

## Poland: Inflation jumps on food & fuel prices, core subdued

Poland's headline consumer price index rose in April to 1.6% year-on-year from 1.3% a month earlier, chiefly reflecting higher food and fuel prices. Details presented by the official statistics office (GUS) suggest that the core rate remained subdued. The overall picture supports a dovish monetary policy stance



According to GUS, the strongest contributors to the higher CPI were prices of fuels for private transportation, which increased from -2.3% year-on-year in March to +1.3% YoY. This reflects the strongest month-on-month rise in prices since Oct-17. Food prices increased by 4% YoY from 3.7% YoY a month earlier.

# 1.6%

 CPI (YoY)

Higher than expected

The core rate likely remained subdued (we stick to our 0.6% YoY estimate) after having dropped to 0.7% YoY a month earlier. This underscores a weak transition of solid wages into prices, even of services. We underline that the previous CPI details presented in the flash reading proved inaccurate when calculating the core rate – the initial YoY estimate was 0.2pp lower than the actual figure. Detailed data will also confirm if methodological changes confirm a lasting rise in clothing and footwear prices.

## Outlook for inflation

We remain pessimistic over the prospects for inflation in 2018 – the headline figure is very likely to significantly undershoot the central bank March projection (2.1% YoY). The major argument against a CPI increase in the coming quarters is the deceleration of food prices (we expect deflation in this category in 4Q18), no sign of a pick up in core inflation and no increase in regulated prices.

### Dovish MPC

The overall picture calls for a further softening of the MPC stance – not only is core inflation persistently low but the GDP revision for 2017 revealed very disappointing investments.

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