING Bank N.V. ("ING") solely for information and Financial Analysis Division Analysis Division Analysis Division Analysis Division Analysis Division Analysis Division Analysis Divisi

Snap | 31 October 2024 2

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.

Snap | 31 October 2024 3