

29 October 2021

Economic Comment

CPI above expectations again

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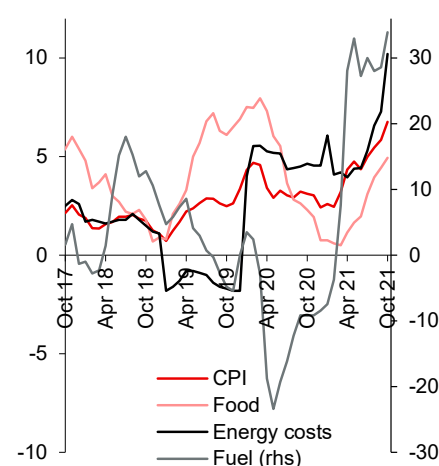
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Flash CPI in Poland rose in October to 6.8% y/y from 5.9% y/y in September, way above our (already elevated) forecast and market consensus at 6.5%. This is yet another big upward surprise in a row, which means that inflation forecasts for the coming quarters must be increased further. It is now almost certain that CPI will exceed 7% y/y before year-end and it may reach 8% y/y in 1Q22. The data increases probability that the NBP will hike rates again in November, we think +50bp is quite likely. And it is clear to us that this is not going to be the end of the tightening cycle.

Flash CPI in Poland rose in October to 6.8% y/y from 5.9% y/y in September, way above our (already elevated) forecast and market consensus at 6.5%. Prices soared 1% m/m setting the highest monthly growth in September since 1999. This is yet another big upward surprise in a row, which means that inflation forecasts for the coming quarters must be increased further. It is now almost certain that CPI will exceed 7% y/y before year-end and it may reach 8% y/y in 1Q22. The data increases probability that the NBP will hike rates again in November, we think +50bp is quite likely. And it is clear to us that this is not going to be the end of the tightening cycle.

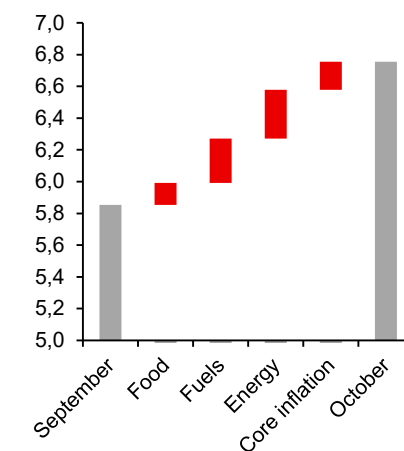
Apparently, upward price tendencies were broad-based, as in the previous months. Food prices rose by 0,5% m/m, in line with our expectations. We think that upward tendencies are strong in most categories, especially bakery, dairy and fats, while meat prices probable went down. Fuel prices advanced by 3.1% m/m and this was even a bit less than we estimated based on data from gas stations. Meanwhile, energy prices surprised to the upside and rose by 3.0% m/m. This was partially driven by higher gas tariffs, but it seems that other energy items, like heat, also went up strongly. Core inflation accelerated sharply as well, to 4.6% y/y according to our estimate, from 4.2% y/y in September. We think it is likely to go beyond 5% y/y soon.

CPI inflation, % y/y



Source: GUS, Santander

Breakdown of CPI acceleration in October



Source: GUS, Santander

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