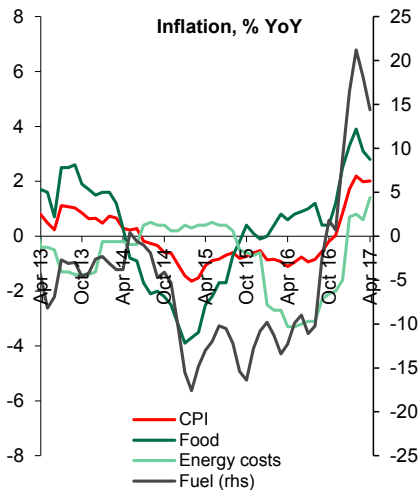


# INSTANT COMMENT

12 May 2017

## CPI in line with expectations, M3 below forecasts

April's CPI settled at 2.0% y/y, in line with expectations and flash estimate. Changes in most categories were pretty close to our forecasts and some surprises were recorded for fuel prices (-0.9% m/m while we expected stabilization) and transport services (+11.9% m/m due to higher prices of flight tickets). We expect Polish headline CPI to stay near 2% y/y for the better part of the year and ease to c1.5% y/y at the end of the year while we see some upside risk due to vegetable and fruit prices. We estimate April core CPI at 0.9% y/y and we think it could rise later in the year to reach just below 2% y/y in December. Money supply decelerated from 7.8% y/y to 6.6% which was a big surprise given that the market consensus was at 7.1%. Enterprise deposits declined for a fourth month running which is a negative deviation from the usual seasonality. On the other hand corporate loans accelerated a bit in YoY terms despite a negative base effect.

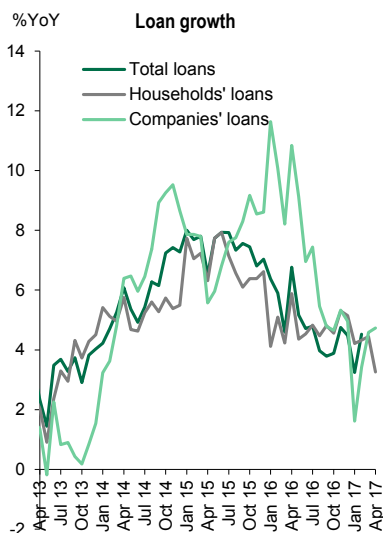


### CPI in line with expectations, core CPI likely higher

April's CPI settled at 2.0% y/y, in line with expectations and flash estimate. On monthly basis prices rose 0.3% m/m. Food prices remained stable vs March as the significant rise in meat prices (+0.9% m/m) was neutralised by a weak increase in vegetables (+0.1% m/m) and fruit (-0.9% m/m). The two latter categories could appear to be key for our inflation path in the coming months if low temperatures observed in May destroyed crops. Still, so far we do not have any reliable data about this and only see an upside risk to our CPI forecasts.

Prices in the remaining categories were pretty close to our forecasts and some surprises were recorded for fuel prices (-0.9% m/m while we expected stabilization) and transport services (+11.9% m/m due to higher prices of flight tickets). Gas prices rose 0.6% m/m, roughly in line with our forecasts.

We expect Polish headline CPI to stay near 2% y/y for the better part of the year and could ease to c1.5% y/y at the end of the year while we see some upside risk due to vegetable and fruit prices. We estimate April core CPI at 0.9% y/y and we think it could rise later in the year to reach just below 2% y/y in December.



### Deposits slowed down in April, but the high base is to blame

M3 money supply surprised on the downside in April by growing 6.6% y/y while the market saw its deceleration to 7.1%. The previous reading was revised higher, from 7.7% to 7.8% y/y. April M3 growth is the lowest in the last 3 years.

When it comes to the deposit side, the most striking issue is the continued decrease of enterprise deposits, this time by 0.9% m/m after -1.6% m/m in March. As a consequence by April the y/y growth is only 3%, while the year started at 8% y/y. The last time the year started with a 4-month streak of enterprise deposit declines was in 2012.

Household deposits grew by only PLN250mn, although a year ago the monthly increase in April amounted to PLN3.6bn. Deposits have been weakened by the outflow of cPLN1bn to investment funds in April. Moreover, this period a year ago was exceptionally strong regarding deposits, which explains why in so many deposit categories we can see now so much slowdown.

April loan growth rate at 4.3% y/y turned out to be comparable to what was reported on average in 1Q (4.2%), with an increase of 1.9% m/m in companies.

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