

15 December 2023

## Economic Comment

### CPI stable versus October

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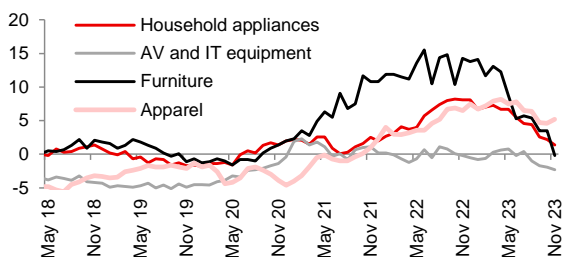
The final November CPI inflation rate was revised upwards to 6.6% y/y from 6.5% y/y, after printing 6.6% y/y in October. Though fuel prices rebounded markedly, their impact on CPI was offset by other categories, with core inflation continuing to decline - in our view to 7.2% y/y from 8.0% previously. We expect inflation to remain roughly stable in December, before falling in 1Q24 due to the government's decisions to prolong frozen energy prices and zero VAT on food, reaching 3% y/y in March, before rebounding to 7% y/y in 2H24. As to core inflation, we expect a gradual decline to 5% y/y in 2024.

November's final CPI inflation reading was revised upwards to 6.6% y/y from 6.5% y/y in October. Services price growth slowed to 8.6% y/y from 9.3% while goods prices accelerated to 5.9% y/y from 5.7% y/y, for the first time this year since February.

Of the main categories, November's result was most strongly influenced by an 8.8% m/m rebound in fuel prices (their annual growth rate moved to -5.7% from -14.4% in October). Other components, including further declining core inflation, offset this fuel-induced increase in CPI inflation.

Food and non-alcoholic beverage prices went up by 0.9% m/m in November (the preliminary estimate was 0.8% m/m) - a 0.3pp stronger increase than usually seen in this month. Unusually large monthly price rises occurred in fruit and vegetables (3.0% m/m and 5.2% m/m respectively, revealing the effect of this year's drought), another relatively strong increase was also shown by items in the oils and fats category (up 1.6% m/m against +0.8% m/m previously), and sugar broke the 6-month run of price falls. Still below the seasonal pattern were milk and eggs (down 0.9% m/m each), flour, flour products and meat. The VAT rate on food will only be brought back to 5% from 0% in April. In our view, in the following months, annual food price growth may still decline, from the 7.3% achieved in November to c.3% in March, before rebounding markedly - we see average 2024 growth at c.7%.

#### CPI inflation in Poland, selected items, %/y/y

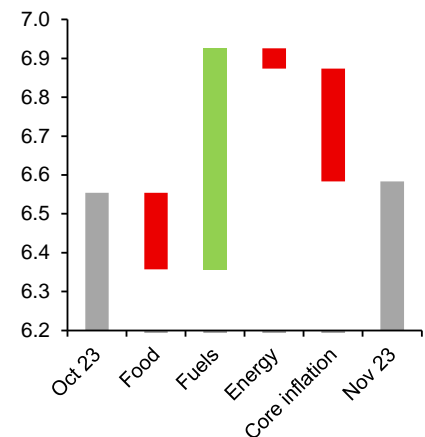


Source: GUS, Santander

Energy prices dropped by 0.2% m/m in November (the preliminary estimate was -0.1% m/m). Electricity and gas prices were stable. Solid fuel was 1.2% m/m cheaper and heat energy was 0.2% m/m more expensive - both growth rates were relatively low, especially as they occurred in a rather cold November, coming after an unusually warm September and October. The annual change in the price of energy carriers was 7.9% and could approach 10% in December, but after the government decision to freeze electricity and gas prices in 1H24, it may soon be below zero. We see next year's average price increase in this category at c.7%.

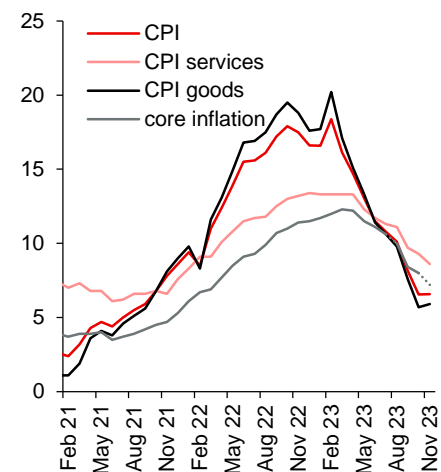
We estimate that core inflation slowed to 7.2% y/y from 8.0% y/y, and monthly price growth in core categories was rather weaker than average in November (after a fairly strong October). Growth in the prices of clothing and footwear (0.3% m/m) and health (0.7% m/m) was rather strong. On the other hand, quite weak price momentum was registered in home furnishings (-0.3% m/m - due to a drop in the prices of furniture and white goods), communication (-0.9% m/m: cheaper telecommunication equipment and services), recreation and culture (-0.7% m/m - cheaper audiovisual equipment, newspapers and

#### Breakdown of change in annual CPI, % y/y



Source: GUS, NBP, Santander

#### CPI inflation in Poland and main categories, % y/y



Source: GUS, NBP, Santander

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magazines, foreign tourism). Detailed data on the types of products with discounted prices in November suggest that this may be the effect of Black Friday sell-offs, which would imply a risk of a reversal of the downward price effect in December. Further data will show whether this was indeed the case.

We expect inflation to remain roughly stable in December, before falling in 1Q24 on the back of the government's decisions to freeze energy prices and zero VAT on food, to 3% y/y in March, and then to rebound to 7% y/y in 2H24. In case of core inflation, we expect a gradual decline to 5% y/y in 2024.

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