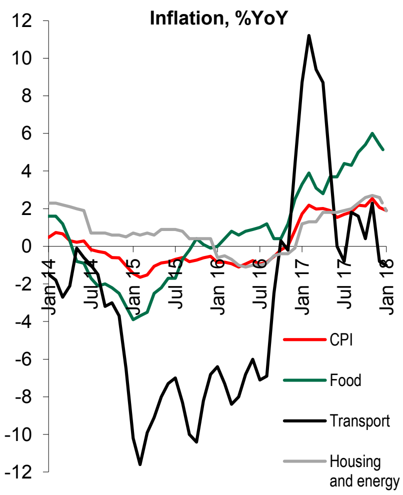
Bank Zachodni WBK
Grupa Santander

INSTANT COMMENT

15 February 2018

Inflation slowed down in January

Polish inflation decreased in January from 2.1% y/y to 1.9%, in line with market expectations and slightly above our 1.8% forecast. Food prices contributed in bringing CPI lower, but did rise more than we expected (1.1% m/m including alcohol and tobacco, we assumed 0.7% m/m which explains the deviation of the headline figure from our call). The release did not specify the fuel and energy price inflation so it is hard to get a precise estimate of core CPI out of these data, but we stick to our call that core inflation went in January to the highest level since 2014, but possibly to 1.0% instead of our earlier estimate of 1.1% y/y. CPI should stay close to 2% in the coming months, possibly rising to about 2.5% in the middle of the year only to drop back to c2% in late 2018. What could be more important is the expected growing input of core categories to overall inflation. Such January reading and CPI outlook are no arguments for less dovish rhetoric from the MPC.



Polish inflation decreased in January from 2.1% y/y to 1.9%, in line with market expectations and slightly above our 1.8% forecast. In November it was still 2.5% (equal to the NBP target). As usual, the January print was less detailed than for any other month and was not preceded by a flash print. Still, we are able to tell that the slowdown in consumer price growth occurred due to non-core categories. Food prices contributed in bringing CPI lower, but did however rise more than we expected (1.1% m/m including alcohol and tobacco, we assumed 0.7% m/m which explain why our 1.8% y/y forecast for the headline missed).

The release did not specify the fuel and energy price inflation so it is hard to get a precise estimate of core CPI out of these data. The broader categories including these items: transport and housing came in line/slightly lower than we expected, indirectly confirming that base effect in these non-core prices was also responsible for the slowdown. We stick to our call that core inflation went in January to the highest level since 2014, but possibly to 1.0% instead of our earlier estimate of 1.1% y/y.

CPI should stay close to 2% in the coming months, possibly rising to about 2.5% in the middle of the year only to drop back to c2% in late 2018. What could be more important is the expected growing input of core categories to overall inflation. Such January reading and CPI outlook are no arguments for less dovish rhetoric from the MPC.

Bear in mind that the January CPI outcome will undergo a revision with the annual update of the CPI basket and its weights. The revised January figure with full breakdown will be released together with the February inflation data. Our estimates point to a relatively high probability that the revision of January inflation will push it to 2.0% y/y, but in February there may be another slowdown.

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