

Instant comment

Inflation unchanged (so far)

13 September 2013

August's inflation did not surprise, contrary to July's reading, and was unchanged at 1.1%YoY. In the following months we will probably see a gradual increase of CPI, but risk that inflation will persistently exceed the inflation target seems rather distant. We are expecting that the MPC will keep interest rates unchanged until mid-2014. Data on money supply did not bring a considerable change of credit and deposit market trends.

Inflation unchanged

Inflation rate in August remained at July's level, i.e. at 1.1%YoY, which was in line with our expectations and market consensus. As one could have expected, we saw seasonal declines of prices of food and non-alcoholic beverages (-1.2%MoM) and clothing and footwear (-2.7%MoM). Price reductions in these two categories were slightly deeper than we expected, but this was offset by moderate rise of fuel prices, which climbed by 0.5%MoM, i.e. more than we assumed. Changes of prices in other categories were insignificant.

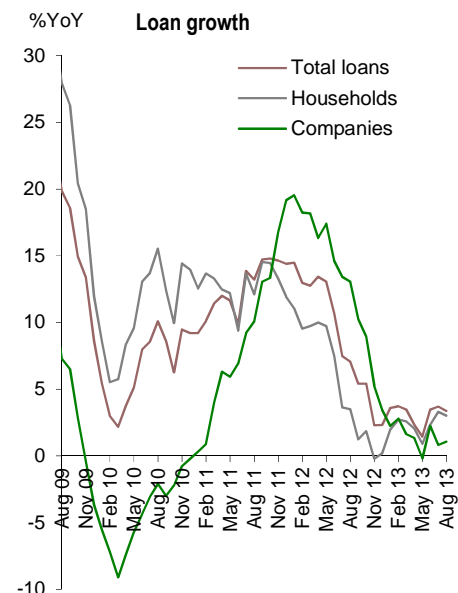
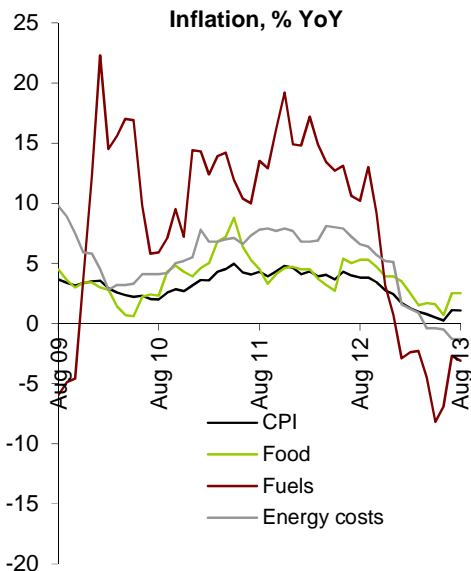
According to our estimates, core inflation excluding food and energy prices also remained stable, at 1.4%YoY (in line with our earlier forecast).

In the upcoming months, inflation will be probably gradually increasing – in our view it will reach 2% at the beginning of 2014 and will approach inflation target at 2.5% in mid-2014.

The data did not change monetary policy outlook. We are expecting the MPC to keep NBP interest rates unchanged until mid-2014.

Still no breakthrough on credit and deposit markets

Growth rate of M3 money supply eased in August to 6.2%YoY from 6.6%YoY in July. We saw a continuation of accelerating growth of cash (10.7%YoY) and decelerating households' deposits (6.7%YoY), a likely result of low interest rates. Still, banks recorded a light inflow of households' deposits versus July (PLN2.4bn). Similar situation was visible in households' loans: the value of outstanding credit picked up versus July (by PLN3.9bn), but the increase was lower than one year ago, so annual growth rate slid to 3.0%YoY from 3.3%YoY. Companies' loans increased more markedly than one year ago, posting an acceleration to 1.1%YoY. However, one should remember that these changes were biased upwards by effect of the zloty depreciation.



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