

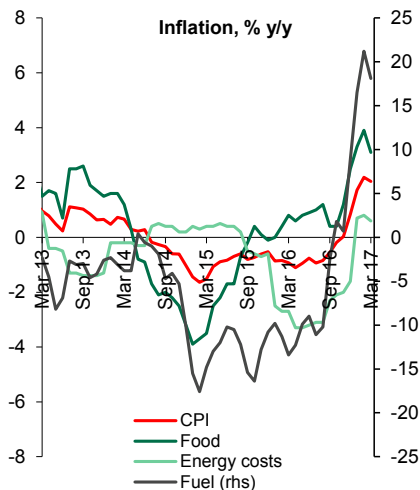
# INSTANT COMMENT

11 April 2017

## Cheaper vegetables pulled CPI down

Industrial output PI inflation reached 2.0% y/y in March, in line with the flash estimate. Prices dropped 0.1% m/m. As we suspected, the drop of inflation from February's 2.2% y/y resulted mainly from the lower prices of food (-0.3% m/m), and in particular vegetables, which got cheaper by 5.4% m/m – the strongest drop in this month for at least 10 years. According to our estimates, core inflation excluding prices of food and energy rose 0.7% y/y and was the highest since 2014.

We expect inflation to stay near 2% y/y in the months to come and ease to c1.5% y/y at the year-end due to the high base effect. Core inflation should continue to rise to c1.6-1.7% y/y in late 2017. Such inflation trends should warrant stable interest rates in Poland.



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