

Poland Watch: CPI at 8.6% while NBP implies target key rate at 3% or more

The December CPI is likely still not the peak, with core inflation also on the rise. This supports the scenario implied by NBP of key rate rising to at least 3% soon, but also increases risks to growth (among other factors) leading us to cut our 2022 GDP growth estimate to 4.3%.



CPI at 8.6% yoy and still not at its peak 1

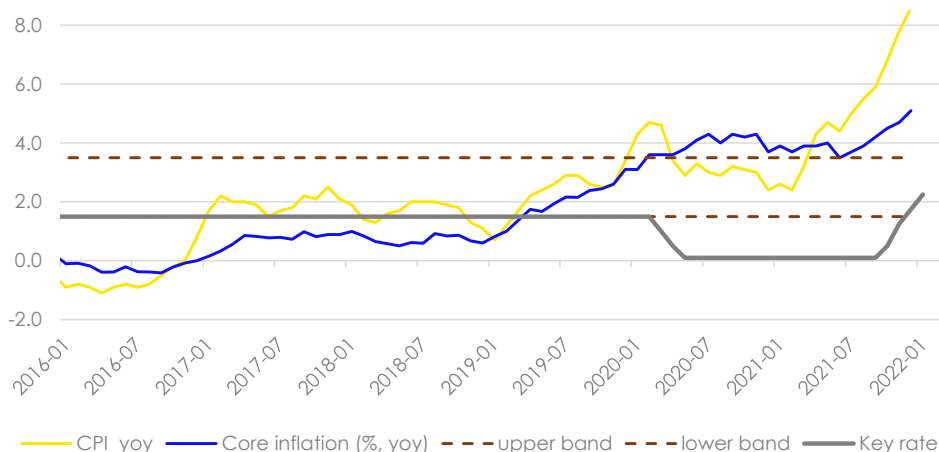
Target rate above 3%? 2

2022 GDP outlook deteriorates 2

Disclaimer 4

Analyst 7

December CPI at 8.6% yoy implies core inflation again grew to 5.1% - both set to rise further



NBP, RBI/Raiffeisen Research

RBI estimate of 5.1% core inflation in December 2021

CPI at 8.6% yoy and still not at its peak

The flash CPI reading for December repeated what we have observed for months — an upward surprise for an already high estimate. CPI was at 8.6% yoy in the last month of 2021, up from 7.8% in November.

The **main source of the surprise were food prices**, which grew substantially above the seasonal pattern at 2.1% mom (not seen in this century), confirming our expectations that high energy, fertiliser prices on top of the impact of meteorological conditions will lead to high food inflation this year. Fuel prices were also slightly above our expectations (0.2% mom) keeping the high annual dynamics (33% yoy).

Dorota STRAUCH

Analyst Editor

+48 609 920 663

dorota.strauch@raiffeisen.pl

The flash data allow for a core inflation estimate of around 5.1% yoy vs 4.7% in November. This is likely not the peak yet, with upward risks amid unknown transmission of high energy prices into prices of goods and services.

Due to the planned regulated energy price hikes in January, still high core and food inflation, and little relief on the side of fuel prices, we expect CPI to rise above 9% in January which may still not be the peak. After some possible stabilisation, we assume the peak may occur around mid-2022. At the same time uncertainty remains very high with more risks to the upside (energy, food) but also some to the downside (possible further reactions from the government, awaited easing of the global supply-side bottlenecks). Nevertheless, our current 7.7% yoy average for 2022 remains at risk of higher outcome and 2023 outlook is for inflation to stay well above NBP target (average near 4-5% yoy).

Target rate above 3%?

This in turn **adds pressure on the MPC to continue raising the interest rates**. While the immediate impact on the high fuel, energy, or material costs is largely beyond the scope of monetary policy, the exchange rate channel and addressing inflation expectations also play an important role. In this regard, it is important not only that the MPC decided this week to hike rates by 50bp again (key rate at 2.25% currently) but also that **the Governor offered more forward guidance** on the further path. He pointed at **3% as a "safe" target level for this cycle**, while also implying a higher rate cannot be excluded. He also suggested 50bp is the default size of hikes while a decrease to 25bp would signal an end to the cycle. With that in mind, we can assume another 50bp hike for February, with 3% as the minimum target rate to be achieved in March. **Whether the cycle continues will likely depend on both domestic price and wage dynamics** as well as **the external situation** (energy, fuel, material prices). Meanwhile, also the changes to MPC members which will be occurring throughout H1 2022 increase uncertainty about the interest rate outlook.

2022 GDP outlook deteriorates

Finally, **in view of the risks to growth**, especially from the high energy prices and how they affect both households and firms, **we decided to lower our forecast for 2022 GDP growth from 5.1% yoy to 4.3% yoy**. This also reflects the delay in the disbursement of NGEU funds (which we still expect this year) and uncertainties about the external environment: Germany and the supply-side bottlenecks in particular. The latter has so far had a relatively mild impact on the Polish industry (which is partly why we raised the full 2021 GDP forecast to 5.5% yoy from 5.1%), but their prolonging character remains a risk factor.

MPC members to change gradually throughout H1 2022

MPC member	Bias poll	End of term	Nominated by
Grażyna Ancyparowicz	Neutral/Dove	January 2022	Sejm
Eugeniusz Gatnar	Hawk	January 2022	Senate
Jerzy Kropiwnicki	Neutral	January 2022	Senate
Eryk Łon	Dove	January 2022	Sejm
Łukasz Hardt	Hawk	February 2022	President
Kamil Zubelewicz	Hawk	February 2022	President
Jerzy Żyżyński	Neutral	March 2022	Sejm
Adam Glapiński	Dove	June 2022	Sejm
Rafał Sura	Neutral	November 2022	Senate
Cezary Kochalski	Dove	December 2025	President

Source: NBP, Polish Press Agency (June bias poll), Raiffeisen Research

Sejm - Lower Chamber of the Parliament

Disclosure

Risk notifications and explanations

Warnings:

- Figures on performance refer to the past. Past performance is not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service. This is particularly true in cases when the financial instrument, financial index or securities service has been offered for less than 12 months. In particular, this very short comparison period is not a reliable indicator for future results.
- Performance of a financial instrument, a financial index or a securities service is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment in a financial instrument, a financial or securities service can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service.

A description of the concepts and methods used in the preparation of financial analyses is available under: www.raiffeisenresearch.com/concept_and_methods.

Detailed information on sensitivity analyses (procedure for checking the stability of potential assumptions made in the context of financial analyses) is available under: www.raiffeisenresearch.com/sensitivity_analysis.

Disclosure of circumstances and interests which may jeopardise the objectivity of RBI: www.raiffeisenresearch.com/disclosuresobjectivity

Detailed information on recommendations concerning financial instruments or issuers disseminated during a period of 12 month prior to this publication (acc. to Art. 4 (1) i) Commission Delegated Regulation (EU) 2016/958 of 9.3.2016) is available under: https://raiffeisenresearch.com/web/rbi-research-portal/recommendation_history.

IMPORTANT LEGAL NOTICE

By opening and/or using the information, services, links, functions, applications or programmes (hereinafter: "contents") offered on this website, the user hereby agrees to be bound by the terms and conditions set out below:

Copyright law

The contents offered on this website and subsites (hereinafter: the "RBI Research-Website") are protected by copyright law. The downloading or storage of applications or programmes contained on the RBI Research-Website and the (complete or partial) reproduction, transmission, modification or linking of the contents of the RBI Research-Website shall only be permitted with the express and written consent of Raiffeisen Bank International AG ("RBI").

Information content, timeliness of information

The contents of the RBI Research-Website you are seeking to access is for information only and does neither qualify as investment advice nor constitute or form part of any offer to buy or sell any securities or other financial instruments as defined in Article 5 para 1 number 15 of EU Directive 2014/65 ("MiFID II") in any jurisdiction or jurisdictions, (and must not be considered in any way as an offer or sale in relation to any securities or other financial instrument). In particular, no securities have been or will be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and no such securities may be offered or sold in the United States absent registration or exemption from registration under the Securities Act.

RBI has made every effort to ensure reliability in researching the information published on the RBI Research-Website or sent via RBI Research-Website as well as in selecting the source of information used. Nonetheless, RBI does not assume any liability whatsoever for the correctness, completeness, timeliness or uninterrupted availability of the information made available on the RBI Research-Website or as regards the sources of information used.

The information contained on the RBI Research-Website as well as forecasts published on the RBI Research-Website are based on the information available and the market assessment at the point in time stated in the respective publications. Certain information on this website constitutes forward-looking statements. RBI does not assume and hereby as far as possible expressly excludes any liability for the correctness, completeness or actual occurrence of the events described in the forward-looking statements. Such statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Certain financial data (e.g. stock exchange prices) may in some cases only be published after a certain interval of time has lapsed as defined by the data vendor (usually about 15 minutes or previous day end-of-day quotes). Furthermore, please note that many of the times are given in Greenwich Mean Time (GMT).

You agree and acknowledge that the information and statements contained in the materials you are accessing on the RBI Research-Website speak only as of the date of such document and such information and statements will become inaccurate, stale and/or out-of-date thereafter. These materials should not be relied upon at any time for any investment decision.

RBI assumes no responsibility to maintain documents posted on the RBI Research-Website or to update any documents. Therefore, users of the RBI Research-Website acknowledge that the content of documents available on the RBI Research-Website may not show the most recent scenarios, analysis or conclusions.

Restricted access due to local regulations

Users of the RBI Research-Website can access some documents and information without registration requirements and without further barriers (the respective area on the RBI Research-Website is hereinafter referred to as "Unrestricted Area"). By accessing the Unrestricted Area, you agree and acknowledge that the materials on the RBI Research-Website may lawfully be made available in accordance with the laws of the jurisdiction in which you are located.

Other documents are only available to persons who have registered themselves in accordance with the required procedure. The part of the RBI Research-Website which can only be accessed by way of registration is hereinafter referred to as "Restricted Area").

Due to the laws applicable in some jurisdictions or regulations imposed by capital market or securities authorities, some of the information published on the RBI Research-Website (e.g. stock analyses) is not addressed to private individuals. In order to ensure the enforcement of such local access restrictions, RBI retains the right to take any (technical) measures it may deem suitable for restricting such information or segments of information subject to the aforementioned restrictions. The passing on of information contained on the RBI Research-Website, which is subject to local access restrictions valid in certain countries, to the persons stated in the relevant restrictions may constitute a breach of securities law or of other laws of said countries.

The distribution or dissemination of information published on the RBI Research-Website as well as the purchase and offering of the respective products in certain jurisdictions may be subject to restrictions or additional requirements. Persons who retrieve such information from the RBI Research-Website or into whose possession such information comes are required to inform themselves about and to observe such restrictions. In particular, the products to which such information published on the RBI Research-Website refers, may generally not be purchased or held by U.S. persons (the term "U.S. person" refers to any legal/natural person having its seat/residence in the U.S.A and any other person within the meaning given to it by Regulation S under the Securities Act 1933 as amended).

Users of the Unrestricted Area should be aware that the documents available on this part of the RBI Research-Website are not made available on the basis that any customer relationship is created between RBI and such user solely on the basis of such user having access to the respective documents. The documents available in the Unrestricted Area are intended to be available to users in the European Economic Area and in the United Kingdom.

Links to websites or URLs of third-party providers

With the exception of the cases regulated under § 17 of the Austrian E-Commerce Act, RBI does not assume any liability for the content of websites or URLs of other providers to which links are provided. Neither does RBI assume any liability for the uninterrupted availability or full functionality of the links to websites or URLs of third parties.

Exclusion of liability

RBI makes no warranty and will accept no liability for any damages whatsoever (including consequential or indirect damages, or lost profits) relating to the access to the RBI Research-Website, the opening, use or querying of the contents on the RBI Research-Website or relating to the links set up on the RBI Research-Website to websites or URLs of third parties. This applies also in cases in which RBI points out the possibility of incurring such damages.

Furthermore, RBI shall not be liable for technical disruptions such as server breakdowns, operating disruptions or failures of the telecommunications links and other similar events, which could lead to the (temporary) unavailability of the RBI Research-Website as a whole or parts of it.

Storage of registration data

The content in the Restricted Area of the RBI Research-Website is only available to registered users. By sending the completed online registration form, the user confirms the completeness and correctness of the data given and also confirms having truthfully answered the questions asked. Furthermore, by sending the completed online form, the user hereby declares his or her consent to the electronic processing of his or her registration data by RBI for both internal banking organisational purposes and for transmission to other credit institutions within the Raiffeisen Banking Group, which may in turn also process, pass on or use such data.

Changes to the RBI Research-Website

RBI retains the right to change and to remove the RBI Research-Website at any time (if necessary also without prior notice), in particular as regards changing existing contents (in full or in part) and adding new contents.

General terms and conditions of business

For (authorised) users who use the services of RBI provided on the RBI Research-Website, the General Terms and Conditions of Business, as amended, of RBI shall apply in addition to the terms and conditions of this Disclaimer.


Please also take note of the general information provided pursuant to § 5 of the E-Commerce Act!

Thomas Sternbach Legal and Compliance Raiffeisen Bank International AG Am Stadtpark 9, 1030 Wien Tel: +43-1-71707-1541 Fax: +43-1-71707-761541 thomas.sternbach@rbinternational.com


IF YOU CANNOT SO CERTIFY, YOU MUST CLICK THE BUTTON LABELLED "I DECLINE" OR OTHERWISE EXIT THIS WEBSITE.

BY ACCESSING THE MATERIALS ON THIS WEBSITE, YOU SHALL BE DEEMED TO HAVE MADE THE ABOVE REPRESENTATIONS AND CONSENTED TO DELIVERY BY ELECTRONIC TRANSMISSION.

GUNTER DEUBER

📍 Austria  ,
✉ gunter.deuber@rbinternational.com

GOTTFRIED STEINDL

📍 Austria  ,
✉ gottfried.steindl@rbinternational.com


BRISIDA BUZI

📍 Albania  ,
✉ Brisida.BUZI@raiffeisen.al


ARISTEA VLLAHU

📍 Albania  ,
✉ Aristea.Vllahu@raiffeisen.al


IVONA ZAMETICA

📍 Bosnia Herzegovina  ,
✉ ivona.zametica@raiffeisengroup.ba

ZRINKA ZIVKOVIC-MATIJEVIC

📍 Croatia  ,
✉ zrinka.zivkovic-matijevic@rba.hr

GERGELY PÁLFFY

📍 Hungary  ,
✉ gergely.palfy@raiffeisen.hu

NICOLAE COVRIG

📍 Romania  ,
✉ Nicolae.Covrig@raiffeisen.ro

ANASTASIA BAYKOVA

📍 Russia  ,
✉ ABAIKOVA@raiffeisen.ru

LJILJANA GRUBIC

📍 Serbia  ,
✉ ljiljana.grubic@raiffeisenbank.rs


CASPER ENGELEN

📍 Austria  ,
✉ casper.engelen@rbinternational.com

FRANZ ZOBL

📍 Austria  ,
✉ franz.zobl@rbinternational.com

VALBONA GJEKA

📍 Albania  ,
✉ valbona.gjeka@raiffeisen.al


OLGA ZHEGULO

📍 Belarus  ,
✉ olga.zhegulo@priorbank.by

EMIL KALCHEV

📍 Bulgaria  ,
✉ emil.kalchev@raiffeisen.bg

HELENA HORSKA

📍 Czech Republic  ,
✉ Helena.Horska@rb.cz


ZOLTÁN TÖRÖK

📍 Hungary  ,
✉ torok.zoltan@raiffeisen.hu

ANDREEA-ELENA DRAGHIA

📍 Romania  ,
✉ Andreea-Elena.DRAGHIA@raiffeisen.ro

GREGORY CHEPKOV

📍 Russia  ,
✉ grigory.chepkov@raiffeisen.ru


TIBOR LORINCZ

📍 Slovakia  ,
✉ tibor_lorincz@tatrabanka.sk

MATTHIAS REITH

📍 Austria  ,
✉ matthias.reith@rbinternational.com


PETER ÖHLINGER

📍 Austria  ,
✉ peter.oehlinger@rbinternational.com

FJORENT RRUSHI

📍 Albania  ,
✉ Fjorent.Rrushi@raiffeisen.al


ASJA GRDJO

📍 Bosnia Herzegovina  ,
✉ asja.grdjo@raiffeisengroup.ba


ANA LESAR

📍 Croatia  ,
✉ ana.lesar@rba.hr

DAVID VAGENKNECHT

📍 Czech Republic  ,
✉ david.vagenknecht@rb.cz


DOROTA STRAUCH

📍 Poland  ,
✉ dorota.strauch@raiffeisen.pl

IONUT DUMITRU

📍 Romania  ,
✉ Ionut.Dumitru@raiffeisen.ro

STANISLAV MURASHOV

📍 Russia  ,
✉ stanislav.murashov@raiffeisen.ru

SERHII KOLODII

📍 Ukraine  ,
✉ serhii.kolodii@aval.ua

Imprint

Imprint

Information requirements pursuant to the Austrian E-Commerce Act

Raiffeisen Bank International AG Registered Office: Am Stadtpark 9, 1030 Vienna Postal address: 1010 Vienna, Postfach 50 Phone: +43-1-71707-1846 Fax: +43-1-71707-1848 Company Register Number: FN 122119m at the Commercial Court of Vienna VAT Identification Number: UID ATU 57531200 Austrian Data Processing Register: Data processing register number (DVR): 40027715 W.I.F.T.-Code: RZBA AT WW Supervisory Authorities: As a credit institution (acc. to § 1 Austrian Banking Act; Bankwesengesetz) Raiffeisen Bank International AG is subject to the supervision by the Austrian Financial Market Authority (FMA, Finanzmarktaufsicht) and the National Bank of Austria (OeNB, Oesterreichische Nationalbank). Additionally, RBI is subject to the supervision by the European Central Bank (ECB), which undertakes such supervision within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council

Creation time of this publication: 07/01/2022 14:31 P.M. (CET) ;

First Dissemination of this publication: 07/01/2022 14:31 P.M. (CET)

Regulation (EU) No 1024/2013 - SSM Regulation). Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Austria. Membership: Austrian Federal Economic Chamber, Federal Bank and Insurance Sector, Raiffeisen Association.

Statement pursuant to the Austrian Media Act

Publisher and editorial office of this publication Raiffeisen Bank International AG Am Stadtpark 9, A-1030 Vienna
Media Owner of this publication Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen Am Stadtpark 9, A-1030 Vienna
Executive Committee of Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen: Mag. Peter Brezinschek (Chairman), Mag. Helge Rechberger (Vice-Chairman)
Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen is constituted as state-registered society. Purpose and activity are (inter alia), the distribution of analysis, data, forecasts and reports and similar publications related to the Austrian and international economy as well as financial markets.

Basic tendency of the content of this publication

- Presentation of activities of Raiffeisen Bank International AG and its subsidiaries in the area of conducting analysis related to the Austrian and international economy as well as the financial markets.
- Publishing of analysis according to various methods of analyses covering economics, interest rates and currencies, government and corporate bonds, equities as well as commodities with a regional focus on the euro area and Central and Eastern Europe under consideration of the global markets.

Producer of this publication Raiffeisen Bank International AG Am Stadtpark 9, A-1030 Vienna