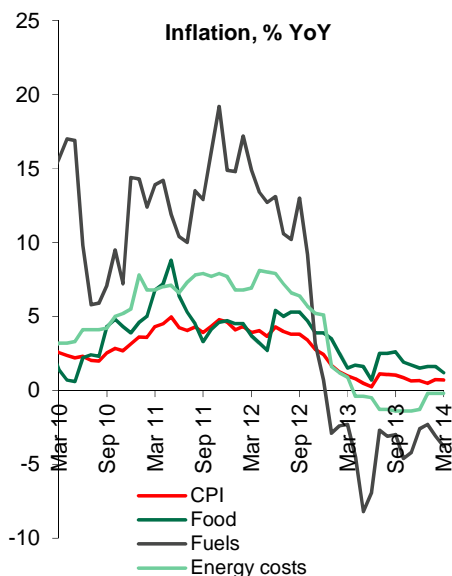


# INSTANT COMMENT

15 April 2014

## No surprise from March CPI

CPI inflation increased in March by 0.1%MoM and by 0.7%YoY, in line with our and market expectations. Inflation remains subdued and we expect this to be continued in the following months. Only in late 2014 CPI may rebound more visibly to nearly 2%YoY due to the low base effect, and thanks to the strengthening of consumption demand. Today's data do not influence our outlook for the monetary policy. We still expect NBP rates to remain stable on the course of the year and anticipate first rate hike in early 2015. Today's publication did not have any visible market impact.



Consumer goods and services prices increased in March by 0.1%MoM and 0.7%YoY (the latter unchanged vs. February). Biggest impact on monthly rise of prices was provided by "clothing and footwear" (+0.8% due to spring collections), "alcoholic beverages, tobacco" (by 0.7%) and "communication" (by 0.6%). In the opposite direction worked "food and non-alcoholic beverages" prices (by 0.3%, roughly in line with our expectations) and "furnishings, household equipment and routine maintenance of the house" prices (by 0.1%), that trimmed c.0.1pp from the annual figure. Notice, that in March food prices usually rise, so this month's decline in this category may be due to Russian embargo on Polish pork meat. Prices of pork meat declined by 3.2%MoM in March.

After this release, we decided to revise our core CPI estimate to 1.1%YoY from 1.0%YoY expected earlier.

March data confirm that there is no inflationary pressure in Polish economy. CPI inflation remains well below the lower band of deviations tolerance range around the NBP inflation target, i.e. 1.5%YoY and this level, in our opinion, may be broken in the final months of this year, at the earliest. We expect that inflation rate will rebound more visibly towards 1.9%YoY at the end of 2014. Until then, inflation should stay below 1%YoY. External factors, including risk of deflation in the euro zone, prolonging Russia-Ukraine conflict, will support the antyinflationary environment. One factor, which will support upward trend of CPI will be the statistical low base effect.

Today's CPI data do not change our monetary policy outlook for upcoming months. We expect the MPC to extend its forward guidance till the end of this year at its July's meeting (when new CPI and GDP projections will be available). We uphold our stance that the first rate hike may take place at the beginning of 2015.

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Rates Area, Economic Analysis Department, ul. Marszałkowska 142, 00-061 Warsaw, Poland, phone +48 22 534 18 88, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>.

### ECONOMIC ANALYSIS DEPARTMENT:

ul. Marszałkowska 142. 00-061 Warszawa fax +48 22 586 83 40

email: ekonomia@bzwbk.pl Web site: <http://www.bzwbk.pl>

Maciej Reluga (Chief Economist) +48 22 534 18 88

Piotr Bielski +48 22 534 18 87

Agnieszka Decewicz +48 22 534 18 86

Marcin Luziński +48 22 534 18 85

Marcin Sulewski +48 22 534 18 84

### TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400