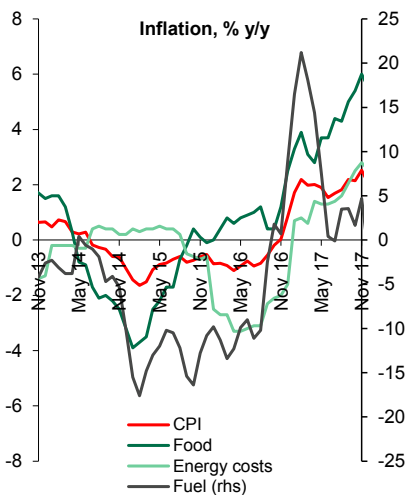


INSTANT COMMENT

11 December 2017

CPI on target, egg prices sharply up

Stats Office confirmed the flash November CPI release at 2.5% y/y, up from 2.1% in October. Inflation returned to the NBP target after five years of wandering below this important level. As we expected, CPI growth was based on rising prices of food and non-alcoholic beverages (1.0% m/m). Additional factors pushing CPI up were: transport (rising +1.6% m/m amid higher fuel prices) and energy (+0.4% m/m), mainly solid fuels that follow the global upward coal price trend. According to our estimates core inflation excluding food and energy prices inched up only slightly, to 0.9% y/y from 0.8% in October. We expect inflation to decrease in December to c2.0% y/y, and to rise gradually in the months to come, surpassing the target in mid-2018. In 2018, core inflation will become the main contributor to CPI growth, rising by 2.0% y/y, while pressure from fuel and food prices will ease. Even though the inflation return to the target should be eyed by the MPC members, the CPI growth breakdown is not an argument for hawks. According to central bankers, monetary policy has a minimal influence on the food and fuel prices.



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