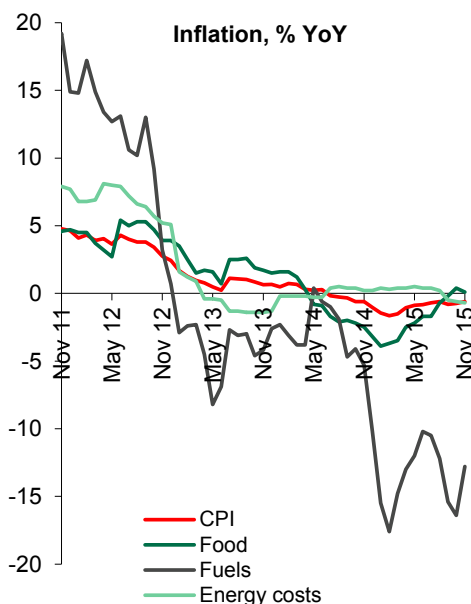


INSTANT COMMENT

15 December 2015

CPI surprises due to lower food prices

November CPI reached -0.6% YoY, slightly below the flash estimate (-0.5% YoY). On monthly basis prices fell by 0.1%, mainly on the lower food (-0.4%) and slower growth of fuel prices (+1%). We estimate that core CPI after excluding food and energy prices rose to 0.3% YoY. Consumer prices are growing slower than we were expecting and we think that deflation could persist at least during the next two months. We still expect positive annual CPI in 1Q16. We forecasts inflation to reach around -0.5% YoY in December 2015 and c1% YoY in December 2016.



Poland's consumer goods and services prices fell in November by 0.6% YoY which means deeper deflation than indicated by the flash estimate (-0.5%). When compared to our forecasts, the biggest surprises were recorded for food and fuel prices. In contrast to our expectations, food and non-alcoholic beverages prices decreased by 0.3% MoM (we anticipated +0.2%) and this was mainly on lower prices of fresh fruits (-2.7% MoM), flour (-0.8% MoM) and meat (-0.6% MoM on average, while poultry lost 1.3% MoM). At the same time increase in fuel prices was slower than we predicted and it amounted to 1% MoM (against 1.4% MoM predicted by us). In the remaining categories monthly changes were very close to our forecasts.

After this data, we estimate that core CPI after excluding food and energy prices rose in November to 0.3% YoY, up from 0.2% YoY in October.

Today's data do not change our 2016 inflation outlook. In our view, inflation will be rising gradually in the coming months and in 1Q16 we should see positive annual prices growth mainly due to higher food prices. We forecasts inflation to reach around -0.5% YoY in December 2015 and c1% YoY in December 2016.

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