

# Polish inflation hits 2017 high in surprise jump

The 2.2% figure shouldn't worry the Polish Central Bank just yet



Source: shutterstock

**2.2%** Polish CPI inflation  
Previously 1.8%

CPI inflation surprised with 0.4pp growth to 2.2% YoY vs 1.8% YoY a month ago. The jump is probably due to regulatory adjustments, not least in education, and food prices. Food prices maintained their high trajectory (we assumed 5%YoY, which was probably the case). September brought a sharp temperature drop which could well have caused fruit and vegetable prices to rise. Both factors should have limited impact on the Monetary Policy Committee's stance – a rise in tuition prices is related to regulatory changes, whereas food prices are driven by supply shocks.

---

*We assume this is the last month we'll see the headline figure*

*increase.*

---

From November, base effects will push fuel prices deeply into negative territory. Importantly, even assuming that most of the upside surprise in Sep-17 CPI came from core inflation, the core measure would only return to the NBP (central bank) path assumed in the July 2017 CPI projection. So from that perspective, the MPC should be comfortable with their dovish approach.

In the coming months, we expect a gradual core inflation recovery, yet its impact will not offset the base effects which are currently weighing on headline CPI. We expect CPI to drop close to the lower bands of the NBP target in December 2017. The MPC reaction on this surprise should be benign – we assume the NBP governor will stick to no rate changes in 2018. Still, the continuation of positive momentum in activity & wage dynamics is likely to put pressure on current forward guidance. We still expect a rate hike in the fourth quarter of next year.

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto: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 <http://www.ing.com>.